

**NEW ISSUE
BOOK ENTRY ONLY**

NOT RATED

In the opinion of Bond Counsel, subject to the limitations and the conditions described herein, (a) interest on the Series 2012A Bonds (i) will not be included in gross income for federal income tax purposes and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations and (b) interest on the Series 2012A Bonds and the Series 2012B Bonds will be exempt from present State of Georgia income taxation. See "TAX MATTERS" herein.



\$22,460,000
Franklin County (Georgia) Industrial Building Authority
Tax-Exempt Revenue Bonds
(Emmanuel College, Inc. Projects)
Series 2012A

\$2,760,000
Franklin County (Georgia) Industrial Building Authority
Taxable Revenue Bonds
(Emmanuel College, Inc. Projects)
Series 2012B

Dates, Interest Rates, Yields and CUSIPs are shown on the inside of the front cover.

Dated: Date of Issuance

Due: As shown on the inside cover hereof

Franklin County Industrial Building Authority (the "Authority") is offering \$22,460,000 in aggregate principal amount of its Tax-Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A (the "Series 2012A Bonds") and \$2,760,000 in aggregate principal amount of its Taxable Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Bonds").

The Bonds are being issued pursuant to a Trust Indenture, dated as of December 1, 2012 (the "Indenture"), by and between the Authority and Regions Bank, an Alabama banking corporation, as trustee (the "Trustee"). The proceeds of the sale of the Bonds will be loaned to Emmanuel College, Inc., a nonprofit corporation organized and existing under the laws of the State of Georgia (the "College") pursuant to the terms and provisions of a Loan Agreement, dated as of December 1, 2012, (the "Agreement"), by and between the Authority and the College. Under the terms of the Agreement, the College is required to make payments to the Authority that will be sufficient to pay the principal of, the redemption premium, if any, and interest on the Bonds as the same become due. **The College's obligation to pay debt service on the Bonds under the Agreement is an absolute and unconditional general obligation of the College.**

The proceeds of the Bonds will be used to (i) refund certain debt issued by or for the benefit of the College; (ii) finance all or a portion of the costs of constructing and equipping an addition to Roberson Hall; (iii) reimburse itself for prior capital expenditures associated with the construction and equipping of the College's new athletic center; (iv) fund a debt service reserve; (v) pay swap termination costs; and (vi) pay all or a portion of the costs of issuing the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

As security for the College's obligations under the Agreement, the College will execute its 2012-A Master Note, dated the date of issuance of the Bonds (the "Promissory Note") in favor of the Trustee. The Promissory Note will be issued pursuant to a Master Trust Indenture, dated as of December 1, 2012 (the "Original Master Indenture"), by and between the College and Regions Bank, an Alabama banking corporation, as master trustee (the "Master Trustee"), as supplemented by the First Supplemental Master Trust Indenture (together with the Original Master Indenture, the "Master Indenture"), dated as of December 1, 2012, by and between the College and the Master Trustee. Under the Master Indenture, the College will grant to the Master Trustee a security interest in its Gross Revenues (as defined herein) as security for the payment of all Obligations (as defined herein) issued pursuant to the terms of the Master Indenture, including, but not limited to, the Promissory Note. As additional security for the payment of all Obligations issued pursuant to the terms of the Master Indenture, the College will execute a Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the "Senior Security Deed") in favor of the Master Trustee encumbering certain portions of the real property owned and operated by the College (the "Mortgaged Property"). **The Mortgaged Property does not include personal property or equipment. The Mortgaged Property also does not include all the real property owned or operated by the College. See "APPENDIX G—MAP OF THE MORTGAGED PROPERTY." For a further description of the security for the Bonds, see "SECURITY FOR THE BONDS" herein.**

Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2013. The Bonds are issuable in the form of fully registered certificates in the denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases will be made in book-entry only form and no physical delivery of the Bonds will be made to Beneficial Owners (as herein defined). Payment of principal of, interest and premium, if any, on the Bonds will be made by the Trustee to Cede & Co., as nominee of DTC, and will subsequently be disbursed to Direct Participants (as herein defined) and thereafter to Beneficial Owners. See "THE BONDS" herein. The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity under certain circumstances described herein and as set forth in the Indenture. See "THE BONDS" herein.

THE BONDS ARE NOT RATED, MAY NOT BE APPROPRIATE FOR SOME INVESTORS AND ARE SUBJECT TO CERTAIN RISKS. SEE "THE BONDS" AND "RISK FACTORS" HEREIN. THE BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN CERTAIN SECONDARY MARKET TRANSACTIONS) ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS SUCH TERM IS DEFINED UNDER "TRANSFER RESTRICTIONS"). THE BONDS AND BENEFICIAL INTERESTS THEREIN MAY BE TRANSFERRED, UPON SATISFACTION OF CERTAIN CONDITIONS, ONLY TO CERTAIN QUALIFIED INSTITUTIONAL BUYERS. SEE "TRANSFER RESTRICTIONS" AND "APPENDIX E—INVESTOR LETTER."

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE STATE OF GEORGIA (THE "STATE") OR FRANKLIN COUNTY, GEORGIA (THE "COUNTY"). THE BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE. NO OWNER OF THE BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OR THE COUNTY TO PAY THE BONDS OR THE INTEREST HEREON OR ANY OTHER COST RELATING THERETO OR TO ENFORCE PAYMENT HEREOF AGAINST ANY PROPERTY OF THE STATE OR THE COUNTY. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS AGAINST ANY OFFICER, DIRECTOR OR MEMBER OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter, subject to prior sale and to withdrawal or modification of the offer without notice and the approval of legality by Murray Barnes Finister LLP, Atlanta, Georgia, Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority by its counsel Grant & Green, LLC, Royston, Georgia; for the College by its counsel, Peck, Shaffer & Williams LLP, Atlanta, Georgia and for George K. Baum & Company (the "Underwriter") by its counsel, Kutak Rock LLP, Denver, Colorado. Delivery of the Bonds to the Trustee on behalf of DTC under the DTC FAST system of registration is expected on or about December 4, 2012.

George K. Baum & Company

November 28, 2012

THE BONDS

Dated: Date of Issuance

Due: November 1, as shown below

MATURITIES, INTEREST RATES, PRICES AND CUSIPS

SERIES 2012A BONDS

\$2,560,000 5.750% Term Bond, Due November 1, 2025, Yield: 5.750%, CUSIP*: 35268NAK8
\$5,350,000 6.000% Term Bond, Due November 1, 2032, Yield: 6.000%, CUSIP*: 35268NAL6
\$14,550,000 6.250% Term Bond, Due November 1, 2043, Yield: 6.250%, CUSIP*: 35268NAM4

SERIES 2012B BONDS

\$2,760,000 7.000% Term Bond, Due November 1, 2021, Yield: 7.000%, CUSIP*: 35268AN2

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than the information and representations contained in this Limited Offering Memorandum, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. Statements contained in this Limited Offering Memorandum that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact, and no representation is made that any of the estimates, forecasts or matters of opinion will be realized. The information and expressions of opinion contained in this Limited Offering Memorandum are subject to change without notice and neither the delivery of this Limited Offering Memorandum nor any sale hereunder shall, under the circumstances, create any implication that there has been no change in the affairs of the Authority, the College, or others since the date hereof.

The Underwriter has provided the following sentence for inclusion in the 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 the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Limited Offering Memorandum does not constitute an offer or solicitation of an offer in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

This Limited Offering Memorandum has been prepared only in connection with the original offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services.

This Limited Offering Memorandum is “deemed final” by the College for purposes of Rule 15c2-12 of the regulations under the Securities and Exchange Act of 1934, as amended (the “Rule”), except for any information permitted by such Rule to be omitted.

CUSIP numbers on the inside cover of this Limited Offering Memorandum are copyright 2012 by the American Bankers Association. CUSIP data herein is provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

THE PRICE AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELD RESULTING THEREFROM) MAY VARY FROM THE PUBLIC OFFERING PRICE APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICE TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE OR MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COLLEGE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

NOTICE TO INVESTORS

THE BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED UNDER “TRANSFER RESTRICTIONS”). THE INDENTURE UNDER WHICH THE BONDS WILL BE ISSUED WILL CONTAIN PROVISIONS LIMITING TRANSFERS OF THE BONDS TO QUALIFIED INSTITUTIONAL BUYERS. IN ADDITION, THE FACE OF EACH BOND WILL CONTAIN A LEGEND TO THE EFFECT THAT SUCH BOND CAN ONLY BE OWNED BY QUALIFIED INSTITUTIONAL BUYERS. EACH INITIAL PURCHASER WILL BE REQUIRED TO DELIVER INVESTOR LETTER SUBSTANTIALLY IN THE FORM OF APPENDIX E HERETO.

THE BONDS WILL BE ISSUED IN MINIMUM DENOMINATIONS OF \$100,000 OR 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, NEW YORK, NEW YORK.

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LIMITED OFFERING MEMORANDUM

\$22,460,000
Franklin County Industrial Building Authority
Tax-Exempt Revenue Bonds
(Emmanuel College, Inc. Projects)
Series 2012A

\$2,760,000
Franklin County Industrial Building Authority
Taxable Revenue Bonds
(Emmanuel College, Inc. Projects)
Series 2012B

INTRODUCTION

This Introduction is not a summary of this Limited Offering Memorandum and is intended only for quick reference. It is only a brief description and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Limited Offering Memorandum, including the cover page and the Appendices, and the documents summarized or described herein. Investors should fully review the entire Limited Offering Memorandum. The offering of the Bonds to potential investors is made only by means of the entire Limited Offering Memorandum, including the Appendices hereto. No person is authorized to detach this Introduction from the Limited Offering Memorandum or otherwise to use it without the entire Limited Offering Memorandum, including the appendices hereto.

General

This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Limited Offering Memorandum, the Limited Offering Memorandum, Indenture, the Agreement, the Promissory Note, the Master Indenture and the Security Deeds and other relevant documents and information regarding the documents are available from George K. Baum & Company, Suite 800, 1400 Wewatta Street, Denver, Colorado 80202, (303) 292-1600.

This Limited Offering Memorandum and the appendices hereto contain brief descriptions of, among other matters, the Authority, the College, the Indenture, the Agreement, the Promissory Note, the Master Indenture, the Security Deeds and the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Agreement, the Promissory Note, the Master Indenture and the Security Deeds are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety to the form thereof included in the Indenture. All information included herein has been provided by the College except where attributed to other sources. The summaries and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive, or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report, or other instrument.

Purpose of this Limited Offering Memorandum

This Limited Offering Memorandum, including the cover page and the appendices hereto, is provided to furnish certain information in connection with the offering of \$22,460,000 aggregate principal amount of the Franklin County Industrial Building Authority Tax-Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A (the "Series 2012A Bonds") and of \$2,760,000 aggregate principal amount of the Franklin County Industrial Building Authority Taxable Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Bonds"). Definitions of certain capitalized words used in this Limited Offering

Memorandum are set forth in “DEFINITIONS and SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS” in Appendix C hereto.

Plan of Finance

The proceeds of the Bonds will be used to (i) refund certain debt issued by or for the benefit of the College (the “Refunding”); (ii) finance all or a portion of the costs of constructing and equipping an addition to Roberson Hall (“Roberson Hall Phase II”); (iii) reimburse itself for prior capital expenditures associated with the construction and equipping of the College’s new athletic center (the “Athletic Center”) (the reimbursement and Roberson Hall Phase II shall be collectively referred to herein as the “Projects”); (iv) fund a debt service reserve; (v) pay swap termination costs; and (vi) pay all or a portion of the costs of issuing the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein. See also “APPENDIX H—ROBERSON HALL PHASE II.”

Authorization

The Bonds are being issued by the Franklin County Industrial Building Authority (the “Authority”), a public body corporate and politic organized under and existing pursuant to by the laws of the State of Georgia including an Amendment to the Constitution of the State of Georgia (Ga. Laws 1962, p. 1103, et seq.), as amended (the “Act”). The Bonds are being issued under and pursuant to a Trust Indenture, dated as of December 1, 2012 (the “Indenture”), between the Authority and Regions Bank, an Alabama banking corporation, as trustee (the “Trustee”). The Authority will lend the proceeds of the Bonds to Emmanuel College, Inc. (the “College”), pursuant to a Loan Agreement, dated as of December 1, 2012 (the “Agreement”), by and between the Authority and the College.

The Authority

The Authority is a public body corporate and politic that was created and existing under the Act. See “THE AUTHORITY” herein.

Emmanuel College, Inc.

The College is a Georgia nonprofit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The College is a coeducational liberal arts college with an Evangelical, Pentecostal foundation that is located approximately 90 miles northeast of Atlanta, Georgia in the town of Franklin Springs, Georgia. For the 2012-13 academic year, the College’s full time student enrollment is 740 students and its head count enrollment is 835 students. The College offers 20 different majors through its School of Arts and Sciences, School of Business, School of Christian Ministries and School of Education. The College awards Bachelor of Arts, Bachelor of Science and a small number of Associate of Arts degrees. Important information about the College is set out in “APPENDIX A—EMMANUEL COLLEGE,” which should be read in its entirety. In addition, copies of the College’s audited financial statements for the fiscal years ended June 30, 2011 and June 30, 2012 are attached as “APPENDIX B—AUDITED FINANCIAL STATEMENTS” and should be read in their entirety.

Security for the Bonds

Generally. The College is required to make payments to the Authority that will be sufficient to pay the principal of, the redemption premium, if any, and interest on the Bonds as the same become due.

2012A Promissory Note. As security for its obligations under the Agreement, the College will execute its 2012-A Master Note, dated the date of issuance of the Bonds (the “Promissory Note”) in favor of the Trustee. The Promissory Note will be issued pursuant to a Master Trust Indenture, dated as of December 1, 2012 (the “Original Master Indenture”), by and between the College and Regions Bank, an Alabama banking corporation, as master trustee (the “Master Trustee”), as supplemented by a First Supplemental Master Trust Indenture, dated as of December 1, 2012 (together with the Original Master Indenture, the “Master Indenture”), by and between the College and the Master Trustee. Under the Master Indenture, the College will grant to the Master Trustee a security interest in its Gross Revenues as security for the payment of all Obligations issued pursuant to the terms of the Master Indenture, including, but not limited to, the Promissory Note.

Senior Security Deed. As additional security for the payment of all Obligations issued pursuant to the terms of the Master Indenture, the College will execute a Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the “Senior Security Deed”) in favor of the Master Trustee encumbering certain portions of the real property owned and operated by the College (the “Mortgaged Property”). The Mortgaged Property consists of certain tracts and parcels of land (the “Land”) described in the Senior Security Deed and on the map attached hereto as “APPENDIX G—MAP OF THE MORTGAGED PROPERTY,” together with all buildings, structures, fixtures and other improvements now or hereinafter located on the Land. The Mortgaged Property does not include the personal property or equipment located on the Land. **The Mortgaged Property does not include all property owned or operated by the College and does not include the entirety of the College’s campus but only those parcels of Land specified in the Senior Security Deed. The College’s obligation to pay debt service on the Bonds under the Agreement is an absolute and unconditional general obligation of the College and such obligation is secured by the Senior Security Deed.** See “SECURITY FOR THE BONDS—Promissory Note.”

Subordinate Security Deed. Under a Loan Agreement, dated as of September 1, 2001 (the “DDA Loan Agreement”), between the Downtown Development Authority of the City of Franklin Springs, Georgia and the College, the College executed a promissory note (the “DDA Note”) in favor of Pinnacle Bank evidencing the College’s obligations under the DDA Loan Agreement. The DDA Note was issued in September 2001 in the amount of \$1.4 million to fund the construction of the Swails Center and Melton and Hartsfield Residence Halls (the “DDA Projects”). The College’s obligations under the DDA Loan Agreement and the DDA Note are secured by Deed to Secure Debt, dated September 18, 2001, from the College to Pinnacle Bank (the “DDA Security Deed”). The DDA Security Deed encumbers the DDA Projects and Townhouse Apartments 1-8 (also known as Drum Avenue Townhouses) and the King Street Duplex Apartments 1-6 (collectively, the “Subordinate Mortgaged Property”). The DDA Security Deed does not encumber any of the Mortgaged Property. For further information regarding the DDA Note, see “APPENDIX A—ADDITIONAL FINANCIAL INFORMATION—Outstanding Indebtedness.”

As a condition precedent to the closing of the Bonds, the College will, with the consent of Pinnacle Bank, record a Subordinate Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the “Subordinate Security Deed”) for the benefit of the Master Trustee. The Subordinate Security Deed will encumber the Subordinate Mortgaged Property. The Subordinate Security Deed will be subordinate to the DDA Security Deed. The Subordinate Security Deed and the Senior Security Deed shall be collectively referred to herein as the Security Deeds. See “SECURITY FOR THE BONDS—Security Deeds.”

Debt Service Reserve Fund. The Bonds are additionally secured by a debt service reserve fund (the “Debt Service Reserve Fund”), which shall be funded with a portion of the proceeds of the Bonds in an amount equal to the Reserve Requirement \$(1,874,925). Moneys in the Debt Service Reserve Fund

shall be held in trust by the Trustee separate and apart from all other deposits and funds and amounts therein will only be applied to the payment of principal of and interest on the Bonds when other moneys are not available for such purposes. See “SECURITY FOR THE BONDS—Debt Service Reserve Fund” herein.

Financial and Operating Covenants. The College has agreed to certain operating and financial covenants under the Master Trust Indenture. In particular, the College has covenanted to set rates, fees and charges to maintain at least 110% coverage of the debt service requirements on the Bonds. See “SECURITY FOR THE BONDS—The Master Indenture—*Debt Service Coverage Ratio*” herein. In addition, the College has entered into a liquidity covenant whereby it agrees to maintain a Liquidity Ratio, as defined herein, at various levels while the Bonds are outstanding. See “SECURITY FOR THE BONDS—The Master Indenture—*Liquidity Covenant*” herein.

Additional Indebtedness. Subject to satisfaction of the requirements of the Master Indenture, so long as there is no default thereunder, the College may incur Additional Indebtedness thereunder, subject to certain conditions. See “SECURITY FOR THE BONDS—The Master Indenture—*Additional Indebtedness*” and “APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS” herein.

For further information concerning the security for the Bonds, see “SECURITY FOR THE BONDS” herein and “APPENDIX C—DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS” hereto.

Risk Factors

There are certain considerations and risks relating to an investment in the Bonds which are set forth in this Limited Offering Memorandum under the caption “RISK FACTORS” and which should be carefully reviewed by the prospective purchasers of the Bonds.

Continuing Disclosure

The College has covenanted for the benefit of the owners of the Bonds in a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to provide (a) certain financial information and operating data relating to the College (the “Operating and Financial Data”); and (b) notices of the occurrence of certain material events (the “Material Events Notices”). The Operating and Financial Data and the Material Events Notices will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB (which, as of the date hereof, is the Electronic Municipal Market Access (“EMMA”) system of the MSRB). The College’s undertaking to provide Operating and Financial Data and Material Events Notices pursuant to the Continuing Disclosure Certificate is described in Appendix D hereto. The covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The College has not entered into any previous undertakings with respect to the Rule. See “CONTINUING DISCLOSURE” herein and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto.

Purchase and Transfer Restrictions

The Bonds are to be offered and sold (including secondary market transactions) only to Qualified Institutional Buyers as defined in Rule 144A of the Securities Act of 1933. The Indenture will contain provisions limiting transfers of the Bonds and beneficial ownership interests therein to Qualified Institutional Buyers. In addition, the face of each Bond will contain a legend indicating that such Bond

can only be registered in the name of, or transferred to and owned by, Qualified Institutional Buyers. Further, each initial purchaser will be required to deliver an Investor Letter substantially in the form of Appendix E hereto.

In the event that the Bonds (without credit enhancement, unless such credit enhancement extends the maturity or redemption of the Bonds) are rated “A3,” “A-” or “A-” or higher by Moody’s, S&P or Fitch, respectively, or any other nationally recognized rating agency approved by the Authority, then the restrictions on transfer of the Bonds described above will no longer apply to the Bonds and the Bonds may be in denominations of \$5,000 or any integral multiple thereof. See “APPENDIX C—DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS—The Indenture.” See “TRANSFER RESTRICTIONS” herein.

THE AUTHORITY

Introduction

The Authority is a public body corporate and politic created and existing under the laws of the State of Georgia.

A project may be for any use provided that a majority of the members of the Authority determine that the project and its use are for the public purposes of the Act, and the members of the Authority have made such a determination with respect to the financing of the acquisition and construction of the Projects. The Authority has no taxing power.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE STATE OF GEORGIA (THE “STATE”) OR FRANKLIN COUNTY (THE “COUNTY”). THE BONDS ARE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE. NO OWNER OF THE BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OR THE COUNTY TO PAY THE BONDS OR THE INTEREST HEREON OR ANY OTHER COST RELATING THERETO OR TO ENFORCE PAYMENT HEREOF AGAINST ANY PROPERTY OF THE STATE OR THE COUNTY. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS AGAINST ANY OFFICER, DIRECTOR OR MEMBER OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The responsibility for the Refunding and the construction, equipping and operation of the Projects will rest entirely with the College and not with the Authority or any public official or officer of the Authority.

THE BONDS

General

The Series 2012A Bonds will be issued in the aggregate principal amount of \$22,460,000 and the Series 2012B Bonds will be issued in the aggregate principal amount of \$2,760,000. The Bonds will be dated their date of issuance, and will mature as described on the inside cover hereof, subject to the mandatory redemption provisions of the Indenture. The Bonds bear interest from their date of issuance and delivery at the rates shown on the inside cover page of this Limited Offering Memorandum, payable on each Interest Payment Date until paid. The Bonds will be issued in book-entry form and registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York (“DTC”).

Dates, Denominations and Payment Information

The Bonds shall be issuable in fully registered form in the denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover hereof (computed on the basis of a 360-day year composed of twelve 30-day months), payable on each Interest Payment Date as described above, from the Interest Payment Date next preceding the date of authentication of such Bond to which interest has been paid or provided for, unless the date of authentication of such Bond is an Interest Payment Date to which interest has been paid or provided for, then from the date of authentication thereof, or unless no interest has been paid on such Bond, in which case from the date of issuance of the Bond or unless such authentication date shall be after any Record Date and before the next succeeding Interest Payment Date in which case interest shall be paid from the next succeeding Interest Payment Date. The principal of and interest and redemption premium, if any, on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts.

Payment of principal and interest on the Bonds will be made as described below under “—Book-Entry Only System.” However, in the event the book-entry system shall be discontinued, the following provisions shall pertain. Interest on each Bond shall be payable on each Interest Payment Date by check or draft mailed by first class mail on the date on which due to the person in whose name such Bond is registered on the registration books of the Authority maintained by the Trustee at the close of business on the Record Date, except that any interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner of such Bond as of the Record Date, and shall be payable to the person who is the registered owner of such Bond at the close of business on a special record date for the payment of such defaulted interest. Such special record date shall be fixed by the Trustee whenever moneys become available for the payment of such defaulted interest, and notice of the special record date shall be given by first class mail by the Trustee or by or on behalf of the Authority to the registered owner thereof not less than 15 days prior thereto. Such interest shall be mailed to the registered owner at his or her address as shown on the register maintained by the Trustee on the Record Date. In the event that any owner of Bonds in an aggregate principal amount of at least \$1,000,000 shall provide the Trustee on or prior to any Record Date with written wire transfer instructions, the interest on subsequent Interest Payment Dates shall be paid in accordance with such instructions. The principal of and redemption premium, if any, on the Bonds are payable only upon presentation and surrender thereof at the designated office of the Trustee.

Special and Limited Obligations

The Bonds and the interest thereon are special and limited obligations of the Authority, payable solely from certain payments to be made by the College under the Agreement, from certain funds held by the Trustee under the Indenture and not from any other fund or source of the Authority.

Optional Redemption of Bonds

The Bonds maturing on or after November 1, 2023 are subject to redemption prior to their respective maturities, either in whole or in part at any time on or after November 1, 2022, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption of Bonds

The Series 2012A Bonds maturing on November 1, 2025 are subject to mandatory sinking fund redemption prior to their maturity at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest, on November 1 of the following years and in the following amounts (the November 1, 2025 amount to be paid rather than redeemed):

Year	Amount
2021	\$335,000
2022	510,000
2023	540,000
2024	570,000
2025	605,000

The Series 2012A Bonds maturing on November 1, 2032 are subject to mandatory sinking fund redemption prior to their maturity at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest, on November 1 of the following years and in the following amounts (the November 1, 2032 amount to be paid rather than redeemed):

Year	Amount
2026	\$635,000
2027	675,000
2028	715,000
2029	760,000
2030	805,000
2031	855,000
2032	905,000

The Series 2012A Bonds maturing on November 1, 2043 are subject to mandatory sinking fund redemption prior to their maturity at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest, on November 1 of the following years and in the following amounts (the November 1, 2043 amount to be paid rather than redeemed):

Year	Amount
2033	\$ 960,000
2034	1,020,000
2035	1,085,000
2036	1,150,000
2037	1,220,000
2038	1,300,000
2039	1,380,000
2040	1,465,000
2041	1,555,000
2042	1,655,000
2043	1,760,000

The Series 2012B Bonds maturing on November 1, 2021 are subject to mandatory sinking fund redemption prior to their maturity at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest, on November 1 of the following years and in the following amounts (the November 1, 2021 amount to be paid rather than redeemed):

Year	Amount
2014	\$300,000
2015	320,000
2016	345,000
2017	370,000
2018	395,000
2019	425,000
2020	455,000
2021	150,000

At its option, to be exercised on or before the forty-fifth day next preceding any sinking fund redemption date, the College may (a) deliver to the Trustee for cancellation Bonds of the appropriate maturity in any aggregate principal amount desired; or (b) receive a credit in respect of its sinking fund redemption obligation for any Bonds of the appropriate maturity which prior to said date have been redeemed (otherwise than through the operation of the Indenture) and cancelled by the Trustee and not theretofore applied as a credit against any prior mandatory sinking fund redemption obligation. Each Bond so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the College on such sinking fund redemption date and any excess shall be credited on future sinking fund redemption obligations in such order as may be specified by the College, and the principal amount of such Bonds to be redeemed by operation of the sinking fund shall be accordingly reduced.

Extraordinary Redemption of Bonds

The Bonds are subject to redemption prior to their respective maturities, either in whole or in part at any time, in the event of any damage to, or destruction or condemnation of, any part of the Projects to the extent that the proceeds of any insurance or condemnation award relating thereto are not applied to the repair, reconstruction or restoration of the Projects, at a redemption price equal to the principal amount of the Bond to be redeemed, plus accrued interest to the redemption date.

Selection of Bonds To Be Redeemed

If less than all of the Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by an Authorized College Representative. If less than all of the Bonds of a single maturity are to be redeemed, the Bonds to be redeemed shall be selected (a) in accordance with the rules and procedures of the securities depository if the Bonds are held in book-entry form, and (b) by lot by the Trustee if the Bonds are no longer held in book-entry form.

Partially Redeemed Bonds

If the Bonds are no longer held in book-entry form and a Bond shall be redeemed in part only, such Bonds shall be surrendered to the Trustee. The Trustee shall authenticate and deliver a new Bond or Bonds of the same series, maturity and interest rate and in authorized denominations for the unredeemed portion of such partially-redeemed Bond. Any portion of a Bond which has been redeemed as

contemplated by the Indenture shall be considered to be Outstanding only in an amount reduced by the portion thereof so redeemed whether or not it has been surrendered as aforesaid.

Notice of Redemption

Notice of redemption (unless waived) shall be given by the Trustee in accordance with the rules of the securities depository not less than 30 nor more than 60 days prior to the redemption date. Each such notice shall specify the CUSIP numbers of the Bonds being redeemed and shall state that on the redemption date, the redemption price will become due and payable upon each Bond to be redeemed and that interest thereon will cease to accrue on and after such date, provided collected funds for the redemption of the Bonds to be redeemed are on deposit at the place of payment at that time. If the Bonds are no longer held in book-entry form, notice of redemption (unless waived) shall be given by the Trustee by first class mail, postage prepaid, to the Owners of Bonds to be redeemed at the addresses appearing in the registration books maintained by the Trustee. If notice is sent as provided in this paragraph, neither failure of any Owner of a Bond to receive such notice, nor any defect therein, shall affect the validity of the proceedings to redeem any Bond as to which notice was sent. The notice may contain conditions that must occur prior to such redemption. In the event that the conditions contained in the notice are not satisfied, the proceedings for redemption shall automatically be cancelled and the Trustee shall send a notice to that effect in the same manner as the redemption notices. As long as the Bonds are in book-entry form and registered in the name of a securities depository or its nominee, the Trustee shall only send redemption notices to the securities depository or its nominee as provided in the Indenture.

Effect of Call for Redemption

Notice having been given in the manner and under the conditions provided for in the Indenture, and moneys for the payment of the redemption price being held by the Trustee, all as provided in the Indenture, the Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds on such date, interest on the Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of the Bonds and, except as otherwise provided herein with respect to tenders by beneficial owners of beneficial ownership interests, beneficial owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Indenture.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the Authority nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued in the aggregate principal amount of the Bonds and will be deposited with DTC at the office of the Trustee on behalf of DTC utilizing the DTC FAST system of registration.

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 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and <http://www.dtc.org>.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all of the Bonds deposited by Direct Participants with DTC (or the Trustee on behalf of DTC utilizing the DTC FAST system of registration) 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 the Bonds with DTC (or the Trustee on behalf of DTC utilizing the DTC FAST system of registration) and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such the 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds for

their benefit has agreed to obtain and transmit notices to beneficial owners. In the alternative, beneficial owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 20120 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 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 the Bonds 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 or its nominee, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants 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 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED THE BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender the Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The Authority cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the beneficial owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Limited Offering Memorandum.

TRANSFER RESTRICTIONS

The Bonds are to be offered and sold (including certain secondary market transactions) only to Qualified Institutional Buyers. The Indenture contains provisions limiting transfers of the Bonds and beneficial ownership interests therein to Qualified Institutional Buyers. In addition, the face of each Bond will contain a legend indicating that such Bond can only be registered in the name of, or transferred to and owned by, Qualified Institutional Buyers. Further, each initial purchaser will be required to deliver an Investor Letter substantially in the form of Appendix E hereto.

In the event that the Bonds (without credit enhancement, unless such credit enhancement extends to the maturity or redemption of the Bonds) are rated “A3,” “A-,” or “A-” or higher by Moody’s, S&P or Fitch, or any other nationally recognized rating agency approved by the Authority, then the restrictions on transfer of Bonds described under “TRANSFER RESTRICTIONS” will no longer apply to the Bonds and the Bonds may be in denominations of \$5,000 or any integral multiple thereof. See “APPENDIX C—DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS.”

SECURITY FOR THE BONDS

General

The Bonds are payable from the Trust Estate. The Trust Estate, from which the Bonds are payable, includes all rights, title and interest of the Authority in and to (a) the Agreement (except for the Authority’s rights to payment of fees and expenses, to indemnification and to receive notices) and the Promissory Note; (b) all moneys and securities held by the Trustee in any and all of the funds and accounts established under the Indenture; and (c) any and all other property from time to time hereafter by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security by the Authority or by anyone on its behalf or with its written consent to the Trustee.

Promissory Note

Under the terms of the Agreement, the College is required to make payments to the Authority that will be sufficient to pay the principal of, the redemption premium, if any, and interest on the Bonds as the same become due. As security for its obligations under the Agreement, the College will execute its 2012-A Master Note, dated the date of issuance of the Bonds (the “Promissory Note”) in favor of the Trustee. The Promissory Note will be issued pursuant to a Master Trust Indenture, dated as of December 1, 2012

(the “Original Master Indenture”), between the College and Regions Bank, as master trustee (the “Master Trustee”), as supplemented by the First Supplemental Master Trust Indenture, dated as of December 1, 2012 (together with the Original Master Indenture, the “Master Indenture”), between the College and the Master Trustee. Under the Master Indenture, the College will grant to the Master Trustee a security interest in its Gross Revenues as security for the payment of all Obligations issued pursuant to the terms of the Master Indenture, including, but not limited to, the Promissory Note.

Security Deeds

Senior Security Deed. As additional security for the payment of all Obligations issued pursuant to the terms of the Master Indenture, the College will execute a Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the “Senior Security Deed”) in favor of the Master Trustee. **The College’s obligation to pay debt service on the Bonds under the Agreement is an absolute and unconditional general obligation of the College and such obligation is secured by the Senior Security Deed.** The Senior Security Deed encumbers certain portions of the real property owned and operated by the College (the “Mortgaged Property”). The Mortgaged Property consists of certain tracts and parcels of land (the “Land”) described in the Senior Security Deed and on the map attached hereto as “APPENDIX G—MAP OF THE MORTGAGED PROPERTY,” together with all buildings, structures, fixtures and other improvements now or hereinafter located on the Land. The Mortgaged Property does not include the personal property or equipment located on the Land. **The Mortgaged Property does not include all property owned or operated by the College and does not include the entirety of the College’s campus but only those parcels of Land specified in the Senior Security Deed.** The Mortgaged Property does include the buildings and structures that are essential to the operation of the College’s campus.

Subordinate Security Deed. Under a Loan Agreement, dated as of September 1, 2001 (the “DDA Loan Agreement”), between the Downtown Development Authority of the City of Franklin Springs, Georgia and the College, the College executed a promissory note (the “DDA Note”) in favor of Pinnacle Bank evidencing the College’s obligations under the DDA Loan Agreement. The DDA Note was issued in September 2001 in the amount of \$1.4 million to fund the construction of the Swails Center and Melton and Hartsfield Residence Halls (the “DDA Projects”). The College’s obligations under the DDA Loan Agreement and the DDA Note are secured by Deed to Secure Debt, dated September 18, 2001, from the College to Pinnacle Bank (the “DDA Security Deed”). The DDA Security Deed encumbers the DDA Projects and Townhouse Apartments 1-8 (also known as Drum Avenue Townhouses) and the King Street Duplex Apartments 1-6 (collectively, the “Subordinate Mortgaged Property”). The DDA Security Deed does not encumber any of the Mortgaged Property. For further information regarding the DDA Note, see “APPENDIX A—ADDITIONAL FINANCIAL INFORMATION—Outstanding Indebtedness.”

As a condition precedent to the closing of the Bonds, the College will, with the consent of Pinnacle Bank, record a Subordinate Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the “Subordinate Security Deed”) for the benefit of the Master Trustee. The Subordinate Security Deed will encumber the Subordinate Mortgaged Property. The Subordinate Security Deed will be subordinate to the DDA Security Deed and the Line of Credit Security Deed (defined below). The Subordinate Security Deed and the Senior Security Deed shall be collectively referred to herein as the Security Deeds.

Survey and Title Insurance. An ALTA Survey with respect to the property included in the Security Deeds and a lender’s title insurance policy covering the Subordinate Security Deed have not been obtained as of the issuance of the Bonds. See “SECURITY FOR THE BONDS—Security Deeds—Post Closing Obligations” below.

Pinnacle Line of Credit. The Pinnacle Line of Credit is a \$1,158,322.00 line of credit. The expiration date is May 23, 2013. The Line of Credit will be paid down to zero with proceeds of the Bonds. The Pinnacle Line of Credit will be secured by a deed to secure debt on the Swails Convocation Center (the “Line of Credit Security Deed”) on a subordinate basis to the DDA Loan and the DDA Security Deed. The College intends to renew the Pinnacle Line of Credit.

Post Closing Obligations. The College has covenanted in the Agreement that within 120 days of the issuance of the Bonds, the College will deliver the following to the Trustee: (a) ALTA Survey with respect to the property included in the Security Deeds, (b) an endorsement to the title insurance policy covering the Senior Security Deed removing the survey exception and (c) a lender’s title insurance policy covering the Subordinate Security Deed.

A summary of selected provisions of the Indenture, the Agreement, the Master Indenture and the Security Deeds is set forth in “APPENDIX C—DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS” hereto.

Limited Obligations

The Bonds do not constitute a debt or a general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the County. Neither the State of Georgia nor any political subdivision of the State of Georgia, including the County, shall be directly, indirectly or contingently obligated to levy or to pledge any form of taxation whatever therefore or to make any appropriations to pay the principal of, redemption premium, if any, or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Georgia or any political subdivision thereof, including the County, is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Authority has no taxing power.

Debt Service Reserve Fund

Pursuant to the Indenture, there is created and established with the Trustee a special trust fund for the benefit of the owners of the Bonds which is designated the Debt Service Reserve Fund (the “Debt Service Reserve Fund”), which shall be held in trust by the Trustee separate and apart from all other deposits and funds. The Debt Service Reserve Fund initially will be funded with a portion of the proceeds of the Bonds in an amount equal to the Reserve Requirement \$(1,874,925). Subject to limited exceptions set forth in the Indenture, amounts drawn from the Debt Service Reserve Fund will only be applied to the payment of principal of and interest on the Bonds when other moneys are not available for such purposes. If the balance in the Debt Service Reserve Fund falls below an amount equal to the Reserve Requirement, the College shall make approximately equal installments in amounts sufficient to restore the deficiency within 12 months of such valuation. For a description of the Debt Service Reserve Fund and other funds and accounts created under the Indenture, see “APPENDIX C—DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS—The Indenture” hereto.

The Master Indenture

General. The Promissory Note of the College and any other Obligations issued by the College will rank on a parity basis with each other and will be equally and ratably secured by the Master Indenture. The enforceability of the obligations of the College may be limited in certain circumstances. See “RISK FACTORS—Enforceability of Remedies; Risks of Bankruptcy” herein.

The College agrees in the Master Indenture that it will not create or suffer the creation or existence of any lien on any Property (as defined in the Master Indenture) now owned or hereafter acquired by it, other than certain Permitted Liens. Any lien so created, although not a Permitted Lien, may nonetheless be enforceable against the College. In addition, the College is subject to restrictions and limitations with respect to the incurrence of indebtedness, consolidation and merger and transfer of assets. In the Master Indenture, the College will make certain covenants with respect to the maintenance of its property. The College will also covenant that, upon the occurrence of an Event of Default, it will pay over to the Master Trustee, if so directed, all Gross Revenues (hereinafter defined). The complete covenants of the College under the Master Indenture are contained in “APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS—The Master Indenture” hereto.

Gross Revenues. Under the Master Indenture, the College will grant to the Master Trustee a security interest in its Gross Revenues. During the continuance of an Event of Default under the Master Indenture, all Gross Revenues shall be transferred to the Master Trustee and applied as required in the Master Indenture. See “APPENDIX C—DEFINITIONS AND SUMMARIES OF THE FINANCING DOCUMENTS—The Master Indenture” hereto.

“Gross Revenues” means all accounts and all revenues, income, receipts, gifts and money received or receivable in any period by or on behalf of the College including, but without limiting the generality of the foregoing, (a) revenues derived from the College’s operations; (b) gifts, grants, bequests, donations and contributions to the College exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor at the time of donation to a particular purpose inconsistent with their use for payment of operating expenses or payments of Obligations; (c) indirect cost recovery payments under research grant agreements; (d) amounts earned on amounts deposited into the funds and accounts created under the Master Indenture; and (e) proceeds derived from (i) insurance except to the extent the use thereof is otherwise required by the Indenture; (ii) the sale or other disposition of inventory and other tangible and intangible property; (iii) condemnation awards, except to the extent that the use thereof is otherwise required by the Master Indenture; and (iv) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of the College, and in each case, together with all rights to receive same, whether in the form of, and specifically including all accounts receivable, deposit accounts, general intangibles, investment property, chattel paper, instruments, securities, securities accounts, securities entitlements, financial assets or otherwise to the extent representing deposits of the foregoing or the proceeds thereof and whether now owned or held or hereafter acquired. Anything herein to the contrary notwithstanding, there shall not be included in Gross Revenues, (A) the proceeds of borrowing and interest earned thereon if and to the extent such interest is required to be excluded by the terms of the borrowing; and (B) revenues, income, receipts and money received by the College as agent for and on behalf of someone other than itself.

Cash held by the College may not be subject to any perfectible security interest under the UCC. The lien on certain other Gross Revenues may not be enforceable against third parties unless such other Gross Revenues are transferred and delivered to the Master Trustee (which transfer the College is not required by the Master Indenture to make prior to a default thereunder and which transfer may be set aside if it occurs within 90 days of the filing of a petition of bankruptcy), is subject to exception under the UCC and may be lost if the proceeds are commingled or expended by the College.

In the event of the bankruptcy of the College pursuant to the Federal Bankruptcy Code, any receivables in favor of such bankrupt member coming into existence and any Gross Revenues of such bankrupt member received on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of proceedings in the Bankruptcy Court with respect to such bankrupt member may no longer be subject to the lien granted to secure the Master Indenture Obligations and, with

respect to the Gross Revenues, the interest of the Master Trustee holding Obligations for the benefit of the Holders would be shared with general creditors of such bankrupt member. Under certain circumstances, a Bankruptcy Court or a court of equity may have the power to direct the use of Gross Revenues to meet expenses of the bankrupt entity before paying debt service on the Master Indenture Obligations. With respect to Gross Revenues not subject to the lien, the holders of Obligations under the Master Indenture would occupy the position of an unsecured creditor.

No Default Certificate. The College covenants that it will, within 150 days after the end of each Fiscal Year, file with the Master Trustee an Officer's Certificate of the College stating whether or not to the best knowledge of the signer, the College is in default in the performance of any covenant contained in the Master Indenture, and, if so, specifying each such default of which the signer may have knowledge and the remedial action being taken to cure such default (the "No Default Certificate").

Debt Service Coverage Ratio. Pursuant to the Master Indenture, the College agrees that it will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, rates, fees and charges for the use of and for the services furnished or to be furnished by the College which will be sufficient in each Fiscal Year (a) to produce Income Available for Debt Service equal to at least 110% of Debt Service Requirements for such Fiscal Year, and (b) together with any other moneys that will be available to the College, to enable the College to discharge its Obligations as they will become due and payable for such Fiscal Year (the "Rate Covenant"). Compliance with the Rate Covenant will be based upon audited financial statements, will be certified at the end of each Fiscal Year by an Accountant and will be part of the No Default Certificate. The College further agrees that, from time to time and as often as necessary, it will revise, or cause to be revised, subject to applicable requirements or restrictions imposed by law and subject to the provisions of the Master Indenture described in the paragraph below, the rates, fees and charges as may be necessary or proper in order to comply with the Rate Covenant.

If the College is not in compliance with the Rate Covenant at the end of any Fiscal Year (the "Noncompliance Year"), it will employ a Consultant within 60 days of the delivery of the No Default Certificate to make recommendations with respect to the Rate Covenant. The recommendations of the Consultant will be filed with the Master Trustee. The College will, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, (a) comply with the recommendations of the Consultant or (b) elect not to comply with the recommendations of the Consultant ("Elect Not to Comply"). If the College exercises its right to Elect Not to Comply, the College will file with the Master Trustee a certified copy of a resolution of the Board of Trustees of the College determining not to comply with such recommendations and stating in reasonable detail the reasons therefor. In the event that the College fails to comply with the recommendations of the Consultant, subject to the applicable requirements or restrictions imposed by law and subject to the College's right to Elect Not to Comply, the Master Trustee may, at the direction of the holders of a majority in principal amount of the Obligations Outstanding, in addition to the rights and remedies elsewhere set forth in the Master Indenture, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the College to comply with the recommendations of the Consultant. As long as (a)(i) the College is reasonably complying with the recommendations of the Consultant or (ii) it properly exercises its right to Elect Not to Comply and (b)(i) Income Available for Debt Service is at least equal to 100% of the Debt Service Requirement for the Noncompliance Year and (ii) the Consultant's report indicates that Income Available for Debt Service will equal to at least 100% of Debt Service Requirement for the Fiscal Year following the Noncompliance Year, an Event of Default will be triggered only upon the failure to satisfy the Rate Covenant at the end of the Fiscal Year following the Noncompliance Year. The failure to retain a Consultant constitutes an Event of Default under the Master Indenture. See "APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS—The Master Indenture" hereto.

Liquidity Covenant. Pursuant to the Master Indenture, the College agrees that it will maintain a Liquidity Ratio greater than or equal to 0.05 for the Fiscal Years ending June 30, 2014 and 2015; 0.075 for the Fiscal Years ending June 30, 2016 and 2017; 0.10 for the Fiscal Years ending June 30, 2018 and 2019; 0.125 for the Fiscal Years ending June 30, 2020 and 2021; and 0.15 for the Fiscal Years ending June 30, 2022 and in each subsequent Fiscal Year thereafter (the “Liquidity Covenant”). Liquidity Ratio means the ratio of current assets plus unrestricted liquid long-term investments minus amounts on deposit in the Debt Service Reserve Fund, if included in unrestricted long-term investments or current assets, minus current liabilities to Long-Term Indebtedness, all determined in accordance with generally accepted accounting principles. Compliance with the Liquidity Covenant will be based upon audited financial statements, will be certified by an Accountant at the end of each Fiscal Year and shall be part of the No Default Certificate.

If the College is not in compliance with the Liquidity Covenant at the end of any Fiscal Year (the “Noncompliance Year”), it will employ a Consultant within 60 days of the delivery of the No Default Certificate to make recommendations with respect to the Liquidity Covenant. The recommendations of the Consultant will be filed with the Master Trustee. The College will, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, (a) comply with the recommendations of the Consultant or (b) Elect Not to Comply. If the College exercises its right to Elect Not to Comply, the College will file with the Master Trustee a certified copy of a resolution of the Board of Trustees of the College determining not to comply with such recommendations and stating in reasonable detail the reasons therefor. In the event that the College fails to comply with the recommendations of the Consultant, subject to the applicable requirements or restrictions imposed by law and subject to the College’s right to Elect Not to Comply, the Master Trustee may, at the direction of the holders of a majority in principal amount of the Obligations Outstanding, in addition to the rights and remedies elsewhere set forth herein, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the College to comply with the recommendations of the Consultant. As long as the College is reasonably complying with the recommendations of the Consultant or it properly exercises its right to Elect Not to Comply, an Event of Default will be triggered only upon the failure to satisfy the Liquidity Covenant at the end of the Fiscal Year following the Noncompliance Year. The failure to retain a Consultant constitutes an Event of Default under the Master Indenture. See “APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS—The Master Indenture” hereto.

Additional Indebtedness. The College agrees that it will not incur any Additional Indebtedness, other than the following Indebtedness if incurred at any time when there shall not exist any Event of Default of the College under the Master Trust Indenture:

Short-Term Indebtedness. The College agrees that it will not incur any Additional Indebtedness constituting Short-Term Indebtedness unless, immediately after the incurrence of such Short-Term Indebtedness,

- (a) (i) the principal amount of all Short-Term Indebtedness (exclusive of Long-Term Indebtedness) of the College then Outstanding does not exceed 15% of the Total Net Operating Revenues for the most recent Fiscal Year for which financial statements reported upon by an independent certified public accountant are available and (ii) for a period of not fewer than 15 consecutive days within each Fiscal Year, the College shall reduce the aggregate principal amount of all Outstanding Short-Term Indebtedness (exclusive of Long-Term Indebtedness) described in (a)(i) above to less than 5% of Total Net Operating Revenues for the immediately preceding Fiscal Year, or

(b) any such Short-Term Indebtedness could be incurred under the tests set forth below for Long-Term Indebtedness.

Long-Term Indebtedness and Total Indebtedness. The College agrees that it will not incur any Additional Indebtedness constituting Long-Term Indebtedness unless an Officer's Certificate of the College shall be delivered to the Master Trustee to the effect that (i) the College has complied with the Rate Covenant and the Liquidity Covenant in the Master Indenture for either (A) the last two Fiscal Years immediately preceding the Fiscal Year in which the Long-Term Indebtedness will be issued, or (B) with respect to the Proposed Bonds (defined below) each full Fiscal Year for which the Bonds have been Outstanding; and (ii) there is no event of default under the Master Indenture, and such Long-Term Indebtedness consists of one or more of the following:

(a) (i) Long-Term Indebtedness if prior to the incurrence thereof, there is delivered to the Master Trustee:

(A) An Officer's Certificate of the College (which must be based on financial statements prepared by an independent certified public accountant) certifying that the Historical Pro Forma Debt Service Coverage Ratio (which is based on Maximum Annual Debt Service for existing and proposed Additional Long-Term Indebtedness) for the most recent Fiscal Year preceding the delivery of such Officer's Certificate was not less than 1.15; and

(B) An Officer's Certificate of the College certifying that the Projected Debt Service Coverage Ratio (which is based on Maximum Annual Debt Service for existing and proposed Additional Long-Term Indebtedness) for the first complete Fiscal Year following the later of (1) the delivery of such Consultant's Report or (2) the date upon which the assets financed by such Long-Term Indebtedness will be placed in service will not be less than 1.25.

(ii) Completion Indebtedness provided that such Completion Indebtedness does not exceed 10% of the Indebtedness originally issued for the Project and there is delivered to the Master Trustee (i) an Officer's Certificate of the College to the effect that at the time of issuance of the original Indebtedness, the proceeds (together with any other funds available) were expected to be sufficient to finance the project and (ii) a report of an Architect to the effect that the scope of the original project has not changed.

(iii) Commitment Indebtedness or any Guaranty of any Commitment Indebtedness without limit.

(iv) Long-Term Indebtedness incurred for the purpose of refunding, repurchasing or refinancing (whether in advance or otherwise) any Outstanding Long-Term Indebtedness provided that there is delivered to the Master Trustee an Officer's Certificate certifying that the total debt service on the refunding Indebtedness is not more than 110% of the total debt service on the refunded Indebtedness.

(v) The conversion without limit of Long-Term Indebtedness that is convertible from one interest or payment mode to another interest or payment mode (*e.g.*, weekly to monthly or to a fixed rate) from one mode to another pursuant to the terms of the documentation authorizing such Long-Term Indebtedness.

(vi) Subordinated Indebtedness or Non-Recourse Indebtedness without limit.

(vii) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under this Master Indenture.

(viii) Indebtedness under a Credit Facility without limit.

(ix) **Up to \$10,000,000 in aggregate principal amount of Long-Term Indebtedness incurred for the purpose of financing (i) a student center and dining hall complex, (ii) outdoor athletic venues, (iii) a debt service reserve fund (if necessary), (iv) capitalized interest and (v) costs of issuance, within three years of the issuance of the Bonds (the “Proposed Bonds”).**

Permitted Liens. The Master Indenture provides that the College will not create or allow any lien on the Trust Estate or on any real or personal property of the College other than certain Permitted Liens. For a definition of such Permitted Liens, see “APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS—The Master Indenture” herein.

Other Covenants. In the Master Indenture, the College will make certain additional covenants with respect to consolidation and merger, disposition of assets, the use of bond proceeds and other covenants as described more fully in “APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS—The Master Indenture” hereto.

No Credit Enhancement

There is no credit enhancement facility securing the Authority’s obligations under the Indenture or the Bonds as initially issued, nor is there any requirement that a credit enhancement facility for the Bonds ever to be provided.

SOURCES AND USES OF FUNDS

The schedule below contains the sources and uses of funds in connection with the issuance of the Bonds. See “PLAN OF FINANCE” herein.

Sources and Uses

	Series 2012A Bonds	Series 2012B Bonds	Combined
Sources			
Par Amount	\$22,460,000.00	\$ 2,760,000.00	\$25,220,000.00
Total	<u>\$22,460,000.00</u>	<u>\$ 2,760,000.00</u>	<u>\$25,220,000.00</u>
Uses			
Deposit to Project Fund	\$ 4,307,347.62	\$ 2,943.79	\$ 4,310,291.41
Pay off Pinnacle Bank line of credit	1,160,268.62	-	1,160,268.62
Pay off BB&T line of credit and loan	11,965,547.82	235,694.88	12,201,242.70
Deposit to Escrow Fund	14,210.00	-	14,210.00
Deposit to Debt Service Reserve Fund for the Bonds ¹	1,669,738.92	205,186.08	1,874,925.00
Swap Termination Payment	-	960,000.00	960,000.00
Reimburse college for prior construction expenses ²	2,893,687.02	837,758.13	3,731,445.15
Deposit to Costs of Issuance Fund ³	<u>449,200.00</u>	<u>518,417.12</u>	<u>967,617.12</u>
Total	<u>\$22,460,000.00</u>	<u>\$2,760,000.00</u>	<u>\$25,220,000.00</u>

¹ Equal to the Reserve Requirement.

² Proceeds to be used to reimburse the College for prior capital expenditures associated with the construction and equipping of the Athletic Center.

³ Includes Underwriter’s discount, legal and accounting fees and expenses, and initial Trustee’s fees.

PLAN OF FINANCE

General

The proceeds of the Bonds will be used to: (i) refund certain debt issued by or for the benefit of the College (the “Refunding”); (ii) finance all or a portion of the costs of constructing and equipping an addition to Roberson Hall (“Roberson Hall Phase II”); (iii) reimburse itself for prior capital expenditures associated with the construction and equipping of the Athletic Center (the reimbursement and Roberson Hall Phase II shall be collectively referred to herein as the “Projects”); (iv) fund a debt service reserve; (v) pay swap termination costs; and (vi) pay all or a portion of the costs of issuing the Bonds.

The Projects

The College will use the proceeds of the Bonds to construct Roberson Hall Phase II, which will be located behind the current Roberson Hall (Phase I of Roberson Hall was completed in fall 2011) and will consist of two residential housing buildings that will each be three stories tall, contain 21,900 square feet and house a maximum of 144 students. See “APPENDIX H—ROBERSON HALL PHASE II.” The buildings will connect to a central gathering hall via a breezeway and have a brick exterior. The College anticipates that the total costs to construct Roberson Hall Phase II will not exceed \$4,300,000. The College anticipates beginning construction in late November 2012 with an anticipated opening date of August 2013. The College has built in \$150,000 of contingency funding into the building budget for Roberson Hall Phase II.

The College has recently entered into an Agreement for Preconstruction Services with CIP Construction Company, a subsidiary of Carroll Campus Development (the “Contractor”) as general contractor for Roberson Hall Phase II. Pursuant to this agreement, the Contractor will undertake to provide an evaluation of the construction budget, prepare estimates of civil engineering costs, review design documents, schedule the purchase of materials and assist in selecting and retaining the professional services necessary for the construction of Roberson Hall Phase II. The College anticipates entering into a lump sum price contract with the Contractor for an amount of approximately \$4,300,000. The Contractor is located in Greensboro, North Carolina and specializes in partnering with colleges and universities to deliver pre-developed, pre-designed (yet customizable) student housing facilities. The Contractor was the general contractor and developer of the recently opened Roberson Hall. As part of the design build process, the Contractor will enter into an agreement with Bradley & Ball (the “Architect”) to provide architectural services for Roberson Hall Phase II. Based in Greensboro, North Carolina, and founded in 1998, the Architect employs project architects, computer aided design technicians and conceptual designers.

Pursuant to such contract, the Contractor will be required to substantially complete construction on the first tower of Roberson Hall Phase II comprising 72 beds on or before September 16, 2013. The second tower of Roberson Hall Phase II is required to be substantially completed on or before November 30, 2013, and will have a capacity of 72 beds. The Contractor is required to pay daily liquidated damages of \$608 per day in the event the first and second towers of Roberson Hall Phase II are not delivered by their respective required delivery dates.

The College and Contractor anticipate that the second tower may be available earlier than November, 2013. If it is not, the College will compensate for those 72 beds by making the single occupancy rooms in the Roberson Hall Phase I into double occupancy rooms, providing an additional 48 beds, which combined with the new 72 beds in tower one, will provide a total of 120 new beds for the 2013-14 academic year. The College anticipates this will provide sufficient additional capacity for demand during that academic year.

In addition to constructing Roberson Hall Phase II, the College intends to reimburse itself with \$2,893,687.02 of proceeds of the Series 2012A Bonds and \$837,758.13 of proceeds of the Series 2012B Bonds for capital expenditures associated with the construction and equipping of the Athletic Center, which is scheduled to open in November 2012.

The Refunding

Generally. The College will use Bond proceeds to refund and refinance the following obligations of the College (collectively, the “Refunded Obligations”): (i) the Franklin County Industrial Building Authority Revenue Bonds, Emmanuel College Issue, Series 2010A (the “Series 2010A Bonds”) and the Franklin County Industrial Building Authority Revenue Bonds, Emmanuel College Issue, Series 2010B (the “Series 2010B Bonds”) and together with the Series 2010A Bonds, the “Series 2010 Bonds”) held by Branch Banking and Trust Company (“BB&T”), which were used to construct Roberson Hall Phase I and the Athletic Center, currently outstanding in the amount of \$10,530,000; (ii) the College’s line of credit from Pinnacle Bank used for the construction of Roberson Hall Phase I, drawn in the amount of \$1,158,000; (iii) the College’s taxable bank loan with BB&T, currently outstanding in the amount of \$237,271; (iv) the College’s line of credit with BB&T used for construction of the Athletic Center, drawn in the amount of \$1,500,000; and (v) its Housing and Urban Development Bond, Series 1973 currently outstanding in the amount of \$28,000 (the “Refunded HUD Bond”), which was issued for the construction of Drum Hall.

Escrow Agreement. Pursuant to an Escrow Deposit Agreement, dated as of December 1, 2012 (the “Escrow Agreement”), by and between the College and U.S. Bank National Association, as trustee and escrow agent for the Refunded HUD Bond (the “Escrow Agent”), proceeds of the Bonds in an amount sufficient to pay the principal and interest on the Refunded HUD Bond up to and including May 1, 2013 (the “Prepayment Date”) will be deposited to an escrow fund (the “Escrow Fund”) and held therein by the Escrow Agent as uninvested cash. The Escrow Agent will use cash in the Escrow Fund to prepay the Refunded HUD Bond on the Prepayment Date at a price of 100% of the principal amount to be prepaid, plus accrued interest to the Prepayment Date.

Swap Termination Payments

As of June 30, 2012, the Series 2010A Bonds were outstanding in the amount of \$3,309,480 and the Series 2010B Bonds were outstanding in the amount of \$7,220,756. The College previously entered into two interest rate swap arrangements with BB&T that effectively fix the interest rates of the outstanding Series 2010A Bonds at 3.74% and the Series 2010B Bonds at 4.34%. The notional amount of these contracts was \$10,530,236 at June 30, 2012. These swap arrangements are set to mature on September 30, 2017 and December 30, 2017. In connection with the refunding of the Series 2010 Bonds, the College intends to terminate these interest rate swap arrangements and utilize proceeds of the Series 2012B Bonds to make any termination payments associated therewith. George K. Baum & Company has been retained by the College as its swap advisor in connection with the termination of these interest rate swaps.

Anticipated Future Capital Projects of the College

The College currently has plans to add the capital improvements described below to its campus, which improvements would likely be financed in whole or in part through the issuance of additional Obligations under the Master Indenture. The College’s Administration and Board acknowledge that they will need to comply with covenants associated with the Obligations at the end of each Fiscal Year after they have incurred the Obligations and any Additional Long-Term Indebtedness. The College’s Administration and Board anticipate that additional Obligations for the outdoor athletic venues and

student center and dining hall will be required in the coming two to three years to accommodate enrollment growth. However, absent such growth, the College will likely postpone such a borrowing and construction of such projects. **While the College cannot predict when it will undertake these improvements, pursuant to the Master Indenture the College has the right to issue additional Obligations in an aggregate principal amount not to exceed \$10,000,000 within three years of the date of issuance of the Bonds without satisfying the requirements under the Master Indenture for issuing additional Long Term Indebtedness.** See “SECURITY FOR THE BONDS—The Master Indenture—Additional Indebtedness” herein.

Outdoor Athletic Venues. The College anticipates that it will construct new outdoor athletic venues in the future to complement the Athletic Center. The College has plans to add outdoor athletic facilities consisting of two soccer and lacrosse fields, 12 tennis courts, and baseball and softball fields. It is currently contemplated that these future venues will have lighting for evening and night competitions and will include parking, restroom facilities and a clubhouse that will include offices and locker rooms. The anticipated construction cost for these facilities is approximately \$1,800,000.

Student Center and Dining Hall. The College anticipates that it will construct a new 28,000 square foot student center and dining hall building in the future. It is anticipated that this building would include a dining facility with a capacity for 500 people, space for all of the Student Life department offices, a lecture hall and classroom with seating for 100 people, kitchen facilities and an executive dining room. The anticipated construction cost for this facility is approximately \$6,100,000.

COMBINED ANNUAL DEBT SERVICE REQUIREMENTS

The principal (including principal payable at maturity and by mandatory redemption) and interest payment requirements with respect to the Bonds and the outstanding Pinnacle Bank DDA Loan are as follows. See “APPENDIX A—EMMANUEL COLLEGE—Financial Matters—Outstanding Indebtedness” for a description of the outstanding DDA Loan.

Fiscal Year	Principal	Interest	DDA Loan ¹	Total
2013	0	\$ 641,400	\$ 120,000	\$ 761,400
2014	0	1,570,775	120,000	1,690,775
2015	\$ 300,000	1,560,275	120,000	1,980,275
2016	320,000	1,538,575	120,000	1,978,575
2017	345,000	1,515,300	120,000	1,980,300
2018	370,000	1,490,275	120,000	1,980,275
2019	395,000	1,463,500	120,000	1,978,500
2020	425,000	1,434,800	120,000	1,979,800
2021	455,000	1,404,000	120,000	1,979,000
2022	485,000	1,373,194	<u>30,000</u>	1,888,194
2023	510,000	1,343,650		1,853,650
2024	540,000	1,313,463		1,853,463
2025	570,000	1,281,550		1,851,550
2026	605,000	1,247,769		1,852,769
2027	635,000	1,211,325		1,846,325
2028	675,000	1,172,025		1,847,025
2029	715,000	1,130,325		1,845,325
2030	760,000	1,086,075		1,846,075
2031	805,000	1,039,125		1,844,125
2032	855,000	989,325		1,844,325
2033	905,000	936,525		1,841,525
2034	960,000	879,375		1,839,375
2035	1,020,000	817,500		1,837,500
2036	1,085,000	751,719		1,836,719
2037	1,150,000	681,875		1,831,875
2038	1,220,000	607,813		1,827,813
2039	1,300,000	529,063		1,829,063
2040	1,380,000	445,313		1,825,313
2041	1,465,000	356,406		1,821,406
2042	1,555,000	262,031		1,817,031
2043	1,655,000	161,719		1,816,719
2044	<u>1,760,000</u>	<u>55,000</u>		<u>1,815,000</u>
TOTAL	<u>\$25,220,000</u>	<u>\$32,291,062</u>	<u>\$1,110,000</u>	<u>\$58,621,062</u>

¹The final maturity of the DDA Loan is September 1, 2021 and the DDA Loan is payable in monthly installments of principal and interest. The interest rate is adjusted annually on September 1 and is set at 2/3 of the average Wall Street Journal Prime Rate for the prior year per annum. The DDA Loan amortizes such that the College will repay the DDA Note in equal monthly installments, provided that this payment amount adjusts as the interest rate varies. To date, the College has elected make monthly payments of \$10,000, which has exceeded the required monthly debt service. Accordingly, the DDA Loan is anticipated to be repaid fully in advance of the stated final maturity date.

The Bonds are subject to optional, mandatory and extraordinary redemption as described herein.

RISK FACTORS

The Bonds are not rated and an investment in the Bonds involves various risks described in this Limited Offering Memorandum. Each prospective investor should carefully examine this Limited

Offering Memorandum and his or her own financial condition in order to make a judgment as to whether the Bonds are an appropriate investment. Payment of the Bonds will depend on the College's ability to generate Gross Revenues sufficient to pay debt service on the Bonds and the Promissory Note, while paying its operating expenses. The following are some of the factors that may affect the College's operations and economic well-being and should be considered by prospective investors.

The following discussion is not intended to be exhaustive, but includes certain major factors that should be considered along with other factors set forth elsewhere in this Limited Offering Memorandum, including the Appendices hereto. In addition, the order of inclusion of these risks within categories of risks is not intended to be representative of the importance or probability of such risks. Prospective purchasers of the Bonds should analyze carefully the information contained in this Limited Offering Memorandum, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in "APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS," copies of which are available as described herein under "INTRODUCTION—General."

General

As noted under "SECURITY FOR THE BONDS" herein, the Bonds are payable from Gross Revenues of the College. **The College's obligation to pay debt service on the Bonds under the Agreement is an absolute and unconditional general obligation of the College and such obligation is secured by the Security Deeds.** Future economic and other conditions, including the College's revenue and expenses, demand for private higher education, the ability of the College to offer a curriculum demanded by students generally, ability to attract and retain professors, tuition, costs, the College's fundraising plans, a shortfall in the amounts expected to be received by the College through fundraising efforts, litigation, investment returns, demographic changes, legislation, governmental regulations or catastrophic or other events damaging the existing facilities of the College could adversely affect the College's Gross Revenues and therefore its ability to pay the debt service on the Bonds and the Promissory Note. In addition, any developments affecting the nonprofit or tax-exempt status of the College could adversely affect the financial condition and operations of the College. There can be no assurance given that revenues of the College will not decrease or that expenses of the College will not increase. Any and all financial forecasts included in this Limited Offering Memorandum are only good faith estimates of the College and are not intended as a representation or warranty as to the future financial condition of the College. Such financial projections have not been reviewed or examined by an accountant.

Purchasers of the Bonds should bear in mind that the College's ability to make payments on the Bonds and the Promissory Note is dependent upon the overall financial condition of the College and the ability of the College to generate revenues from its operations. No representation or assurance can be given that revenues will be realized by the College in amounts sufficient to pay principal of and any premium and interest on the Bonds.

College's Projections

The projections of the College's financial statements in Appendix A hereto have been prepared by the administration of the College. The College's projections have not been reviewed, compiled or examined by independent accountants. As a result, investors should exercise caution in relying on such financial projections. The Underwriter makes no representations or warranties regarding the pro forma financial projections and disclaims any responsibility therefor. There are no assurances that operating revenues will not be less than, or that operating expenses will not be greater than those listed in the projection, and it is reasonably expected that such expenses will increase during the term of the Bonds. In

the event of increases in the operating expenses of the College, it will be primarily dependent upon increases in student tuition and fees in order to operate profitably.

THE COLLEGE'S PROJECTIONS IN APPENDIX A HERETO MUST BE READ IN THEIR ENTIRETY TO UNDERSTAND THE ASSUMPTIONS UPON WHICH THE PROJECTIONS ARE BASED AND THE QUALIFICATIONS WHICH HAVE BEEN MADE. THE COLLEGE'S PROJECTIONS ARE FORWARD LOOKING STATEMENTS AND THERE IS NO ASSURANCE THAT THE PROJECTIONS WILL BE ACHIEVED. ACTUAL FUTURE EVENTS WILL LIKELY VARY FROM THE PROJECTIONS, AND SUCH VARIANCES MAY BE MATERIAL. SEE THE INFORMATION IN THE FIRST UN-NUMBERED PAGE OF THIS LIMITED OFFERING MEMORANDUM REGARDING FORWARD-LOOKING STATEMENTS FOR AN EXPLANATION REGARDING SUCH PROJECTIONS. SOME ASSUMPTIONS MAY NOT MATERIALIZE AND UNANTICIPATED EVENTS AND CIRCUMSTANCES ARE LIKELY TO OCCUR. THEREFORE, THE ACTUAL RESULTS ATTAINED WILL IN ALL LIKELIHOOD VARY FROM THE PROJECTIONS CONTAINED IN THE PRO FORMA FINANCIAL PROJECTIONS. ACCORDINGLY, NO PERSON CAN MAKE REPRESENTATIONS OR WARRANTIES AS TO THE FUTURE RESULTS OF OPERATIONS OF THE COLLEGE.

Enrollment and Competition

The College's ability to pay the debt service on the Bonds and the Promissory Note and payments on other indebtedness will depend in significant part upon maintaining and also growing enrollment levels as well as being able to charge sufficient rates for tuition, housing, and other fees. Information about the College's efforts to increase enrollment are set forth in APPENDIX A—EMMANUEL COLLEGE—STUDENT ENROLLMENT—*Administration's Discussion of Recruitment and Enrollment*. The College projections assume that it will be successful in growing its enrollment and increasing its tuition revenues. Projections by the Census Bureau state that the number of college students aged 18-24 is expected to remain flat for the next 10 years. Therefore in order to increase enrollment, the College will have to increase its market share approximately the same number of potential students. The College's enrollment levels may be adversely impacted by any tuition increases the College may be required to implement to maintain its Gross Revenues in the future. Enrollment may also be impacted by adverse events affecting the College, including but not limited to adverse publicity respecting the College or its programs, the administration, faculty or students, receptivity to specific programs, requirements or educational methodologies adopted by the College, geographic location of the College, receptivity to the philosophy and educational tenets of the College and its approach to education, reduction in the number of college age youth, reduction in employment levels in the State, the region and the market area of the College, increased competition or general economic downturns. The College has a strong religious heritage and engages in religious teachings and therefore may have limited appeal to the general public. In addition, competition for students among colleges and universities remains intense and the College competes with other private colleges and universities, the public universities of Georgia, and local area community colleges. Generally, the tuition charged by public colleges and universities is significantly less than tuition charged by the College. There can be no assurance that the College can continue to enroll a sufficient number of students to generate Gross Revenues sufficient to pay the debt service on the Bonds. See "APPENDIX A—EMMANUEL COLLEGE—STUDENT ENROLLMENT."

Reliance on Financial Aid

Financial assistance is a significant factor in the decision of many students to attend a particular college or university. Over 90% of the students enrolled at the College received some form of financial assistance through a combination of grants, scholarships, loans, tuition discount and other financial aid. The tuition discounts/scholarships are important in maintaining enrollment, but must be limited so as not

to adversely affect revenues. While the College intends to maintain a discount rate between 30% and 34% in future years, there can be no assurance that it can maintain these levels. Significant changes in the availability of federal and state loan programs and other forms of student aid could also adversely affect the ability of students to attend the College with a resultant adverse impact on the financial condition of the College and its ability to make payments under the Agreement sufficient to meet debt service on the Bonds. There have been recent reductions and may be additional reductions to the Georgia HOPE scholarship program, which offers students from Georgia who meet specific grade point average and score thresholds an annual scholarship to attend colleges and universities in the state of Georgia. There can be no assurance that the state and federal entities providing financial aid will maintain current funding levels in the future, which may make attending the College unattainable for some students. See “APPENDIX A—EMMANUEL COLLEGE—FINANCIAL AID.”

General Risks Related to Private Colleges

There are many diverse factors, not within the College’s control, which have a substantial bearing on the risks generally incident to the operation of the College’s facilities. These factors include generally imposed fiscal policies, adverse use or adjacent neighboring real estate, the ability to maintain its facilities, the College’s ability to attract and retain professors (whether because of compensation or otherwise), changes in demand for private universities like the College, changes in the number of competing facilities, changes in the costs of operation of the College, changes in the recognition or accreditation of the College, or withdrawal of accreditation, general economic conditions, changes in demand for the College’s programs and the availability of working capital. There can be no assurance that the College will not experience one or more of the adverse factors that have caused other schools to experience financial hardship or to cease operations completely.

Additional Factors Generally Affecting the Financial Performance of the College

In addition to the other risk factors set forth herein, one or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the College’s operations and financial performance to an extent that cannot be determined at this time.

Operating Costs. The College expects that it will experience increases in operating costs due to inflation, costs of health care insurance, retirement plans or other benefits offered by the College to its employees, increases in the costs of compliance with federal or state laws or regulations, or other increases in operating expenses. There is no assurance that cost increases will be matched by increased tuition and other charges in amounts sufficient to generate an excess of revenues over expenses at the levels experienced by the College.

Property Taxes. The College is presently exempt from ad valorem property taxation. Although the College believes that its property will continue to be exempt from ad valorem property taxation, no assurance can be given that existing exemptions will not be eliminated causing the College to pay ad valorem property taxes, which would reduce the College’s revenues available to make payments under the Agreement.

Changes in Administration. The College has benefitted in recent years from strong its strong administrative leadership, as more fully described in “APPENDIX A—EMMANUEL COLLEGE—Administration.” Future changes in the governing body or key administration personnel, such as the President, could affect the capability of the administration to effectively manage the College.

Labor Risks. Labor costs constitute a significant portion of the operating expenses of the College. In the event of unionization of employees or other employee organization activities, there may be a risk of strikes by employees and other adverse labor actions and conditions that could result in reduced enrollment and increased costs and have an adverse effect on the financial condition of the College.

Reduced Giving. The College derives income from unrestricted gifts and donations which supplement operating revenues to finance its operations and capital needs. See “APPENDIX A—EMMANUEL COLLEGE—FINANCIAL MATTERS.” Although the College expects that over the long term, gifts and donations to remain at least at their current level and to increase at a moderate rate, there can be no assurance that this nonoperating revenue will not decrease, adversely affecting the financial condition of the College.

Need to Maintain Accreditation. The College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (“SACS”). In order to attract students and to qualify under federal, state, and private student financial aid programs, the College must maintain its accreditation with SACS or any successor accreditation agencies. See APPENDIX A—EMMANUEL COLLEGE—ACCREDITATION AND MEMBERSHIPS.”

Earnings on Investments. A portion of the College’s revenues available to pay debt service on the Bonds is expected to come from investment income and net realized gains on the investment of available funds. The College’s investments are managed by the International Pentecostal Holiness Foundation (IPHF). The IPHF is a nonprofit corporation affiliated with the International Pentecostal Holiness Church (IPHC). The amount of such interest earnings and gains will fluctuate with changes in prevailing interest rates and financial market conditions. The value of the College’s investments is subject to decline in value and principal loss. See “APPENDIX A—EMMANUEL COLLEGE—FINANCIAL MATTERS.”

Construction Risks

Although the College believes that the funds available for the construction of Roberson Hall Phase II will be sufficient to cover the estimated costs thereof, the uncertainties inherent in construction may result in escalations of the cost of Roberson Hall Phase II or delays in its completion. The cost may be increased if there are change orders with respect to its construction. In addition, there can be cost overruns and delays due to a variety of factors including, among others, delays in obtaining the necessary permits and other governmental approvals necessary for the construction of Roberson Hall Phase II, site difficulties, labor disputes, delays in delivery and shortages of materials, weather conditions, fire and casualty. The College must obtain several governmental approvals as construction progresses, including a certificate of occupancy. Although the College believes that Roberson Hall Phase II as designed will receive all necessary governmental approvals, there can be no assurance that such approvals will be obtained in a timely fashion or that changes to the design will not be required.

The College is currently negotiating the construction contract with the Contractor. The construction contract is expected to provide for daily liquidated damages if Roberson Hall Phase II is not completed by the date specified, subject to extension under conditions set forth in the construction contract. The Contractor is expected to construct Roberson Hall Phase II pursuant to a lump sum price in the construction contract and the construction contract is expected to require the general contractor to furnish payment and performance bonds in the full amount of the construction contract. However, if cost overruns resulting from delays, change orders, or other causes are experienced, the fixed price may increase. If such cost overruns occur, the College may not have any resources with which to complete construction. See “PLAN OF FINANCE—The Projects.”

Pledge of Gross Revenues

Certain interests and claims of others may be on a parity with or prior to the pledge of the Gross Revenues made in the Master Indenture, and certain statutes and other provisions may limit the College's right to make such pledges. Examples of such claims, interests, and provisions are:

- (a) statutory liens and rights of set-off;
- (b) possible non-recognition under the Georgia Uniform Commercial Code of a security interest in future revenues;
- (c) rights arising in favor of the United States of America or any agency thereof on failure of the College to comply with federal or state statutes regarding the assignment of certain claims;
- (d) constructive trusts, equitable liens, or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction;
- (e) state and federal bankruptcy or insolvency laws as they affect the enforceability of the security interest in Gross Revenues earned by the College within the statutory prescribed preference period preceding and at any time after any effectual institution of bankruptcy proceedings by or against the College;
- (f) as to those items in which a security interest, lien, or pledge can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the College or any depository;
- (g) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of bankruptcy of the College, to collect and retain accounts receivable due such member from governmental programs;
- (h) the security interest of third party creditors in "proceeds" of property subject to a Permitted Lien, which "proceeds" may be deemed to constitute Gross Revenues;
- (i) items not in possession of the Master Trustee or any depository, the records to which are located or moved outside the State of Georgia, which are thereby not subject to or are removed from the operation of Georgia's laws; and
- (j) claims that might arise if appropriate continuation statements are not filed in accordance with the Georgia Uniform Commercial Code as from time to time in effect.
- (k) In addition, the pledge of the Gross Revenues may not be enforceable against third parties unless the Gross Revenues are actually transferred to the Master Trustee or any depository.

Enforcement of Remedies; Risks of Bankruptcy

If the College was to file a petition for relief under Title 11 of the United States Code (the "Bankruptcy Code"), the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the College, and any interest it has in property. If the bankruptcy court so ordered, the College's property, including its accounts receivable and proceeds

thereof, could be used, at least temporarily, for the benefit of the bankruptcy estate despite the claims of its creditors.

In a case under the current Bankruptcy Code, a filing party could file a plan of reorganization. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against such filing party and could result in the modification of rights of any class of creditors, secured or unsecured. To confirm a plan of reorganization, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan if, of those who vote, those holding more than one-half in number and two-thirds in amount vote in favor of a plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished. If fewer than all of the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and the dissenting claims and interests would be bound thereby. For this to occur, one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly” and is “fair and equitable” with respect to the nonconsenting class. A plan is fair and equitable if each class is treated in accordance with its credit priority and no class receives a distribution until senior classes are paid in full. The Bankruptcy Code establishes different fair and equitable tests for secured claims and interest holders. To be confirmed, the bankruptcy court must also determine that a plan, among other requirements, provides creditors with more than would be received in the event of liquidation, is proposed in good faith, and that the debtor’s performance is feasible.

The Bonds are secured by the Senior Security Deed. Enforcement of remedies under the Senior Security Deed may be subject to judicial discretion and in an event of insolvency or bankruptcy, provisions of applicable federal or state bankruptcy laws. Enforcement of remedies under the Senior Security Deed may also be subject to any existing easements, encroachments, covenants and restrictions and statutory regulation and judicial discretion, including provisions of State law requiring notice to the State Attorney General and the issuance of a report by the State Attorney General following such hearing prior to any purchase or lease of the Mortgaged Property.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Georgia and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). These exceptions would encompass any exercise of federal, State or local police powers, in a manner consistent with the public health and welfare.

Matters Relating to the Security for the Bonds

Generally. Certain amendments to the Master Indenture, the Indenture, the Agreement and the Security Deeds may be made with the consent of the holders of not less than a majority of the principal amount of all outstanding Bonds or the Promissory Note. Such amendments may adversely affect the security of the holders of the Bonds, and, in the event additional Notes or Bonds are issued in the future, such percentage may be composed wholly or partially of the holders of Notes other than the Promissory Note. In addition, certain of the rights and remedies afforded to the holders of Notes by the Master Indenture, including without limitation the right to demand acceleration of Notes (including the Promissory Note), may be controlled by the holders of not less than 25% in aggregate principal amount of the Notes outstanding under the Master Indenture. See “APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS—The Master Indenture” hereto.

Additional Indebtedness. Pursuant to the terms of the Master Indenture, the College may incur additional Indebtedness (including Indebtedness secured by additional Notes) that is entitled to the benefits of security that does not extend to any other Indebtedness (including the Promissory Note). Such security may include Liens on the College's Property or any depreciation reserve, debt service or interest reserve or similar fund established for such additional Indebtedness. The additional Indebtedness would be equally and ratably secured with the Bonds. The holders of such additional Indebtedness would be entitled to share ratably with the holders of the Bonds in any moneys realized from the exercise of remedies in the event of a default by the College and in the proceeds of certain insurance and condemnation awards. See "APPENDIX C—DEFINITIONS AND SUMMARIES OF THE PRINCIPAL FINANCING DOCUMENTS—The Master Indenture—Additional Indebtedness." There is no assurance that, despite compliance with the conditions under which Additional Indebtedness may be incurred, the ability of the College to make the necessary payments to repay the Bonds would not be materially adversely affected or that security for the Bonds would not be diluted by the incurrence of such Additional Indebtedness.

The Mortgaged Property. Although the Authority's and the College's interests in the Mortgaged Property secure the Bonds, only a portion of the College's campus is included in the Mortgaged Property and subject to the Senior Security Deed and the Mortgaged Property which is the subject to the Senior Security Deed consists of land and certain buildings that are not general purpose buildings and generally would not be suitable for industrial or commercial use. In addition, the College is located in a rural area which may make it difficult to adapt the buildings on the Mortgaged Property to an alternate use. Consequently, it could be difficult to find a buyer or lessee for the interest if it were necessary to proceed against such interest, whether pursuant to a judgment, if any, against the Authority, the College or otherwise. No appraisal has been secured in connection with the issuance of the Bonds and the value of the Mortgaged Property may be significantly less than the principal amount of the Bonds outstanding under the Indenture. If the College were to grant or permit any easements, covenants and restrictions or encroachments which encumber the Mortgaged Property, contrary to the relevant and applicable documents relating thereto, such easements, covenants and restrictions or encroachments could diminish the value of the Mortgaged Property or effect the marketability of title. As a result, upon any default, the Trustee may not realize the amount necessary to pay the Bonds in full from the sale or lease of such interest.

Subordinate Mortgaged Property. As a condition precedent to the closing of the Bonds, the College will, with the consent of Pinnacle Bank, record the Subordinate Security Deed for the benefit of the Master Trustee. The Subordinate Security Deed will encumber the Subordinate Mortgaged Property. The Subordinate Security Deed will be subordinate to the DDA Security Deed and the Line of Credit Security Deed.

Survey and Title Insurance. An ALTA Survey with respect to the property included in the Security Deeds and a lender's title insurance policy covering the Subordinate Security Deed have not been obtained as of the issuance of the Bonds. See "SECURITY FOR THE BONDS—Security Deeds—*Post Closing Obligations*" herein.

Environmental Laws and Regulations

The College is not aware of any enforcement actions currently in process with respect to any releases of pollutants or contaminants on the Mortgaged Property. However, there can be no assurance that an enforcement action or actions will not be instituted under such statutes at a future date. In the event such enforcement actions were initiated, the College could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the Mortgaged Property. In addition, under applicable environmental statutes, in the event an enforcement action were initiated, a lien superior to the

Master Trustee's lien on behalf of the holders of the Bonds could attach to the Mortgaged Property, which would adversely affect the Master Trustee's ability to realize value from the disposition of the Mortgaged Property upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Mortgaged Property under the Senior Security Deed, the Master Trustee and the holders of the Bonds would need to take into account the potential liability of any owner of the Mortgaged Property, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

Damage or Destruction

Although the College is required to maintain insurance on its property, there can be no assurance that the College will not suffer uninsured losses in the future due to events not covered by such insurance or the unanticipated lapse in insurance coverage, or that the amount of any such loss, or the period during which the College's property cannot generate revenue, will not exceed the coverage of such insurance policies, if any.

Insurance

The insurance requirements imposed by the Master Indenture are limited, and insurance proceeds may not be available to cover all claims or risks relating to the College or its existing facilities. Litigation could arise from the business activities of the College, including from its status as an employer. Many of these risks are covered by insurance, but some may not be covered completely or at all. While the College is required by the Agreement to have in effect at all times comprehensive general liability insurance and other types of insurance, if a claim or judgment against the College for an amount in excess of the limits of such insurance were to arise or for which insurance has not been or could not be obtained, such claim or judgment could adversely affect the ability of the College to make debt service payments on the Bonds.

The College has provided a mortgagee's title insurance policy in an amount at least equal to the aggregate principal amount of the Bonds insuring the Master Trustee's interest as mortgagee, however, under the title insurance policy, the Master Trustee is not permitted to recover more than the fair market value of any property which is lost as a result of a title defect which may be less than the aggregate principal amount of Bonds then Outstanding.

Marketability of the Bonds; Absence of Rating; Restrictions on Purchase and Transfer

Although the Underwriter expects to engage in the purchase and sale of the Bonds in the secondary market, there can be no assurance that there will always be a secondary market for the purchase and sale of the Bonds, and from time to time there may be no market for them depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market, and the financial condition and results of operations of the College and its facilities. The Bonds are not rated. If an investor attempts to resell the Bonds, the absence of a rating could adversely affect the market price and marketability thereof.

The offering of the Bonds is being made to Qualified Institutional Buyers who are not purchasing the Bonds with a view of distributing the Bonds and are being issued in minimal denominations of \$100,000. The Bonds might be an illiquid investment and a secondary market may or may not exist for the Bonds. Therefore, the Bonds should therefore be considered long-term investments in which funds are committed to maturity. See "NOTICE TO INVESTORS" and "TRANSFER RESTRICTIONS."

Tax-Exempt Status of the College

The College has received a determination letter from the Internal Revenue Service (“IRS”) recognizing it as exempt from federal income taxes as an organization described in Section 501(c)(3) of the Code (an “Exempt Organization”). In order to maintain such status, the College is required to conduct its operations in a manner consistent with representations it has previously made to the IRS and with current and future IRS regulations and rulings governing Exempt Organizations that are educational institutions. In recent years, the IRS and members of Congress have expressed concern about the need for more restrictive rules governing Exempt Organizations generally. Loss of status by the College as an Exempt Organization would have a significant adverse effect on its operations and would result in the includability of interest on the Bonds in gross income for federal income tax purposes for holders of the Bonds, with the possibility that interest on the Bonds would be so includible retroactively to their date of issue. See “TAX MATTERS” herein. Although the College has covenanted to take all appropriate measures to maintain its Exempt Organization status and management of the College is not aware of any transactions or activities currently ongoing that are likely to result in the revocation of the Exempt Organization status of the College, compliance with current and future regulations and rulings of the IRS could adversely affect its ability to charge and collect revenues, finance or refinance indebtedness on a tax exempt basis or otherwise generate revenues necessary to provide for payment of the Bonds. The College makes no assurance that future changes in the laws, rules, regulations, interpretations and policies relating to the definition, activities, and/or taxation of Exempt Organizations will not have material adverse effects on its future operations.

Tax-Exempt Status of the Bonds

As described hereinafter under the caption “TAX MATTERS,” failure to comply with certain continuing legal requirements may cause interest on the Series 2012A Bonds to become subject to federal income taxation retroactive to the date of issuance of the Series 2012A Bonds. The Trust Indenture and the Agreement do not provide for the payment of any additional interest or penalty in the event of the taxability of interest on the Series 2012A Bonds.

Bond Audit Risk

Internal Revenue Service officials have indicated that more resources will be invested in audits of tax-exempt bonds. The Bonds may be, from time to time, subject to audits by the IRS. The College believes that the Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2012A Bonds, as described under the caption, “TAX MATTERS.” No ruling with respect to the tax-exempt status of the Series 2012A Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts and are not guarantees. There can be no assurance that an audit of the Bonds will not adversely affect the Bonds.

Absence of Rating

No rating as to the creditworthiness of the Bonds has been requested from any organization engaged in the business of publishing such ratings. Typically, nonrated bonds lack liquidity in the secondary market in comparison with rated bonds. The Bonds should not be purchased by any investor who, because of financial condition, investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inherent in an investment in the Bonds.

Secondary Market

It is the present practice of the Underwriter to make a secondary market in the bond issues that it offers. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, these secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially lower than the original purchase price. While there can be no guarantee or assurance that its present secondary marketing practices will always be continued, the Underwriter presently intends to make a secondary market in the Bonds, subject to the foregoing limitations. Nevertheless, there can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price should they need or wish to do so.

LITIGATION

The Authority

Other than the Validation proceeding discussed below, there is not now pending or, to the knowledge of the Authority, threatened, any litigation against the Authority seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued, or which in any manner questions the right of the Authority to enter into the Indenture or the Agreement or to issue, sell or secure the Bonds in the manner provided in the Indenture.

The College

The College, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its operations. The College, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the College or its officials in such capacity are adequately covered by insurance or that the ultimate resolution of these litigation matters will not have a material effect on the future operations or financial position of the College.

No litigation, investigations or proceedings are now pending or, to the College's knowledge, threatened against the College which would in any manner challenge or adversely affect the corporate existence or powers of the College to enter into and carry out the transactions described in or contemplated by, or the execution, delivery, validity or performance by the College of, the Loan Agreement, or the use of the proceeds of the Bonds or which questions or contests the validity of the Bonds or the proceedings and authority under which they are to be issued, or the status of the College as a tax-exempt organization. Neither the creation, organization, nor existence of the College, nor the title of the present members or other officials of the Board or the College to their respective offices, is being contested or questioned.

VALIDATION

The Authority caused proceedings to be instituted in the Superior Court of Franklin County, Georgia (the "Court") to validate the Bonds and the security therefor. The Court entered a final judgment of validation confirming and validating the Bonds and the security on October 12, 2012. Under the laws of the State, the judgment of validation is final and conclusive with respect to the Bonds and the security therefor.

CLOSING CERTIFICATES

At closing of the sale of the Bonds by the Underwriter, the Authority and the College will each deliver to the Underwriter a certificate (a) that no litigation is pending or threatened against it that would have a material adverse effect on the issuance or validity of the Bonds or the security for the Bonds or on its financial condition; and (b) that the information contained in this Limited Offering Memorandum relating to it does not contain any misstatement of a material fact and does not omit to state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

TAX MATTERS

Federal Tax Matters

Series 2012A Bonds. In the opinion of Murray Barnes Finister LLP, Bond Counsel to the Authority, under existing law, interest on the Series 2012A Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. No opinion will be expressed with respect to any other federal tax consequences of the receipt or accrual of interest on, or the ownership of, the Series 2012A Bonds.

In rendering its opinion that the interest on the Series 2012A Bonds is not includable in gross income for federal income tax purposes, Bond Counsel will (a) rely upon (i) representations of the Authority and the College, (ii) certified proceedings and other certifications of public officials furnished to them and (iii) certifications by officials of the College relating to, among other things, the use of the proceeds of the Refunded Obligations and the Bonds, the design, scope, function, cost and economic life of the facilities financed or refinanced with the proceeds of the Series 2012A Bonds, and the relationship of the facilities financed or refinanced with the proceeds of the Series 2012A Bonds to the activities of the College, without undertaking to verify the same by independent verification; and (b) assume the continued compliance by the Authority and the College with their covenants regarding certain requirements of the Code that must be satisfied subsequent to the issuance of the Series 2012A Bonds. The inaccuracy of any such representations or certifications or noncompliance with such covenants may cause interest on the Series 2012A Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012A Bonds. Furthermore, in rendering its opinion that the interest on the Series 2012A Bonds not includable in gross income for federal income tax purposes, Bond Counsel will rely solely upon an opinion of Peck, Shaffer & Williams, LLP, counsel to the College, with respect to the status of the College as an entity described in Section 501(c)(3) of the Code.

Ownership of the Series 2012A Bonds may result in other collateral federal income tax consequences to certain taxpayers, including without limitation, corporations subject to the environmental tax, banks, thrift institutions and other financial institutions, foreign corporations which conduct a trade or business in the United States, property and casualty insurance corporations, sub-chapter S corporations, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2012A Bonds. Purchasers of the Series 2012A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Series 2012B Bonds. Interest on the Series 2012B Bonds will be included in gross income of the United States citizen and resident owners thereof for federal income tax purposes. Ownership of the Series 2012B Bonds may result in other collateral federal income tax consequences to certain taxpayers. Purchasers of the Series 2012B Bonds should consult their tax advisors as to the applicability of any such collateral consequences. Purchasers of Series 2012B Bonds who are nonresident alien individuals, corporations that are not incorporated in the United States or under the laws of the United States or of any state of the United States, or other non-United States persons should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes on income realized in respect to the Series 2012B Bonds.

The tax discussion set forth above was not intended or written to be used, and cannot be used, for purposes of avoiding taxpayer penalties. The discussion was written to support the promotion or marketing of the Series 2012B Bonds.

Georgia Income Taxation

In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from all present state income taxation within the State of Georgia. Interest on the Bonds may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Purchasers of the Bonds should consult their tax advisors as to the taxable status of the Bonds in a particular state or local jurisdiction other than Georgia.

Subsequent Events

The opinion of Bond Counsel will be dated the date of issuance of the Bonds. Bond Counsel has not undertaken to notify the Authority, the College, the Trustee, the Underwriter, the owners of the Bonds or any other person or entity of changes in law or fact after the date of issuance of the Bonds which might affect any of the opinions expressed therein.

Form of Opinion

The proposed form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds is attached as Appendix F.

UNDERWRITING

Under the Bond Purchase Agreement, the Bonds will be purchased by George K. Baum & Company, Denver, Colorado (the "Underwriter"). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Bond Purchase Agreement. The Underwriter has agreed to purchase the Bonds at an aggregate purchase price representing the par amount of the Bonds. The College will pay the fees and expenses of the Underwriter, which is an amount equal to 2.00% of the principal amount of the Bonds.

The Underwriter intends to offer the Bonds initially at the offering prices set forth on the inside cover hereof, which offering price may subsequently be changed without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other dealers in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers.

NO RATINGS

The Bonds are not rated by any rating service.

INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2011 and June 30, 2012, included in this Limited Offering Memorandum as “APPENDIX B—AUDITED FINANCIAL STATEMENTS,” have been audited by Ed K. Burton, LLC, certified public accountants, as stated in their reports attached as Appendix B.

CERTAIN RELATIONSHIPS

Peck, Shaffer & Williams LLP, counsel to the College, currently represents the Underwriter on matters unrelated to the issuance of the Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds by the Authority are subject to the approving opinion of Murray Barnes Finister LLP, Atlanta, Georgia, Bond Counsel to the Authority. The proposed form of such opinion is included herein as Appendix F hereto. The opinion of Bond Counsel to the Authority will be limited to matters relating to the authorization and validity of the Bonds and to the tax-exempt status of interest on the Series 2012A Bonds as described in “TAX MATTERS,” and will make no statement as to the financial resources of the Authority or the College or their ability to provide for payment of the Bonds. Certain legal matters will be passed on for the Authority by its counsel, Grant & Green, LLC, Royston, Georgia; for the College by its counsel, Peck, Shaffer & Williams LLP, Atlanta, Georgia; and for the Underwriter by its counsel, Kutak Rock LLP, Denver, Colorado.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys or law firms rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion the attorney or law firm does not become an insurer or guarantor of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding the College (the “Obligated Person”) will agree pursuant to a Continuing Disclosure Certificate, dated the date of delivery of the Bonds, to cause the certain financial and operating information to be provided to the Municipal Securities Rulemaking Board (“MSRB”). See Appendix D for a form of the Continuing Disclosure Certificate.

As required by the Rule, the Continuing Disclosure Certificate provides that the information to be filed with the MSRB described in the preceding paragraph is to be filed with the MSRB’s Electronic Municipal Market Access system (“EMMA”) in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB.

The Continuing Disclosure Certificate provides holders of the Bonds with certain enforcement rights in the event of a failure by the Obligated Persons to comply with the terms thereof; however, a default under the Continuing Disclosure Certificate does not constitute a default under the Indenture, the

Agreement, the Promissory Note or the Master Indenture. The Continuing Disclosure Certificate may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

No financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The Obligated Person has undertaken all responsibilities for any continuing disclosure to holders of the Bonds as described above and in Appendix D, and the Authority shall have no liability to the holders of the Bonds or any other person with respect to such disclosures.

CERTIFICATION

The execution and delivery of this Limited Offering Memorandum has been authorized by the Authority and the College.

FRANKLIN COUNTY INDUSTRIAL BUILDING
AUTHORITY

By /s/ *Ralph Owens*
Ralph Owens, Chairman

EMMANUEL COLLEGE, INC.

By /s/ *Michael S. Stewart*
Michael S. Stewart, President

APPENDIX A

EMMANUEL COLLEGE

INTRODUCTION

Emmanuel College (the “College”), a nonprofit corporation organized and existing under the laws of the State of Georgia (the “State”), is a coeducational private liberal arts college with an Evangelical, Pentecostal foundation. The College is situated on 150 acres in the town of Franklin Springs, Georgia. It is located in a rural area 95 miles northeast of Atlanta, Georgia and 30 miles northeast of Athens, Georgia. The College awards Bachelor of Arts, Bachelor of Science and Associate of Arts degrees. For the 2012-13 academic year, the College’s full time student enrollment is 740 students and its head count enrollment is 835 students. The College is accredited by the Southern Association of Colleges and Schools Commission of Colleges (“SACS”).

The College opened in 1919 and offered primary and secondary schooling before beginning college programming in 1933. In 1963, the College shifted focus to collegiate offerings. Since that time the College has grown to offer over 20 different majors through its School of Arts and Sciences, School of Business, School of Christian Ministries, and School of Education. The College also offers a small number of Associate of Arts degrees. The College offers 27 sports, made up of 12 male sports, 12 female sports and three co-ed sports and currently enrolls 360 student athletes.

The College’s students are encouraged to strive for excellence in all areas of life—academically, spiritually, physically, and emotionally. The College offers an education that integrates faith, learning, and living and is designed to develop the entire person. The College offers students an innovative and interactive academic curriculum, state-of-the-art living and wellness and athletic facilities. The College began a strategic plan in 2010 to grow its enrollment and improve its facilities. In the past five years, the student population at the College has increased by nearly 20%. To match this growth, the College is currently in the process of expanding its facilities and programming. The College’s administration and its Board believe that its recent growth is the result of several strategic factors including the following:

Enrollment. The College has increased headcount enrollment from 543 students in academic year 2005-06 to a headcount enrollment of 835 students in academic year 2012-13, an increase of 54%. The College’s headcount enrollment of 788 students and FTE enrollment of 734 in fall 2011 was the largest enrollment in the College’s history prior to 2012. As of August 1, 2012, the College has secured a total headcount enrollment of 835 and full time enrollment of 740 for fall 2012, which will make the 2012 student body the largest in the College’s history. By 2013, the College expects total headcount enrollment to exceed 888 students. Under its Strategic Plan (as hereinafter defined), the College seeks to grow the undergraduate population to 1,200 students by 2020.

The College attributes its recent enrollment increases to strong marketing strategies, increased academic scholarships rather than need-based scholarships, and improved facilities. The number of international students and minority students are also at their highest levels in the College’s history. This growth has resulted in the development of new curricular and athletic programs.

Affordable Private College. The College ranks as the third most affordable private college or university in the State, based on undiscounted tuition, boarding, and fees. Tuition, boarding, and fees for fall 2012 total \$22,140. The College’s affordability makes it an attractive option for prospective students seeking a private traditional liberal arts education at a reasonable cost, and has given the College a distinct advantage during the economic challenges of the past four years.

Physical Plant. The College has recently upgraded or expanded its physical plant. Using a combination of proceeds from the ongoing capital campaign and bond financings, including the Series 2010 Bonds, the College completed construction of a new 138-bed residence hall (“Roberson Hall Phase I”) in 2010 at a cost of \$4.5 million and is set to complete its new athletic center (the “Athletic Center”) in 2012 at a cost of \$11.1 million. The new Athletic Center includes an indoor venue with two athletic courts, one for basketball and the other for volleyball, seating for over 1,200 fans, and a fitness center. The Athletic Center consists of over 76,000 square feet and its swimming pool will soon be home to the College’s new swimming, water polo and synchronized swimming teams. The complex also has an eight lane bowling alley, concession area, Papa John’s pizzeria, hall of fame, locker rooms, video production booth, dining area, and office space for athletic department staff. Roberson Hall Phase I and the Athletic Center have improved the character of the College’s campus, making it a more attractive place to live, and have created a fuller educational experience. Proceeds of the Bonds in the amount of \$4,310,291.41 will finance the construction of an addition to Roberson Hall Phase I (“Roberson Hall Phase II”). See “APPENDIX H—ROBERSON HALL PHASE II.” The value of the College’s net plant assets grew from \$7.2 million in 2007 to \$12.6 million in 2011, an increase of 74%.

Strategic Plan and Capital Campaign. In 2010, the College developed “Growing Forward,” a ten-year strategic growth plan (the “Strategic Plan”). The Strategic Plan centers on the goal of increasing total headcount enrollment to 1,200 students by 2020. To do so, the College plans to expand its academic and athletic offerings by adding several new major concentrations, seeking membership in the NCAA as a Division II institution, and adding a number of new intramural and intercollegiate sports teams. In order to accommodate a growing student body, the Strategic Plan also outlines proposed additions to the College’s physical plant. To date, the College has made significant progress towards realizing the goals of the Strategic Plan. The College has added two new majors and six athletic teams, constructed the new 138-bed Roberson Hall Phase I, added an academic scholarship program for freshmen, and is completing the Athletic Center.

The Strategic Plan is accompanied by the Growing Forward capital campaign, which was launched in the fall of 2011 with the goal of raising \$4 million by 2014. The capital campaign’s goal is to raise \$2.5 million for the Athletic Complex Fund, \$500,000 for endowed scholarships and \$1,000,000 for the Campus Project Fund. During the 2011 fiscal year, the capital campaign secured over \$1,100,000 in pledges and gifts. As of October 2012, the College has secured \$894,431 in cash receipts, \$815,000 of cash receipts toward the Athletic Center, and \$755,963 of pledges. The total cash and pledges raised as of October 1, 2012 is \$2,465,394 or 61.63% of the College’s fundraising goal of \$4 million.

Future Capital Improvements. Future capital improvements anticipated by the College, in addition to those financed with the Bonds, include the construction of new outdoor athletic facilities to complement the Athletic Center (\$1.8 million), and the construction of a student center and dining hall (\$6.1 million).

Strength of Administration. The College’s growth over the past decade is due in large part to the guidance of a strong administrative team, led by the College’s President, Dr. Michael Stewart. Dr. Stewart assumed his role as President of the College in 2005. During Dr. Stewart’s tenure, the College has added three academic majors and five new minors, added 12 new intercollegiate sports, renovated and remodeled eight buildings, upgraded all of the College’s rental properties, and completed a new library outdoor plaza. Enrollment has increased during five of the six years since Dr. Stewart arrived at the College. Most recently, in the fall of 2011, Roberson Hall Phase I opened to house the growing student population and in 2011, the College broke ground on the Athletic Center. In the fall of 2012, Dr. Stewart will enter the third year of a 10-year contract with the College and he will oversee the implementation of the many initiatives outlined in the College’s Strategic Plan.

HISTORY AND MISSION

The College opened on January 1, 1919, under the name Franklin Springs Institute (the “Institute”). During its first year, it offered the first 11 grades of school and a Biblical Department for prospective ministers. The founder of the Institute was the Reverend George Floyd Taylor, a North Carolinian who long had desired to begin such an institution. Fifty students enrolled the first year. In 1922, the Institute was opened free of charge and the buildings were filled to capacity. Throughout the early years, George Floyd Taylor was president, except for the years of 1926 and 1927 when the Reverend B. A. Jones was president. The School closed temporarily in 1931 due to the Great Depression.

In 1933, the College was reopened as a high school and junior college with the Reverend Thomas Lee Aaron as president. Under President Aaron’s leadership, the College gradually progressed from a small community school to a junior college. In 1939, the name of the College was changed to “Emmanuel College,” which means “God with us.” Upon Reverend Aaron’s death in January 1951, Mr. Woodard Glenn Drum, former dean of the College, became president.

The administration of President Drum saw the completion of the present campus quadrangle, the recruitment of an expanded faculty, and obtaining full accreditation by the Southern Association of Colleges and Schools in 1967. The high school department, which had earlier been fully accredited by the Southern Association of Colleges and Schools, was discontinued in 1963. With the retirement of President Drum in January 1970, Dr. Culbreth Young Melton became the sixth president of the College.

Under Dr. Melton’s administration, a four-year School of Christian Ministries was inaugurated and accredited by the American Association of Bible Colleges and a new Learning Resources Center was constructed. Upon Dr. Melton’s retirement, Dr. David Roger Hopkins became the seventh president in June 1983.

Many campus improvements are credited to Dr. Hopkins’ leadership, including the construction of the Student Activities Center, two residence halls, the Wellons Science Resources Center, and acquisition of the John W. Swails Convocation Center. Major changes in curricular offerings also accompanied accreditation as a four-year institution by the Southern Association of Colleges and Schools in 1991. During the 1992-93 academic year, the consolidation of the two- and four-year programs was completed as the College began offering many new baccalaureate degree programs.

Upon the retirement of Dr. Hopkins in 2005, Reverend Michael S. Stewart was inaugurated as the eighth president of the College. Under Dr. Stewart’s leadership, the College has continued to strive for excellence in order to attract young men and women who seek Christian higher education. Dr. Stewart has worked toward the goals outlined in the Strategic Plan.

The College’s institutional mission statement is as follows:

The College is a Christ-centered, liberal arts institution which strives to prepare students to become Christ-like disciples who integrate faith, learning, and living for effective careers, scholarship and service.

In addition to its overarching mission, the College upholds four core values:

- (a) Christ-Centered Higher Education: The Integration of Faith and Learning;
- (b) Christ-Centered Individuals: The Worth of Every Single Person;

- (c) Christ-Centered Community: Uplifting the Body of Christ; and
- (d) Pentecostal/Evangelical Tradition: Valuing a Christian Heritage.

GOVERNANCE

The College is governed by a Board of Trustees (the “Board”) consisting of no more than 25 non-clergy trustees and 18 members of the clergy. Currently, the Board has 39 members, including 18 non-clergy members, 12 conference superintendent members, four clerical members at large, and five other ex-officio members.

Between 17 and 25 Members of the Board must be non-clergy members. Non-clergy members are nominated to serve on the Board by the Board Development Committee in consultation with the President of the College, and the Chairperson of the Board, and elected by the Board of the Trustees. A total of 70% of the non-clergy members of the Board of Trustees must come from the International Pentecostal Holiness Church (“IPHC”).

Between 12 and 18 clergy members serve on the Board. The superintendents or their appointees of the following conferences of the IPHC are ex-officio members of the Board of Trustees: Alpha, Appalachian, Cornerstone, Ephesians Four Network, LifePoint Ministries, Mid-Atlantic, North Carolina, Red De Ministerio Sonshine, Redemption Ministries, River of Life Ministries, Sonshine, South Carolina, and Upper South Carolina. Up to five additional clergy members may be nominated to serve on the Board.

The following individuals serve on the Board at all times in an ex-officio capacity: an appointee of the IPHC Communication Services Board, the President of the Emmanuel College National Alumni Association, the General Superintendent of the IPHC, the Liaison to Higher Education of the IPHC and the President of the College.

Except for ex-officio members, the term of a member of the Emmanuel College Board of Trustees is four years. At the end of each term a Trustee may be re-elected following review by the Board Development Committee. A rotating schedule insures that no more than one-fourth of the members are to be replaced at any one time.

Officers of the Board consist of a Chair, a Vice Chair, and a Secretary. Officers of the Board must be Trustees. Officers serve four-year terms and may serve no more than two consecutive terms in any one office.

The Executive Committee of the Board consists of the Officers of the Board, President of the College, the officers of the Board of Trustees, the IPHC Liaison to Higher Education, and the Chairperson of each standing committee. In addition to the Executive Committee, the Board also is served by the following standing committees: Academic Affairs, Board Development, Enrollment Management, Finance, Building and Grounds, Institutional Advancement, and Student Affairs. The Board Development Committee nominates the Chair of each of these Committees, who is then elected by the full Board for a maximum of two 4-year terms.

The Chairs of each of the Standing Committees are listed below.

Standing Committee Chairs

Academic Affairs	Gary Moon
Board Development	Beulah Sturkie
Building & Grounds	David Roberson
Enrollment Management	Bill Jones
Finance	Jon Forehand
Institutional Advancement	Gay Shepherd
Student Life	Danny Jones

The following is a list of the members of the Board, their year of initial election to the Board, the year their current term expires, the principal business or professional affiliation of each member and their residence.

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Board of Trustees

Trustee	Year Term Expires	Principal Business Affiliation/Resident
Linda Thomas <i>Chair</i>	2013	Real Estate Developer Vanceboro, North Carolina
William C. Cox <i>Vice Chair</i>	2013	Chief Executive Officer, Martus Solutions LLC Greenville, South Carolina
Phillip A. Mooring <i>Secretary</i>	2015	Certified Clinical Addictions Specialist, Wilson Families in Action, Inc. Wilson, North Carolina
Chuck Adams	2012	Chief Executive Officer, Ty Cobb Healthcare System Royston, Georgia
Susan Adams	2015	Susan N. Adams Charitable Foundation Dunn, North Carolina
Greg Amos	<i>Ex-Officio</i>	Superintendent, South Carolina Conference (IPHC) Lake City, South Carolina
Kevin Arthur	2013	Dentist Raleigh, North Carolina
Charles Barineau	2014	Pastor Donalsonville, Georgia
A. D. Beacham, Jr.	<i>Ex-Officio</i>	General Superintendent, IPHC Oklahoma City, Oklahoma
David Benton, Jr.	2013	Bank Vice President Surfside Beach, South Carolina
Dayton Birt	<i>Ex-Officio</i>	Superintendent, Redemption Ministries (IPHC) Prince George, Virginia
Ray Boggs	<i>Ex-Officio</i>	Superintendent, Upper SC Conference (IPHC) Williamston, South Carolina
Don Brady	2012	Dentist Franklin Springs, Georgia
Mike Dixon	2014	Owner, Dixon Insurance Agency Spartanburg, South Carolina
Jon Forehand	2013	Attorney Moultrie, Georgia

Board of Trustees

Trustee	Year Term Expires	Principal Business Affiliation/Resident
Michael Gray	<i>Ex-Officio</i>	Superintendent, Alpha Conference (IPHC) Montgomery, Alabama
Charles Hawes	<i>Ex-Officio</i>	Superintendent, River of Life Ministries (IPHC) Lorain, Ohio
Greg Hearn	<i>Ex-Officio</i>	CEO, LifeSprings Resources Franklin Springs, Georgia
John Hedgepeth	2014	Pastor Fayetteville, North Carolina
Bill Jones	<i>Ex-Officio</i>	Superintendent, LifePoint Ministries (IPHC) Franklin Springs, Georgia
Danny Jones	2015	Exec. International Brotherhood Director; Cong. Holiness Church Gaffney, South Carolina
Joseph Leggett	2016	CEO, Falcon's Children Home Falcon, North Carolina
Doyle Marley	<i>Ex-Officio</i>	Superintendent, Cornerstone Conference (IPHC) Browns Summit, North Carolina
Gaye Mashburn	2013	Wellons Enterprises, Inc. Morehead City, North Carolina
Preston Mathena	<i>Ex-Officio</i>	Superintendent, Appalachian Conference (IPHC) Dublin, Virginia
Tommy McGhee	<i>Ex-Officio</i>	Church Institutions Liaison & Director of Discipleship (IPHC) Oklahoma City, Oklahoma
Gary Moon	2013	Director, Dallas Willard Center for Christian Spiritual Formation Santa Barbara, California
Bradley Reynolds	<i>Ex-Officio</i>	Superintendent, Ephesians Four Conference (IPHC) Howard City, Michigan
David Roberson	2012	Co-Owner & Senior VP, David Allen Company Raleigh, North Carolina

Board of Trustees

Trustee	Year Term Expires	Principal Business Affiliation/Resident
Wesley Russ	<i>Ex-Officio</i>	Superintendent, Mid-Atlantic Conference (IPHC) Baltimore, Maryland
Gay Shepherd	2012	Retired Educator Elon College, North Carolina
Sherman Smith	<i>Ex-Officio</i>	President, Alumni Association of Emmanuel College Kennesaw, Georgia
Errol Stafford	2012	Realtor Tallahassee, Florida
Gerald Stephens	2014	Retired Cemetery Owner Morganton, North Carolina
Michael S. Stewart	<i>Ex-Officio</i>	President, Emmanuel College Franklin Springs, Georgia
Beulah Sturkie	2013	Retired Educator Franklin Springs, Georgia
Jim Whitfield	<i>Ex-Officio</i>	Superintendent, North Carolina Conf. (IPHC) Falcon, North Carolina
Elliott Williams	2013	Owner, Big A Auto Parts Lincolnton, North Carolina
Ray Willis	<i>Ex-Officio</i>	Superintendent, Sonshine Network Min. (IPHC) Apopka, Florida
Jeff Wilson	2012	Director of Operations, Liberty Healthcare Services Clinton, North Carolina

ADMINISTRATION

The President of the College is charged with the College's administration. Assisting the President in this task are the members of the College's Administrative Council, including the Vice President for Academic Affairs; the Vice President for Finance; the Vice President for Student Life; the Vice President for Enrollment, Management and Marketing; the Vice President for Development and the Director of Campus Operations.

Michael S. Stewart, Ph.D., President. The College's eighth President, Michael S. Stewart, became President on July 1, 2005. He is a 1979 graduate of Emmanuel's School of Christian Ministries. Dr. Stewart also holds an M.A. degree in Counseling from Liberty University (Lynchburg, VA), a Graduate Certificate from the Beeson Institute of Advanced Church Leadership of Asbury Theological

Seminary (Wilmore, KY); and a Doctor of Ministry degree from the Assemblies of God Theological Seminary (Springfield, MO).

Prior to taking his post at the College, Dr. Stewart served for five years as the Executive Director of Ministry at the North Carolina State Council of the Assemblies of God in Selma for five years. Dr. Stewart is an ordained minister in the Georgia Conference of the IPHC and serves on the IPHC General Ministry Cabinet. He is past president of the Franklin County Chamber of Commerce, and is a member of various regional professional boards.

John R. Henzel, Ph.D., Vice President for Academic Affairs. Dr. Henzel assumed his current role at the College in 2010. Dr. Henzel is a graduate of Washington & Lee University (Lexington, VA), having majored in Accounting and Business Administration. He then earned an MBA degree from St. Bonaventure University (St. Bonaventure, NY) in 1978. After holding jobs as a church administrator, retail office manager, and internal auditor at the University of Georgia, he began pursuit of a Ph.D. in Finance at the Terry College of Business at the University of Georgia, which he completed in 1990.

Prior to taking on his current position, Dr. Henzel served as a college business instructor at Athens Technical College (1985-1998) and then at the College. At the College, he has served as chair of the Business Administration program as well as Dean of the School of Business and the Director of Institutional Effectiveness. Further, he has both served on and chaired number of committees at the College, including leading the most recent reaffirmation of accreditation effort (2005-07) with the College's accrediting agency, SACS.

Kevin L. Crawford, Ph.D., Vice President for Finance. Dr. Crawford holds a B.A. from the University of the Pacific (Stockton, CA), an M.B.A. from Missouri Western State University and a Ph.D. in Business Administration from the University of Phoenix. He has served as the Vice President for Finance at College since 2010. Prior to arriving at the College, Dr. Crawford was the Vice President of Operations at Warner University (Lake Wales, FL) and the Vice President of Finance at Lincoln Christian University (Lincoln, IL) and has experience in senior living finance and accounting. Dr. Crawford is also the author of several publications regarding nonprofit administration.

Jason Croy, Vice President for Student Life. Mr. Croy is a 2001 graduate of the College and has worked at the College since 2002. Mr. Croy completed his M.Ed. in Counselor Education from Clemson University (Clemson, SC) in 2003. While at the College, Mr. Croy initially served as Resident Director of Wellons Hall. He then assumed the role of Associate Vice President for Student Life in 2004. Upon the arrival of Dr. Stewart as president in 2005, Mr. Croy was appointed as Vice President for Student Life, a position which he currently serves. Mr. Croy has served on four different reaffirmation committees for the SACS and is a member of the National Association of Student Personnel Administrators (NASPA).

Wendy Vinson, Vice President for Enrollment, Management and Marketing. Ms. Vinson joined the College in May, 2010. She is a 1981 graduate of the College. Ms. Vinson also holds an M.A. degree in Communication from Regent University (Virginia Beach, VA) and a B.A. degree in Education from Coker College (Hartsville, SC). Ms. Vinson has over 23 years of sales and marketing experience. She has worked for two international ministry organizations and was inducted into the Virginia Cable Hall of Fame, which recognizes communication professionals with exceptional careers in journalism, public relations, advertising and other media fields.

Brian James, Vice President for Development. Mr. James is a native of Franklin Springs Georgia, located in Franklin County. Mr. James received an associate's degree from the College in 1985 and a bachelor's degree from the University of Georgia in 1987. Mr. James worked for 14 years at the

College in various positions after completing his college education. In 2001 he changed careers by accepting a job in banking as a commercial lender. Mr. James worked in banking for seven years at Northeast Georgia Bank, BB&T and Pinnacle Bank in Royston Georgia. Mr. James has served on various county boards. He was elected Mayor of Franklin Springs, Georgia in 2001 after serving 12 years on city council and served for two consecutive terms. Currently Mr. James is employed again at the College as Vice President of Development.

Ron McCullar, Director of Campus Operations. Mr. McCullar joined the College in January 1998. He is a graduate of Lee University (Cleveland, TN) where in earned his B. A. degree in Sociology. Mr. McCullar has served in several capacities while with the College in the areas of the Business Department as well as Auxiliary Services.

ACCREDITATION AND MEMBERSHIPS

The College is accredited by the Southern Association of Colleges and Schools Commission of Colleges. The College's accreditation was renewed most recently in 2008 and the College is up for reaccreditation in 2017.

STRATEGIC PLAN

Adopted by the College in 2010, the College's Strategic Plan for the next decade identifies four key priorities:

- (a) create effective co-curricular learning experiences;
- (b) expand the campus infrastructure;
- (c) enroll and retain more students; and
- (d) attract more donors and friends.

The action items for pursuing these objectives provide the basis for the Strategic Plan and include the addition of new academic degree programs, construction of three new residence halls, athletic facilities, student center, and an administrative and academic building to best serve future students.

Construction of several Strategic Plan elements has already been undertaken with the completion of Roberson Hall Phase I, and the Athletic Center, costing \$11.1 million, began in the spring of 2011. It is expected to open in fall 2012. Construction on Roberson Hall Phase II is the next step of the campus development called for by the Strategic Plan. Future construction contemplated by the College includes the completion of outdoor athletic venues and the construction of a new student center and dining hall.

Other aspects of the Strategic Plan include the initiation of a new academic scholarship program to recruit a student body with a stronger academic focus, the offering of new degree programs in a variety of fields, the expansion of the College's athletic offerings, and the selection of a new food service provider for the College.

The College's Strategic Plan was a key element in the development of its long-range financial planning as reflected in its financial projections. See "APPENDIX A—PROJECTIONS."

CURRICULUM

As a Christian liberal arts college, the College provides educational opportunities that go beyond job training in marketable skills for employment. All students complete a liberal arts core curriculum, designed to help develop the person as a holistic individual in society.

Every student who enrolls at the College must be enrolled in and working toward meeting the graduation requirements in one of the curricula offered by the College leading toward either the associate degree or the baccalaureate degree. All curricula include two three-hour courses in Biblical Foundations as well as the completion of Introductory Algebra, Intermediate Algebra, or an adequate score on the Mathematics Placement Examination.

To graduate, a student must complete the degree requirements of their course of study, earn a cumulative grade point average of 2.0 or higher, and earn a “C-” or higher in all major and minor coursework.

The table below contains a list of the bachelor’s degree major concentrations offered by the College.

Bachelor Degree Programs (Major Concentrations)

School of Arts and Sciences	School of Business	School of Christian Ministries	School of Education
Biology	Business Administration	Christian Ministries	Early Childhood Education
English	Communication Studies	Worship and Music Ministry	Secondary Education
History	Graphic Design		P-12 Education
Mathematics	Kinesiology		
Music	Sports Management		
Pre-Law			
Pre-Pharmacy			
Pre-Professional Studies			
Psychology			

In addition to these programs, the College’s students may earn associates degrees in General Education, Allied Health, and Business Administration.

The College is currently in the process of adding and planning to add new programs of study to its overall curriculum. During the 2011-12 academic year, the College added Health and Physical Education as a new major. During the 2012-13 academic year, the College added Graphics Design as a new major. The College has also approved but not yet initiated three new programs of study: Criminal Justice, Social Work, and Business Administration with a concentration in Accounting.

The following table shows the academic programs the College had recently added and those it expects to add in near future as well as the expected new students in these new majors.

Program (Year Added or To Be Added)	New Students	Expected Future New Students
Health and Physical Education (AY12-13)	8	15 to 20
Graphic Design (AY12-13)	12	20+
Pre-Med		
Pre-Veterinary (AY13-14)	NA	8 to 10
Occupational Therapy (AY13-14)	NA	8 to 10
Physical Therapy (AY13-14)	NA	8 to 10
Business		
HR, Marketing and Accounting (AY14-15)	NA	8 to 10

Students may enroll in one of a number of different ways, as either part-time or full-time non-residential students, residential students or online. In fall 2012, the majority of students were enrolled as residential students at 480. In fall 2012, the number of students enrolled as part-time or full-time non-residential was 95 and 74, respectively. No students were enrolled as entirely online. A number of students of all types take advantage of summer program offerings. For the 2011-12 school year students were not allowed to register for summer school until March 1, 2012. For the 2012-13 school year students are allowed to register at any time throughout the school year and as of November 26, 2012 students have registered for 846 hours of summer school for summer 2013 and have made deposits for such hours.

A typical full-time student enrolls for 12 to 18 credit hours each semester. The majority of single semester courses carry three credit hours. Courses that involve a laboratory typically award four credit hours. The College's student to faculty ratio is 15:1.

Internships

Internships or other pre-professional complementary educational experiences are required for students in a number of College programs. All students completing School of Education majors must complete a student teaching internship and all School of Christian Ministries majors must complete a ministry internship. Similarly, Communication Studies majors must complete internships related to graphic design or communication studies, Kinesiology and Sports Management majors complete related internships, and Business Administration students with Computer Information Systems concentrations complete an internship in the field of information technology. While these students must complete an internship as a requirement for program completion, Business Administration majors with a management concentration, history majors, and pre-law majors all have the opportunity to complete optional internships.

In addition to the many College programs that offer internship opportunities, numerous other programs include research projects or other special projects related to the relevant field of study.

Counseling and Career Services

The purpose of counseling services at the College is to help students define and accomplish personal, spiritual and academic goals. This is accomplished through individual and group counseling

and support, programmatic initiatives, crisis management, and assessment services. In 2011-2012, counseling services were provided for 117 students or about 15.1% of the student population.

The College Career Services provides services in the areas of resume development, mock interview workshops, preparation and transportation to career fairs, and career counseling. The College provides a job board that informs students of part-time, full-time, local and world-wide employment and internships.

Extracurricular Programming

The College offers student affairs programs in the areas of spiritual life, residence life, counseling and career services, service learning, intramurals, and campus life. These services reflect and enhance the College's mission.

Spiritual Life. The spiritual life program at the College includes weekly convocation and chapel services, the "Fuse" small group program, pastoral counseling, chaplains program, and a variety of spiritual life programs and opportunities. Attendance is required at weekly convocation services for all full-time students. The Campus Pastor in addition to College administrators, faculty, staff, students, and guest speakers address topics relevant to student development including civic engagement, sexual identity, and spiritual formation. Over 160 students, or 25% of the student body, participated in the "Fuse" small group program during the 2011-2012 academic year. The College offered 23 groups lead by nine faculty members, 12 staff, and 14 upper-class students. Groups are topical in nature that includes student learning and development themes in the areas of developing mature and meaningful relationships, appreciating diversity, and spiritual growth and formation.

Residence Life. Over half the student population lives in a College residence hall, and approximately 70% of all incoming students express preference for residential housing. Roberson Hall Phase I has been 100% occupied since opening in the fall of 2011. All un-married students under the age of 22 are required to live on campus, with the exception of students who live with their parents within 60 miles of campus. Beginning in the fall of 2013, all student athletes will be required to live on campus. The College currently enrolls 350 student athletes, of which approximately 55 do not currently live on campus.

Each residence hall is staffed with a professional staff member in addition to several resident assistants. The goal of the residential living program is to provide an on-campus living environment that facilitates personal growth and a sense of community among residents. Residence life personnel design and implement multiple programmatic initiatives each semester that reflect the goals of the department, and many students find that residential life is one of the defining aspects of an education at the College. The College currently maintains six residence halls as well as a number of townhomes, duplexes and other rental properties, and can accommodate a total of 509 students in on-campus housing. This is comprised of 473 on-campus available beds and 36 beds in rental properties. This will increase to 617 beds when Roberson Hall Phase II is completed. Typically, non-resident students are either commuter students residing at family homes within driving distance of The College, or are married students and upperclassmen renting houses or apartments within 20 to 30 miles from campus.

The following table details the student housing that has been available on the College's campus over the past five years:

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On-Campus Student Housing

Academic Year	Available Beds	Occupied Beds
2008-09	373	313
2009-10	373	337
2010-11	373	372
2011-12	473	391
2012-13	473	451

The rental properties (totaling 36 beds) have historically been used to house married students, graduate students and others in the College community. With the growth in the College, the College has used the rental properties to meet student demand for housing. As a result, married students, graduate students and others in the College community have had to find higher costing housing in Franklin Springs and the surrounding communities. Upon completion of the Roberson Hall Phase II, the rental properties will again become available for the traditional renters.

Roberson Hall Phase II Pro Forma. The following table provides a pro forma for Roberson Hall Phase II for FY 2014.

Roberson Hall Phase II FY 2014 Pro Forma

	Annual Per Bed	Notes
Revenues		
Room Charge	<u>\$3,750</u>	
Total Revenue	<u>\$3,750</u>	
Expenses ¹		
Interest	\$2,115	
Depreciation	597	
Utilities	267	Water and Electricity
SSC	202	Includes maintenance, housekeeping and supplies
EC Staff	173	Salaries and benefits for Resident Director
Work Study	125	Resident Assistants-Student Workers
Miscellaneous	110	
Events	<u>55</u>	Special events for residents
Total Expenses	<u>\$3,644</u>	
Net Revenues	<u>\$ 106</u>	

¹ Expenses are at approximately 144 beds at all projected occupancy.

Service Learning. Service Learning at the College exists to help students develop an understanding about local and global issues and the possible solutions to such issues. Students are given opportunities to address these issues through local outreach initiatives, social justice education programming, and short-term missions. The College is one of only nine colleges in the State named to the U.S. President's Higher Education Community Service 2012 Honor Roll. The College's students volunteered over 61,000 hours during the 2011-12 academic year.

Student Activities, Clubs, and Organizations. The College provides over 25 campus clubs and organizations. A selection of these organizations is included in the table below.

Clubs and Organizations

Actors for Christ in Theatre and Singing	Education Club	Pi Gamma Mu
Baptist Collegiate Ministries	The College Leadership Initiative	Sigma Tau Delta
Black American Student Association	Fellowship of Christian Athletes	Students in Free Enterprise
Campus Activities Board	Montage (Visual Arts Publication)	To Write Love on Her Arms
Student Government Association	Omicron Delta Kappa	Women’s Outreach Organization

Athletic Programming

Intramurals. The intramural sports program seeks to provide students, faculty, staff, and their families, with recreation for physical exercise and competition in an enjoyable and structured Christian environment. Over 250 students participate in intramurals at the College. The College Intramural Sports is a member of National Intramural Recreational Sports Association (NIRSA) a leading resource for professional and student development in collegiate recreational sports. Intramurals includes five men’s teams and five women’s teams. Teams compete in flag football, volleyball, kickball, basketball, and Ultimate Frisbee.

Expanded Athletic Offerings. The new Athletic Center includes an indoor venue with two athletic courts, one for basketball and the other for volleyball, seating for over 1,200 fans, and a fitness center. The Athletic Center consists of over 76,000 square feet and its swimming pool, and in academic year 2013-14 will be home to the College’s new swimming, water polo and synchronized swimming teams. The complex also has an eight lane bowling alley, concession area, hall of fame, video production booth, dining area, and office space for athletic department staff. Currently about 360 students compete in the 27 sports offerings at the College. Those sports offerings currently include: Men’s and Women’s Basketball, Baseball, Softball, Men’s and Women’s Tennis, Men and Women’s Tennis, Men’s and Women’s Volleyball, Men’s and Women’s Golf, Men’s and Women’s Lacrosse, Men’s and Women’s Clay Target Shooting, Men’s and Women’s Cross Country, Men’s and Women’s Indoor Track, Men’s and Women’s Outdoor Track, Junior Varsity Baseball, Men’s and Women’s Junior Varsity Basketball. Men’s and Women’s Cheer.

Due to the addition of the Athletic Center, the College added a number of new sports and anticipates adding more over the next several years. The College’s Strategic Plan outlines a goal that the athletic department grow to 38 sports and 650 student athletes by 2015.

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The following table details the athletic programs recently added by the College and those it plans to add in the near future. It also shows the number of students currently participating as well as the College's goals for participating students in each of those programs.

Athletic Program (Year Added or to be Added)	Current	Goal
Men's Volleyball (AY12-13)	12	20
Men's and Women's Lacrosse (AY12-13)	30	55
Clay Target Shooting (AY12-13)	4	7
Plan to Add in Future		
Men's and Women's Bowling (AY13-14)	NA	20
Men's and Women's Swimming (AY13-14)	NA	24
Archery (AY13-14)	5	20 to 25
Men's and Women's Water Polo (AY13-14)	NA	20

The College currently has 335 varsity student athletes with a goal of 442 varsity student athletes next year, net of graduates. The College had a goal of 150 new varsity student athletes for 2012-13 and actually enrolled 168 varsity student athletes.

Application for NCAA Division II Membership. The College is currently a member of the National Association of Intercollegiate Athletics, the Southern States Athletic Conference, and the National College Athletic Association ("NCAA"), competing in the South Region.

As part of the expansion of the College's athletic facilities and team offerings, the College's Board recently approved pursuing membership in the NCAA as a Division II institution. Conference Carolinas will be conducting a site visit at the College November, 2012 and the College anticipates receiving sponsorship to Conference Carolinas thereafter. The College expects to send its application to the NCAA by February 1, 2013 and is scheduled to be informed of the result of this application by the end of July 2013.

FACULTY AND STAFF

As of fall 2012, the College's faculty is made up of 56 full-time members and 36 part-time members. The following table sets forth the number of full-time and part-time faculty members, as well as faculty members with advanced degrees or administrative roles, for the current academic year and the past five academic years.

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Faculty Composition

	# of Faculty (academic year)					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
Full time:	44	47	48	48	53	56
Part time:	29	29	25	26	42	36
Full time faculty with advanced degrees	23	24	27	26	27	30
% of full time faculty with advanced degrees	52%	51%	56%	54%	51%	54%
Part time faculty with advanced degrees	3	3	3	3	6	5
% of part time faculty with advanced degrees	10%	10%	12%	12%	14%	14%
Faculty with administrative roles**	15	15	14	14	14	14

*Preliminary.

**Deans, Chairs, AD, Librarians (with faculty status), Registrar (with faculty status), Assistant Vice President of Institutional Research.

For the 2012-13 academic year, there are 55 salaried and six hourly employees in the academic department. When considered as a group, the College's full-time faculty have an approximate average teaching experience duration of 15 years.

The College does not offer tenure to faculty and the performance of all full-time and part-time faculty of the College is evaluated annually. Deans and department chairs typically evaluate the performance of faculty within their department. The Vice President for Academic Affairs typically evaluates all deans.

Full-time faculty are evaluated in three areas: Teaching effectiveness; Service, Cooperation, and Attitude; and Scholarship and Faculty Development. Full-time faculty who have administrative roles are also evaluated for their efficacy as administrators. Part-time faculty are evaluated only for their teaching effectiveness. Once completed, faculty may use the results of the evaluations as a means to improve their performance in the coming academic year. The completed evaluations of all faculty are reviewed by the Vice President for Academic Affairs and become part of the faculty member's permanent employee file.

Employees of the College have never been represented by labor unions or similar organizations and, to the best of the College's knowledge, there are no organizing activities. The College considers its relationship with its employees to be excellent.

STUDENT ENROLLMENT

The Admissions Office staff is made up of seven members, led by the Vice President of Enrollment Management and Marketing. In addition to the strategies implemented by the Admissions Office staff, the College relies extensively on faculty, students, alumni, and Trustees to supplement traditional recruitment methods.

Recruitment of Students

The College employs a number of tactics in recruiting students. Historically, the Admissions Office has begun the recruitment process by purchasing names from multiple lead sources. The College focuses on purchasing names of students who have listed the College as a college of interest, as well as students from key markets, such as Northeast Georgia, Upper South Carolina, and the Raleigh (NC), Durham (NC), Greenville (SC), and Spartanburg (SC) metro areas. This data includes contact information that the College uses to call, email and direct mail to prospective students. The leads

generated through this process are then tracked from the time that they first inquire about the College to their submission of an application, acceptance to the College, and decision to make a deposit and enroll as a student. The Admissions Office also ranks the names of students in this database throughout the year to determine the likelihood that each student will actually attend.

Under the leadership of the Vice President of Enrollment Management, who arrived at the College in 2010, the College has increased attention to recruiting outside of the five-county area surrounding Atlanta. In particular, the College has begun to focus on communities with large Pentecostal populations in neighboring states, including Florida, South Carolina, North Carolina, and Tennessee.

The Admissions Office employs a designated church relations coordinator who focuses on IPHC and Congregational Holiness churches. This outreach includes mailings to pastors, making presentations at churches, sponsoring and attending major youth events and women's conferences and hosting church groups on campus. As part of this initiative, representatives from the Admissions Office have attended major Pentecostal youth events in these areas, such as summer youth camps and conferences including Accelerate, Forward, YouthQuest and Winter Renewal. The College has found that sponsoring these large events has been more effective than visiting individual churches. The College also hosts an annual college night for all IPHC high school students.

The College also hosts four open houses or previews per year for prospective students and their families and encourages prospects to come to campus for individual visits and tours. These on-campus events are promoted on the College website and via direct mail, calls and emails.

The Admissions Office staffs two designated recruiters who attend college fairs in the fall and spring. Prior to attending these events, recruiters alert students in the admissions database that representatives of the College will be attending. The College also undertakes social media campaigns prior to these events. Historically, college fairs and similar events have generated leads and applications to the College.

The Admissions Office utilizes numerous social media platforms and text messaging for promoting The College events, deadlines, and other information. The College currently has a yearlong campaign going on with Google ad words and Facebook ads. Other publicity initiatives include participating in community events and purchasing ads in local newspapers in target markets. In 2011, the College also initiated an outdoor billboard campaign and purchased target market ads to less immediately accessible demographics such as homeschooled students.

All of the recruitment initiatives undertaken by the Admissions Office are done in conjunction with the recruitment undertaken by The College's coaching staff. Enrollment Management services the teams and coaches by providing information packets, follow up to all inquiries who come through the website, working directly with athletes who are being specifically recruited by a particular coach, attending events targeted at prospective athletes, and hosting students during try-outs.

Administration's Discussion of Recruitment and Enrollment

The College's headcount enrollment grew from 543 students in fall of 2005 to 835 students in fall 2012, an increase of 54%. In academic year 2011-12, the College's student body was 46% male and 54% female. This percentage is generally consistent with the national averages for gender distribution.

Market Position. The Administration believes that the College offers students a liberal arts education with small average class sizes and a high student-to-teacher ratio (15:1), as well as state-of-the-

art on- campus housing and facilities. The College provides an affordable private college education in a tight-knit, Christ-centered community.

New Academic Scholarship Program. In the fall of 2011, the Enrollment Management and Marketing Division introduced a new scholarship strategy, which will increase academic scholarships to qualified students. In 2010, only 35% of the College’s students received an academic scholarship. In the fall of 2011, almost 80% of new students received an academic scholarship and by 2014 the College expects that almost 90% of all students will receive some level of academic scholarship. The College will fund the additional scholarships by maintaining approximately the same tuition discounting level as tuition and fees charges and enrollment increase and through endowment fundraising. These scholarships are included in the financial projections. See “APPENDIX A—PROJECTIONS.” As a result of this scholarship program, the College is beginning to recruit a more academic, rather than need-based student population. This population is less likely to transfer or be dismissed from the College for academic reasons.

Projected Growth. The College is working to grow to headcount enrollment of 1,200 students by 2020. By fall of 2013, the College projects headcount enrollment to climb to close to 888 students. As of academic year 2011-12, 55% of full time students live on campus. By 2014-15, the College plans to have almost 80% percent of full time students living in on-campus housing. The College’s objective of doubling enrollment by 2020 is driven by a desire to expand educational offerings at the College while increasing the financial strength of the College. The College also hopes to increase its ability to serve a larger number of applicants as well as a greater number of affiliated Church communities. The College has the land capacity to serve 1,200 students, and is working to expand facilities to accompany the growth of the student body with the Bonds and future planned facilities as discussed herein.

The following table provides a comparison of the inquiries, applications and acceptances for fall 2013 as of November 26, 2012 compared with fall 2012 numbers as of November 26, 2011.

**Comparison of Inquiries, Applications and Acceptances
as of November 26, 2012**

Stage	Fall 2013	Fall 2012
Inquiry	2,626	2,178
Applicants	339	304
Accepts	57	47
Deposits	1	-

Enrollment Trends

The following table depicts the total headcount enrollment and the distribution of enrollment broken out by degree program as well as residential and commuter students for each year, starting with academic year 2007-08:

Head Count Enrollment: Fall Semester

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Bachelor's Degree	563	610	634	659	665	759
Associates Degree	<u>94</u>	<u>87</u>	<u>98</u>	<u>109</u>	<u>123</u>	<u>76</u>
Total	657	697	732	761	788	835
Residential Student	320	313	337	372	391	480
Commuter/Online Student	<u>337</u>	<u>384</u>	<u>395</u>	<u>389</u>	<u>397</u>	<u>355</u>
Total	657	697	732	761	788	835

The following table presents total enrollment for the past six years on a full time equivalent (FTE) basis:

FTE Enrollment: Fall Semester

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total FTE Enrollment*	596.9	647.9	691.3	715.6	734	778

*FTE Enrollment includes full-time students and part-time student hours but does not include summer school student hours.

The following table presents student enrollment for the past six years by student type:

Enrollment by Student Type: Fall Semester

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Full-Time Students*	586	605	643	680	690	740
Part-Time Student Hours*	523	775	795	639	1,047	1,500
Summer School Hours*	-	-	-	448	500	1,500

*Used for the College's internal budgeting and financial projections. The College began offering summer school during the 2010-11 school year.

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The following table provides applications, acceptances and enrollments for the fall semester for full-time and part-time freshmen over the past six years.

Applications, Acceptances, and Enrollments: Fall Semester

	2007	2008	2009	2010	2011	2012
Number of applications	950	1,013	1,236	1,591	1,227	1,267
Number of acceptances	333	359	531	685	692	684
Acceptance Rate	35%	35%	43%	43%	56%	54%
Number of matriculations-freshmen	203	188	168	251	256	263
Number of matriculations-transfers	73	62	71	67	67	63

The College’s acceptance rate averaged 44% over the past six years, while its matriculation rate (yield) averaged 56% over the same period. The 2012 enrollment goal was 265 new students and the College has met that goal. In 2010, the College began re-evaluating the College’s need-based financial aid structure, ultimately deciding to pursue a scholarship program based on academic merit, rather than need. This change resulted in a drop in matriculation for the fall of 2011, but ultimately has allowed the College to recruit and retain a higher caliber group of students. The average grade point average of the entering class has increased from 2.8 in fall 2010 to 3.4 in fall 2012.

The College has also worked to cultivate a student body more committed to completing a four year degree at the College. Historically, the College has attracted a large number of students seeking a two-year associate’s degree before continuing on to pursue a bachelor’s degree at another institution. Over the past several years, the College has worked to recruit higher quality students, as well as more serious varsity athletes. In doing so, the College has secured students who intend to pursue a four-year degree at the College, many of whom are also seeking long-term membership on one of the College’s athletic teams. These students are more motivated and better equipped to successfully complete a bachelor’s degree program. This change in recruitment strategy has already significantly reduced the College’s rate of attrition.

SAT Scores

The following table lists the mean Educational Testing Service Scholastic Aptitude Test (SAT) combined scores for the current entering freshman class and the four previous classes:

SAT Scores ¹

Fall Semester	Scores for Entering Freshmen
2008	916
2009	962
2010	915
2011	950
2012	983

¹ Out of a possible 1600 for the combined verbal and QR sections

Retention and Graduation

For the period covering fall 2007 through fall 2011, the College's one year student retention rates for all full-time degree-seeking students were as follows:

One-Year Retention

Fall Semester	Retention Rate
2007	86%
2008	81
2009	87
2010	84
2011	87
2012	89

The College's two year student retention rates for all full-time degree-seeking students enrolling between 2008 and 2010 were as follows:

Two Year Retention

Fall Semester (2 nd Year)	Retention Rate
2008	55%
2009	56
2010	58

Four and five year graduation rates at the College have remained stable over the past five years. The following table details the four and five year graduation rates of students who began their studies at the College from 2002 to 2006:

Graduation Rate

Entering Class	Four Year Graduation Rate	Five Year Graduation Rate
2002	23%	38%
2003	29	41
2004	23	35
2005	25	36
2006	25	35

Diversity

The College maintains a diverse student body in terms of gender and racial background and is committed to providing equal education opportunity to all qualified persons regardless of their economic or social status. The following table depicts the total enrollment and the distribution of enrollment by gender for each year, starting with academic year 2007:

Gender Distribution: Fall Semester

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Female Students	353	399	393	387	423	426
% of Headcount Enrollment	54%	58%	54%	51%	54%	51%
Male Students	304	298	339	374	365	409
% of Headcount Enrollment	46%	42%	46%	49%	46%	49%
Total Headcount Enrollment	657	697	732	761	788	835
% change	N/A	6.1%	5.0%	4.0%	3.5%	6.0%

The College's student body has become more diverse in recent years, with 28% of the student population identifying as international students or minority students during the 2011-12 academic year. The table below summarizes the ethnic distribution of students for the past three academic years and the current academic year.

Ethnic Distribution of Students

	2009-10	2010-11	2011-12	2012-13
White	72%	71%	72%	73%
Black/African Am	20	21	19	17
Hispanic	5	5	5	4
Other	3	>1	>1	2
International	<u>1</u>	<u>3</u>	<u>4</u>	<u>4</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Geographic Distribution

Nearly 25% of the College's students come from over 300 miles away from the College. The College draws its students primarily from Georgia, North Carolina, South Carolina, and Florida, as shown by the following tabulation of the geographic distribution of freshman enrollments for the past five academic years and the current academic year.

Geographical Distribution of Freshmen

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-2013
Alabama	1%	1%	1%	1%	1%	1%
Florida	2	2	3	3	3	5
Georgia	77	80	78	78	79	76
Mississippi	>1	>1	>1	--	--	1
North Carolina	10	7	8	6	6	6
Other U.S.	>1	>1	>1	>1	>1	2
South Carolina	4	4	5	6	5	5
Tennessee	>1	>1	>1	>1	>1	1
Virginia	4	3	2	2	1	1
Foreign Countries	<u>>1</u>	<u>>1</u>	<u>>1</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

TUITION

The College's total tuition, room, and board charges are competitive with those of the private colleges and universities with which it regularly competes for students. Set forth below is a listing of tuition charges of the College for the past four academic years and the current academic year. The College anticipates raising its tuition and housing costs by between 6% and 8% annually for the next five years.

Tuition and Fees

	2008-09	2009-10	2010-11	2011-12	2012-13
Tuition	\$12,260	\$12,880	\$13,520	\$14,550	\$15,700
Housing Costs	<u>5,584</u>	<u>5,520</u>	<u>5,720</u>	<u>6,100</u>	<u>6,440</u>
Total Tuition & Housing Costs	<u>\$17,844</u>	<u>\$18,400</u>	<u>\$19,240</u>	<u>\$20,650</u>	<u>\$22,140</u>

The following table sets forth gross revenues received by the College from tuition and fee charges less amounts deducted for institutional aid given by the College for the past five academic years.

Total Net Tuition and Fees

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Gross Tuition and Fees	\$7,339,546	\$8,071,113	\$8,850,472	\$9,696,590	\$10,623,274
Less: Institutional Aid	<u>1,979,250</u>	<u>2,267,054</u>	<u>2,521,856</u>	<u>3,332,362</u>	<u>4,428,700</u>
Net Tuition and Fees	<u>\$5,360,296</u>	<u>\$5,804,059</u>	<u>\$6,328,616</u>	<u>\$6,364,228</u>	<u>\$ 6,195,174</u>

The College considers Piedmont College in northeast Georgia and Shorter College in College Park, Georgia (near Atlanta) to be its primary competitors for undergraduate students. The average tuition and fees for academic year 2011-12 for all private colleges and universities in Georgia that the College considers its competitors for students are shown in the following table. The College's 7.2% increase in tuition and housing costs from 2011-12 to 2012-13 set forth above did not change the College's ranking (#21) with respect to its costs versus the other private colleges and universities in Georgia as set forth below.

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Comparative Tuition & Fee Rates for 2012-13

Total (Tuition, Room, Board & Fees)

Mercer University	\$ 47,099
Emory University	46,980
Savannah College of Art and Design	44,255
Agnes Scott College	43,691
Oglethorpe University	41,270
Morehouse College	37,416
Berry College	37,329
Covenant College	36,310
LaGrange College	34,480
Young Harris College	32,720
Brenau College	32,792
Wesleyan College	31,400
Shorter College	28,100
Clark Atlanta University	26,690
Piedmont College	28,130
Reinhardt College	25,078
Toccoa Falls College	24,230
Paine College	23,620
Point University	22,450
Truett-McConnell College	22,350
Emmanuel College	22,140
Brewton-Parker College	20,270
Thomas University	17,430

FINANCIAL AID

Over 90% of the students enrolled at the College receive some form of financial assistance. Aid is available in the form of grants, scholarships, loans, and/or work-study assistance. Academic scholarships for freshmen are available at three top tiers of achievement based on a combination of SAT scores and high school grade point average. The highest tier students are eligible for Zenith scholarships totaling \$6,000 in tuition assistance and \$1,000 in room and board assistance, second tier students are eligible for Pinnacle scholarships totaling \$4,000 in tuition and \$1,000 in room and board, and third tier students are eligible for Apex scholarships totaling \$2,000 in tuition and \$1,000 in room and board. The tuition discount rate for fiscal year 2012 was 34% and for 2013 it is projected to be 39%. The discounted amount of tuition for the 2012 and 2013 academic years is higher than usual due to changing the institutional scholarship program from a need-base to an academic scholarship. The College intends to maintain a discount rate between 30% and 34% in future years but gives no assurance that this rate can be achieved. As shown in the following table, the College currently has some students receiving the old Emmanuel College Grants (which are need based) while transitioning to the new academic scholarship program.

Need Based Grants (Awards)

2011	\$ 700,970
2012	441,818
2013	308,592

Academic Scholarships (Awards)

2011	\$ 352,091
2012	802,830
2013	1,208,830

The College’s academic scholarships are competitive with the Georgia Hope Scholarship program, which offers students from Georgia who meet specific grade point average and score thresholds an annual scholarship to attend a public university in Georgia. For the academic year 2012-13, the average Hope Scholarship for a full-time student (a student enrolled in between 12 and 15 credit hours each semester) was approximately \$1,600 per semester. There have been recent reductions to the Hope Scholarship and may be additional reductions in the future.

The following tables include information on the amount of financial assistance provided to College students for the past five academic years.

Financial Aid Awards

	2007-08	2008-09	2009-10	2010-11	2011-12
Scholarships	\$1,851,453	\$1,233,148	\$ 1,637,559	\$ 3,113,745	\$ 3,987,526
Pell Grants & Other Federal Grants	1,010,226	1,255,259	1,844,350	2,109,504	2,006,525
State Grants*	<u>1,122,259</u>	<u>1,223,508</u>	<u>962,723</u>	<u>1,221,887</u>	<u>1,193,700</u>
Total Financial Aid	<u>\$3,983,938</u>	<u>\$3,711,915</u>	<u>\$4,444,632</u>	<u>\$6,445,136</u>	<u>\$7,189,751</u>
Number of Students	739	749	785	842	875
Average Amount of Aid Received	\$5,391	\$4,955	\$5,662	\$7,655	\$8,217
Tuition Discount Rate	27%	28%	28%	34%	34%

*State grants students of the College receive are HOPE and Georgia Tuition Equalizer Grant (GTEG).

The following table shows the amount of Federal Direct Student Loans obtained by students of the College. These amounts are not included in the Financial Aid Awards table shown above.

Federal Direct Student Loans

	2007-08	2008-09	2009-10	2010-11	2011-12
Federal Direct Student Loans	\$ 3,493,037	\$ 4,006,831	\$ 4,757,058	\$ 4,913,746	\$ 4,715,160

GEOGRAPHIC AREA AND FACILITIES

The College has an attractive 150-acre campus in the northeast portion of the State, with a core campus of approximately 75 acres. The College has a secure setting surrounded by state parks and other attractions nearby and is conveniently located approximately 30 miles from Athens, Georgia, 90 miles from Atlanta, Georgia and 45 miles from Anderson, South Carolina.

The College's 53 buildings provide approximately 443,000 square feet of space, including the newly constructed Athletic Center and Roberson Hall Phase I dormitory. The following table identifies the buildings owned by the College, the approximate net square footage of each, the dates of construction and last renovation, and the principal use of each building. Certain of the buildings as marked below are part of the Mortgaged Property and subject to the Senior Security Deed and certain of the buildings as marked below are subject to the Subordinate Security Deed. See "APPENDIX A—ADDITIONAL FINANCIAL INFORMATION—Outstanding Indebtedness."

College Buildings

Building Name	Date of Construction	Approximate Gross Square Footage	Principal Use
Aaron Building ¹	1940	24,024	Administration / Class
Student Life	1919	1,838	Admissions
Wood Frame / Brick Veneer House	c. 1960	2,858	Rental Housing
Lion' Den Student Center	1963	2,578	Student Activity
Drum Hall ¹	1975	14,040	Residence Hall
Field House / Baseball	2005	1,316	Athletic
Gymnasium	1951	15,019	Faculty / Class
Jackson Hall ¹	1928	38,465	Residence Hall
Melton Hall ²	1993	6,556	Residence Hall
Hartsfield Hall ²	1997	8,735	Residence Hall
Shaw-Leslie Learning Resource Center ¹	1980	17,316	Library
Maintenance Shop - Gas Storage	N/A	47	Maintenance
Maintenance Shop - Main Building	1993	6,100	Maintenance
Maintenance Shop - Storage	1995	2,400	Maintenance
Nash Hall	1919	2,160	Prayer Chapel
Pavilion - Shelter	1998	793	Student Activity
School Of Christian Ministries	1919	1,663	Class
Student Activity Center	1990	17,142	Student Activity
Swails Convocation Center ²	1970	43,650	Auditorium
Taylor – Chapel ¹	1948	18,322	Chapel, Dining, Classrooms, Offices
Teachers Education - Classroom Annex	1995	1,440	Classrooms
Teachers Education - Offices	1991	5,248	Faculty / Classrooms
Terrace Apartments - Soccer Field House	1997	2,375	Soccer Field House
Terrace Apartments - Athletic Trainer's Office	1997	1,216	Athletic Trainer's Office
Wood Frame / Wood Siding House	c. 1960	3,988	Student Functions
Wood Frame / Wood Siding Storage Building	N/A	600	Storage
Wellons Hall ¹	1957	25,907	Residence Hall
Wellons Science Building ¹	1997	14,970	Faculty / Classrooms
Wood Frame / Brick Veneer House	1963	2,445	Campus Operations
Wood Frame / Brick Veneer House	1971	1,537	Rental Housing
Wood Frame / Wood Siding House (McCoy)	1969	1,515	Coaches Offices
King St Duplex - Apartment 1 ²	1978	784	Rental or Residential Housing
King St Duplex - Apartment 2 ²	1978	784	Rental or Residential Housing
King St Duplex - Apartment 3 ²	1978	784	Rental or Residential Housing
King St Duplex - Apartment 4 ²	1978	784	Rental or Residential Housing
King St Duplex - Apartment 5 ²	1978	707	Rental or Residential Housing
King St Duplex - Apartment 6 ²	1979	707	Rental or Residential Housing
Wood Frame / Brick Veneer House	N/A	2,320	Rental Housing
Wood Frame / Brick Veneer Duplex	N/A	3,225	Rental Housing

College Buildings

Building Name	Date of Construction	Approximate Gross Square Footage	Principal Use
Townhouse Apartments 1-8 ²	1979	9,760	Rental or Residential Housing
Village Apartments: Unit A-Apartments 1-4	1992	1,784	Rental or Residential Housing
Village Apartments: Unit B-Apartments 1-4	1992	1,784	Rental or Residential Housing
Wood Frame / Wood Siding	1956	1,000	Rental or Residential Housing
Brad St Townhouses: Unit A	2008	2,000	Rental or Residential Housing
Brad St Townhouses: Unit B	2008	2,000	Rental or Residential Housing
Wood Frame / Brick Veneer House	N/A	2,277	Rental Housing
Admissions & Financial Aid Building	1975	3,310	Admissions & Financial Aid
Admissions Call Center	2010	700	Admissions Call Center
Roberson Hall Phase I ¹	2011	45,000	Residential Housing
Athletic Center ¹	2012	77,000	Athletic
Pinnacle Bank Building ¹	1974	2,238	Rental
Total Gross Square Footage		<u>445,211</u>	

¹ Subject to the Senior Security Deed.

² Subject to the Subordinate Security Deed.

FINANCIAL MATTERS

Accounting Matters

The following summaries and discussions of financial matters should be read in conjunction with the financial statements of the College, related notes, and the accountants' report. The College operates on a fiscal year ending June 30. The financial statements of the College have been prepared on an accrual basis in accordance with generally accepted accounting principles for educational institutions.

The College has used the same Certified Public Accountants, Ed K. Burton, LLC, for the past 22 years. The College's administration has determined that it is in the College's best interest to work with a larger and nationally recognized auditor in the future, including fiscal year 2012-13. The Finance Committee will discuss changing auditors at its March, 2013 meeting and will then make a recommendation to the Board at its March, 2013 meeting. The College plans to send a request for proposals for audit services to nationally recognized accounting firms after obtaining Board approval.

Administration Discussion and Analysis of Past Financial Performance

From fiscal year 2008 to fiscal year 2012, the College experienced a 51 percent growth in tuition, fee and auxiliary services revenues (net of tuition discounting). This resulted predominantly from growth in full time students from 586 to 690 in fiscal years 2008 and 2012, respectively.

Over that same period, the College increased academic scholarships and expenses significantly to invest in new athletic programming, the size and maintenance of its physical plant, and attracting higher qualified students. In fiscal year 2012, the College expended approximately \$1.2 million to start a number of new athletic programs, consistent with its plans to join NCAA Division II. Those programs have grown from 81 students in fiscal year 2012 to 350 students in fiscal year 2013. During fiscal year 2012, the College experienced a decline in unrestricted net assets of -\$542,898, which included gifts in-

kind of approximately \$2,636,000. This led to a need to draw on two lines of credit totaling approximately \$2.4 million. The balance of the two lines of credit will be repaid with the proceeds of the Bonds.

During the last five years, the College has increased its property and equipment to \$22.5 million from \$7.3 million. This facilities expansion has led to a significant improvement in the character of and amenities on the campus through the addition of the 75,000 square foot Athletic Complex and 45,000 foot Roberson Hall Phase I. Funded from the proceeds of indebtedness and charitable giving, the expansion in campus facilities has led to greater operating costs.

In fiscal year 2012, the College entered a long-term maintenance agreement with SSC Service Solutions (the "Maintenance Contractor") to improve the appearance of the campus through higher quality maintenance. This led to an increase in expenses of approximately \$613,000 in that fiscal year. The Maintenance Contractor maintains all facilities, grounds and landscaping on the campus. The Maintenance Contractor has furnished equipment with a value exceeding \$300,000 to perform its duties. The College believes that presenting an impeccable campus is critical to its long-range goal of attracting students. The Maintenance Contract has showcased the College's campus to an array of colleges and universities, both flagships and smaller institutions. See "APPENDIX A—FINANCIAL MATTERS—Maintenance Agreement."

A comparison of revenues and expenses for FY 2013 to this period last year shows better results for the current fiscal year. Entering into the agreement with the Maintenance Contractor last year added expense to the budget. Currently, 85% of the College's expenses are fixed and there have been no unexpected expenses. Employee benefits did not increase year over year. In fall 2011 the fiscal YTD net tuition and fees received was \$3,063,727. In fall 2012 fiscal YTD net tuition and fees is \$3,881,131.

The College also hired Chartwells, a nationally recognized dining service provider to educational institutions, in FY 2012. Expenses associated with food services were \$974,897 in FY 2012, and are projected to be \$1,269,996 in FY 2013. Gross revenues from food service in FY 2013 are projected to be \$1,529,500, resulting in projected excess food service revenue for FY 2013 of \$259,504. The College's administration attributes the increases in expenses to improved services and additional students electing to join the meal plan, largely due to increased student satisfaction. After the first year of Chartwells services, a student satisfaction survey conducted by the College demonstrated that student satisfaction had risen to 91%.

Net tuition and fees declined slightly from fiscal year 2011 to fiscal year 2012 due to increased institutional financial aid. In the fall of 2011, the College changed the way it administers its institutional grants or discounting program. Discounting was previously based on financial need rather than academic excellence, resulting in the College admitting higher risk students, both academically and financially. In 2011, the College created a new model for institutional grants based academic excellence which has resulted in the College attracting higher achieving as well as more affluent students. The College's retention numbers are starting to improve as well. The College believes this trend will continue over the next few years and combined with the addition of its new academic and athletic programs will result in improved enrollment numbers as well as increased retention of current students.

The College has received an excellent response to the launch of its \$4 million Capital Campaign. The College has received 100% participation in the Capital Campaign from the Board of Trustees, faculty and staff. Currently, the College is in the process of approaching foundations, corporations and sponsorships to solicit gifts.

The following table summarizes the Statement of Activities showing combined unrestricted, temporarily restricted and permanently restricted changes in net assets of the College for the fiscal years ended June 30, 2008, 2009, 2010, 2011 and 2012. The information presented in these tables has been extracted from the College's audited financial statements for the respective years.

Statement of Activities					
	2008	2009	2010	2011	2012
Revenues, gains, and other support:					
Tuition and fees (net of allowances and discounts)	\$ 5,360,296.00	\$ 5,804,059.63	\$ 6,328,616.34	\$ 6,364,228.20	\$ 6,195,174.00
Investment income	364,656.49	164,134.83	30,015.61	187,498.32	103,953.00
Net realized & unrealized gain (loss) on investments	(579,192.70)	(2,115,581.88)	245,798.63	507,769.45	(266,984.00)
Gifts and pledges	1,973,506.16	1,779,960.31	2,192,940.80	1,749,238.43	5,266,716.00
Auxiliary enterprises	1,820,813.97	1,874,096.87	2,069,883.59	2,359,316.79	2,657,507.00
Other	336,950.00	79,418.45	356,531.68	110,357.02	198,272.00
Net assets released from restrictions:					
Satisfaction of program restrictions	-	-	-	-	-
Total revenue and other support	<u>9,277,029.92</u>	<u>7,586,088.21</u>	<u>11,223,786.65</u>	<u>11,278,408.21</u>	<u>14,154,638.00</u>
Expenses and losses:					
Educational and general:					
Instructional	2,605,407.00	2,755,935.89	3,002,488.70	3,089,163.47	3,467,689.00
Public support	20,948.00	38,032.78	18,942.92	22,039.10	21,441.00
Academic support	272,310.00	296,639.59	339,163.99	337,515.54	409,581.00
Student services	2,136,228.00	2,386,514.87	2,931,709.90	2,912,679.00	3,622,115.00
Institutional support	2,013,955.00	2,171,421.53	2,443,295.73	2,714,381.99	3,705,783.00
Scholarships and student aid	<u>268,672.00</u>	<u>333,283.75</u>	<u>225,271.00</u>	<u>232,824.00</u>	<u>289,119.00</u>
Total educational and general	7,317,520.00	7,981,828.41	8,960,872.24	9,308,603.10	11,515,728.00
Auxiliary enterprises	1,347,301.00	1,340,790.26	1,492,117.49	1,525,294.60	2,002,705.00
Change in value of split interest agreement	-	-	-	-	-
Total expenses and losses	<u>8,664,821.00</u>	<u>9,322,618.67</u>	<u>10,452,989.73</u>	<u>10,833,897.70</u>	<u>13,518,433.00</u>
Change in net assets before interest rate swap	<u>612,208.92</u>	<u>(1,736,530.46)</u>	<u>770,796.92</u>	<u>444,510.51</u>	<u>636,205.00</u>
Valuation adjustment for interest rate swaps	-	-	-	<u>(379,148.00)</u>	<u>459,999.00</u>
Change in net assets	<u>612,208.92</u>	<u>(1,736,530.46)</u>	<u>770,796.92</u>	<u>65,362.51</u>	<u>176,206.00</u>
Net assets at beginning of year	<u>11,846,166.86</u>	<u>12,458,375.78</u>	<u>10,721,845.32</u>	<u>11,492,642.24</u>	<u>11,558,004.75</u>
Net assets at beginning of year	<u>\$12,458,375.78</u>	<u>\$10,721,845.32</u>	<u>\$11,492,642.24</u>	<u>\$11,558,004.75</u>	<u>\$11,734,210.75</u>

Source: The College's audited financial statements for the years 2008-2012.

PROJECTIONS

Qualifications Made with Respect to Projections

The table below contains projections of the College's net revenues available for coverage of debt service on the Bonds. These projections have been prepared by management of the College. The College's projections have not been reviewed, compiled or examined by independent accountants. As a result, investors should exercise caution in relying on such financial projections. The Underwriter makes no representations or warranties regarding the pro forma financial projections and disclaim any responsibility therefore. There are no assurances that operating revenues will not be less than, or that operating expenses will not be greater than those listed in the projection, and it is reasonably expected that such expenses will increase during the term of the Bonds. In the event of increases in the operating expenses of the College, it will be primarily dependent upon increases in student tuition and fees in order to operate profitably.

THE COLLEGE'S PROJECTIONS IN THE FOLLOWING TABLE MUST BE READ IN THEIR ENTIRETY TOGETHER WITH THE ASSUMPTIONS AND QUALIFICATIONS SET FORTH BELOW UPON WHICH THE PROJECTIONS ARE BASED. THE COLLEGE'S PROJECTIONS ARE FORWARD LOOKING STATEMENTS AND THERE IS NO ASSURANCE THAT THE PROJECTIONS WILL BE ACHIEVED. ACTUAL FUTURE EVENTS WILL LIKELY VARY FROM THE PROJECTIONS, AND SUCH VARIANCES MAY BE MATERIAL. SEE THE INFORMATION IN THE FIRST UN-NUMBERED PAGE OF THIS LIMITED OFFERING MEMORANDUM REGARDING FORWARD-LOOKING STATEMENTS FOR AN EXPLANATION REGARDING SUCH PROJECTIONS. SOME ASSUMPTIONS MAY NOT MATERIALIZE AND UNANTICIPATED EVENTS AND CIRCUMSTANCES ARE LIKELY TO OCCUR. THEREFORE, THE ACTUAL RESULTS ATTAINED WILL IN ALL LIKELIHOOD VARY FROM THE PROJECTIONS CONTAINED IN THE PRO FORMA FINANCIAL PROJECTIONS. ACCORDINGLY, NO PERSON CAN MAKE REPRESENTATIONS OR WARRANTIES AS TO THE FUTURE RESULTS OF OPERATIONS OF THE COLLEGE.

Administration Discussion and Analysis of Projections

The College anticipates several major sources of revenue growth in the next few years. First, the College believes that there is significant room to increase tuition over the next three years. For the 2012-13 fiscal year, the College implemented a 7.2% increase in tuition and housing costs. The College believes it is positioned to offer a desirable academic and athletic program as one of the least costly private colleges in Georgia. See "APPENDIX A—TUITION." The College intends to increase tuition by an average of 6.82% annually for the next three years.

The College projects an increase in tuition and fees for fiscal year 2012-13 due to the factors described above.

The College projects an increase in enrollment during this period, with FTE enrollment increasing from 740 in the fall of 2013 to a projection of 930 by the fall of 2016. This increase will be due in part to the addition of seven additional athletic teams in 2014 (men's and women's swimming, water polo, and bowling as well as co-ed archery) and five new degree programs in 2015 (accounting, marketing, criminology, pre-veterinary, and social work). The College's administration believes that both the increased athletic offerings and academic offerings will result in an increase in applications to the College. The College has added 10 new athletic teams since 2012. While these additions have resulted in increased costs, the College has recouped these costs with program revenues within their first year.

Another source of anticipated revenue growth is revenue from auxiliary enterprises of the College. The College's administration is projecting an increase in auxiliary revenues due to an increase in room and board charges and the expansion of the College's housing stock. The Bonds will finance the construction of Roberson Hall Phase II which will add 104 on-campus beds. The addition is anticipated to be completed in fall 2013. The College also anticipates the recently constructed Athletic Center to generate \$100,000 in annual revenue, beginning in 2014.

In addition, the College continues to invest in the expansion of its academic and athletic programs, which increased operating expenses for fiscal year 2012. The College's administration seeks to break-even on the investment in a new program within three years.

Liquidity Covenant Calculation

If the Liquidity Covenant in the Master Indenture were in place during FY 2012 and FY 2013, the liquidity calculation would have been as follows:

Liquidity Covenant Calculation

Liquidity Ratio	Audited FY2012	Projected FY2013
Current Assets	1,593,603	2,353,509
Plus: Unrestricted Liquid Long-Term Investments	250,085	69,287
Less: Debt Service Reserve Fund Investments	-	-
Minus: Current Liabilities	(4,123,185)	(1,103,246)
Net Liquid Assets	(2,279,497)	1,319,550
Long-Term Indebtedness	10,900,339	25,585,000
Liquidity Ratio	(0.21)	0.05
Requirement (For FY 2014, 2015)	0.05	0.05

Assumptions Made With Respect to Projections

The College has made the following assumptions in preparing the financial projections shown below:

(a) Tuition and Fees are shown net of scholarships given beginning in fiscal year 2010.

(i) The College expects to increase the current school year full-time tuition rate of \$15,700 by 7.5% in fiscal year 2014, 6.5% in 2015 and 6% in fiscal years 2016 through 2020.

(ii) The College expects to increase the current school year part-time tuition rate of \$631 per credit hour by 5% in fiscal year 2014, 6.5% in 2015, 5% in fiscal years 2016 through 2018, 4% in 2019 and 5% in 2020.

(iii) The College expects to increase the 2013 summer school tuition rate of \$125 per credit hour by 5% in fiscal year 2014, 6.5% in 2015, 5% in fiscal years 2016 through 2018, 4% in 2019 and 5% in 2020.

(iv) The College expects to decrease scholarships from 39.1% of total tuition revenue to 30.1% by fiscal year 2020.

(v) The break-even full-time enrollment for FY2014 is 755 students assuming a 39% tuition discount rate for next year and the same increase in expenses as currently projected. The College has to grow by 15 students year over year from 740 to 755 students to break-even next year based on current projections of revenues and expenses.

(b) The College's Board of Trustees has made it a goal to reduce the College's reliance on contributions. As a result, for projection purposes, the College is projecting contributions to decrease through fiscal year 2020. Historically the College has received more contributions annually than are projected in the later years of the Projections.

(c) Auxiliary enterprises include student housing fees, meal plan fees and investment property rental fees.

(i) The College expects to increase student housing fees by 7% per year through fiscal year 2020 and has projected an occupancy rate of 92.5%. The College projects to have 610 beds available during that time frame.

(ii) The College expects to increase meal plan fees by 8% in fiscal years 2014 and 2015 and 5% in fiscal years 2016 through 2020. The College projects that 564 students will sign up for the meal plan through 2020.

(iii) The College projects an occupancy rate of 97.5% among its rental property beds in fiscal years 2014 and 2015 and an occupancy rate of 95% in fiscal years 2016 through 2020. The College expects to increase rental fees for such properties by 5% in fiscal years 2014 and 2015, by 6% in fiscal year 2016 and by 5% in fiscal years 2017 through 2020.

(d) Other income is comprised of non-cash amortization of the up-front payments received from the College's food service provider (Chartwells) and the Maintenance Contractor (SSC) as well as other miscellaneous items. The amortization amounts of the up-front Chartwells payment are \$139,100 in fiscal years 2014 and 2015, \$134,110 in fiscal years 2016 and 2017 and \$111,111 in fiscal years 2018 through 2020. The amortization of the up-front Maintenance Contractor payment is \$100,000 per year through 2020.

(e) Salaries and Benefits are comprised of faculty and staff salaries as well as related employee benefits.

(i) Faculty salaries are projected to remain the same for fiscal year 2014 then increase at a rate of 3.5% per year through 2019 and 4% for fiscal year 2020. The College plans to add 26 additional full-time faculty from fiscal year 2014 to fiscal year 2020.

(ii) Staff salaries are projected to remain the same for fiscal year 2014 then increase at a rate of 3.5% per year through 2018 and 4% for fiscal years 2019 and 2020. The College plans to add 28 additional full-time staff from fiscal year 2014 to fiscal year 2020.

(iii) Employee benefits are projected to increase by 5% per employee for fiscal year 2014, 25% for fiscal year 2015, 15% for fiscal years 2016 and 2017, 10% for fiscal years 2018 and 2019 and by 15.5% for fiscal year 2020.

(f) Work Study is expected to increase by 1% in fiscal year 2014 and by 10% per year in fiscal years 2015 through 2020 due to an increase in resident students on campus and the need for more student workers to staff the new Athletic Center.

(g) General & Administrative Expenses include outsourced food services through Chartwells, depreciation, utilities, insurance, repairs and maintenance, various operating leases for athletic lighting, fitness center equipment, housekeeping, housing/maintenance/grounds and other miscellaneous expenses.

(i) The contract with Chartwells stipulates 3% annual increases through fiscal year 2020.

(ii) The College expects depreciation will increase from \$1.15 million in fiscal year 2014 to \$1.5 million in fiscal year 2020 as new buildings are completed.

(iii) The College expects insurance costs to increase by 15 to 20% per year through fiscal year 2020.

(iv) The College expects utility costs to increase by 15% per year through fiscal year 2020.

(v) The College expects repairs and maintenance costs to increase by 5% per year through fiscal year 2020.

(vi) The College's athletic lighting operating lease runs through fiscal year 2018 and is expected to cost the College \$64,800 per year through fiscal year 2017 and \$90,000 in fiscal year 2018.

(vii) The College's fitness center equipment operating lease is expected to cost \$105,000 per year through fiscal year 2020.

(viii) The College's housing/maintenance/grounds operating lease is expected to increase by 3% per year through fiscal year 2020.

(ix) The College projects other miscellaneous expenses will increase by 5% per year through fiscal year 2020.

(h) The College's prior debt, with the exception of the DDA Loan, will be refinanced with proceeds of the Bonds.

(i) The final maturity of the DDA Loan is September 1, 2021 and is payable in monthly installments of principal and interest. The interest rate is adjusted annually on September 1 and is set at 2/3 of the average Wall Street Journal Prime Rate for the prior year per annum. The DDA Loan amortizes such that the College will repay the note in equal monthly installments, provided that this payment amount adjusts as the interest rate varies. To date, the College has elected make monthly payments of \$10,000, which has exceeded the required monthly debt

service. Accordingly, the DDA Loan is anticipated to be repaid fully in advance of the stated final maturity date.

(j) Debt service on the Bonds based on George K. Baum & Company's estimate of current market conditions.

(k) The shortfall in debt service coverage in fiscal year 2012 is due to the decision to increase funding of deferred maintenance during the fiscal year and the execution of the Maintenance Agreement with the Maintenance Contract (as defined herein) in November, 2011. The College did receive \$2.6 million and \$670,000 of in-kind contributions during fiscal years 2012 and 2011, respectively, a portion of which were unrestricted. These gifts have not been included revenues available for debt service in the projections as they are non-cash items; however they are included in the College's audited statement of activities.

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Emmanuel College

Projections

	Actual* 2008	Actual* 2009	Actual* 2010	Actual* 2011	Actual* 2012	Budgeted(1) 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020
Enrollment													
Full-Time Students	586	605	643	690	690	740	825	865	930	985	1,035	1,100	1,150
Part-Time Students Hours	523	775	795	639	1,047	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Summer School Hours	-	-	-	448	500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Statement of Activities (\$000s)													
Revenues													
Tuition and Fees (Net)	\$ 5,360	\$ 5,904	\$ 6,329	\$ 6,364	\$ 6,195	\$ 7,791	\$ 9,665	\$ 11,276	\$ 12,601	\$ 14,241	\$ 16,100	\$ 18,291	\$ 20,418
Investment Income (2)	(215)	(1,951)	276	695	(216)	28	-	-	-	-	-	-	-
Contributions	1,974	1,790	2,193	1,749	5,267	2,462	2,407	2,057	2,057	1,857	1,515	1,039	937
Auxiliary Enterprises	1,821	1,874	2,070	2,359	2,658	3,473	4,183	4,488	4,755	5,041	5,342	5,662	6,002
Other	337	79	357	110	198	529	572	597	619	648	656	690	726
Total Revenues	\$ 9,277	\$ 7,586	\$ 11,224	\$ 11,278	\$ 14,102	\$ 14,284	\$ 16,827	\$ 18,418	\$ 20,033	\$ 21,788	\$ 23,613	\$ 25,682	\$ 28,082
Expenses													
Salaries and Benefits	\$ 4,244	\$ 4,541	\$ 5,314	\$ 5,813	\$ 6,592	\$ 6,655	\$ 6,904	\$ 7,760	\$ 8,749	\$ 9,965	\$ 11,182	\$ 12,516	\$ 14,256
Work Study	265	308	421	390	353	358	361	397	437	481	529	582	640
Scholarships Awarded	269	328	-	-	-	-	-	-	-	-	-	-	-
Other	1	23	-	-	-	-	-	-	-	-	-	-	-
General and Administrative (3)	3,814	4,053	4,628	4,579	6,301	6,196	7,511	8,117	8,565	9,014	9,521	9,863	10,418
Total Expenses	\$ 8,593	\$ 9,253	\$ 10,363	\$ 10,772	\$ 13,246	\$ 13,208	\$ 14,777	\$ 16,294	\$ 17,752	\$ 19,460	\$ 21,232	\$ 23,060	\$ 25,315
Change in Net Assets Before Invest/Interest	\$ 684	\$ (1,667)	\$ 861	\$ 507	\$ 855	\$ 1,075	\$ 2,050	\$ 2,124	\$ 2,281	\$ 2,328	\$ 2,381	\$ 2,621	\$ 2,767
Valuation Adjustment for Interest Rate Swap	-	-	-	(379)	(460)	-	-	-	-	-	-	-	-
Change in Net Assets	\$ 684	\$ (1,667)	\$ 861	\$ 127	\$ 395	\$ 1,075	\$ 2,050	\$ 2,124	\$ 2,281	\$ 2,328	\$ 2,381	\$ 2,621	\$ 2,767
Add: Depreciation	579	590	686	760	860	885	1,150	1,300	1,350	1,400	1,450	1,500	1,500
Add: Interest Rate Swap	-	-	-	379	460	-	-	-	-	-	-	-	-
Add: Unrealized Losses/(Gains)	-	-	-	-	275	-	-	-	-	-	-	-	-
Less: Non-cash revenue - Gifts-in-kind	-	-	-	(670)	(2,600)	-	-	-	-	-	-	-	-
Less: Non-cash deferred revenue amortization	-	-	-	-	(87)	(239)	(239)	(239)	(234)	(234)	(211)	(211)	(211)
Net Revenues Available for Debt Service	\$ 1,263	\$ (1,077)	\$ 1,547	\$ 596	\$ (698)	\$ 1,722	\$ 2,961	\$ 3,185	\$ 3,397	\$ 3,494	\$ 3,620	\$ 3,910	\$ 4,056
Debt Service													
Prior Debt (4)	\$ 204	\$ 245	\$ 306	\$ 346	\$ 387	\$ 330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DDA Loan	-	-	-	-	-	120	120	120	120	120	120	120	120
Debt Service on the Bonds	-	-	-	-	-	641	1,571	1,860	1,859	1,860	1,860	1,859	1,860
Debt Service on \$10 MM (5)	-	-	-	-	-	-	726	726	726	726	726	726	726
Total Debt Service	\$ 204	\$ 245	\$ 306	\$ 346	\$ 387	\$ 1,091	\$ 2,417	\$ 2,707	\$ 2,705	\$ 2,707	\$ 2,707	\$ 2,705	\$ 2,706
Cash flow after debt service	\$ 1,060	\$ (1,322)	\$ 1,241	\$ 251	\$ (1,085)	\$ 631	\$ 544	\$ 479	\$ 692	\$ 787	\$ 913	\$ 1,205	\$ 1,349
Debt Service Coverage (6)	6.20	-4.39	5.06	1.73	-1.80	1.58	1.23	1.18	1.26	1.29	1.34	1.45	1.50

Notes:

* Derived from the College's combined unrestricted, temporarily restricted and permanently restricted statement of activities of audited financial statements. Presentation of audited numbers differs from audits. See APPENDIX B--AUDITED FINANCIAL STATEMENTS. See discussion of assumptions and other information about the projections.

(1) Budget as adopted by the College.

(2) Investment income includes realized and unrealized gains and losses on investments.

(3) Excludes interest expense on indebtedness.

(4) Excludes payments on short-term debt.

(5) Timing and interest rate subject to change. Shown for informational purposes only.

(6) For fiscal years 2008 to 2011 the debt service coverage ratio is not calculated according to the defined Series 2012 Bond Debt Service Coverage Ratio covenant.

Sources: The College

ADDITIONAL FINANCIAL INFORMATION

Budget Procedures

The College's budgeting calendar begins in September with a review of the current year interim financial statements. The president and all of the vice presidents make recommendations and proposals for their areas of responsibility. A preliminary budget is then prepared and approved by the Administration Council. Once approved by the Administration Council, the preliminary budget is then sent to the Finance Committee and subsequently the full Board of Trustees for approval at the October Board meeting.

Beginning in January, the process to complete the final budget begins. Every administrator and budget department head reviews their current interim budget reports and prepares the department's budget request for the next fiscal year. These requests are then reviewed by the Administration Council. Once the operating and capital expense budgets are approved by the Administration Council, the budget is then forwarded on to the Finance Committee and then to the Board of Trustees for approval.

The College budgets for 100% of depreciation and budgets \$100,000 for contingency. The College expects to budget more contingency in the future.

Endowment Investment Policy

The College's investment policies provide that the endowment funds of the College are to be invested in the International Pentecostal Holiness Foundation ("IPHF") or other entities recommended by the Finance Committee and approved by the Board of Trustees.

Currently, the endowment is managed by the IPHF. The IPHF is a nonprofit corporation affiliated with the IPHC. IPHF's mission is to offer financial services to IPHC churches, ministry centers, missions, evangelism, discipleship and related ministries and their staff. IPHF currently serves in a fiduciary role for more than 40 investors and manages assets totaling more than \$17 million. The investment manager for the IPHF is Syntrinsic Investment Counsel.

The IPHF relies upon the College's responses to an investment questionnaire to invest the endowment in ways consistent with the College's mandate. The IPHF also adheres to the internal investment policy guidelines adopted by the Foundation's Investment Committee. Those policies include minimizing investment in companies whose primary business objectives and primary source of revenue in the production or distribution of tobacco, alcohol, gaming, adult entertainment or abortion. The IPHF consults with the College on a regular basis to obtain input regarding the College's changing investment goals, risk tolerance, and anticipation of withdrawals from the fund. The College can withdraw all or a portion of the principal and undistributed income held in the College's IPHF fund at the end of any given month upon 30 days' notice given to IPHF, or at any time upon mutual agreement with the Foundation, providing the College with full access to its investments.

Endowment funds are required to be invested in a manner that properly balances long-term growth, income, and risk, as determined by the Finance Committee. The Finance Committee periodically reviews and establishes the long-term return objectives. Currently, the long-term target annual rate of return is 7.5%.

In general, the endowment policies provide for an expenditure of 4% of the prior year balance and provide a buffer of 15% over the historic dollar amount that has been accumulated. In addition, a minimum distribution amount has been established at \$1,000. Because the endowment did not attain the

required 15% gain over the amount donated, no scholarships were awarded or funds expensed from endowment funds for FY 2011 or 2012 and the Board did not approve any spending or scholarships to be awarded for FY 2011 or 2012.

As of October 2012, the College is in the process of evaluating different investment advisors who provide higher quality service and expertise.

Endowment and Similar Funds

The College's endowment and similar fund assets consist principally of cash, securities, and real estate. As of June 30, 2012, the College's cash and investments totaled \$4.952 million, with 67% invested in marketable securities, 26% invested in real estate, 7% held in cash or cash equivalents, and the remaining 4% invested in other investments. The College's real estate holdings are composed of properties in North Carolina and Hartwell, Georgia. The College is passively holding these properties with the potential for future sale.

During the five years ended June 30, 2012, the market value of the College's endowment decreased by 20% in large part as a result of turbulent markets. However, between 2009 and 2011 investments increased 41%.

The following table presents the endowment fund balance for the last five fiscal years:

	Endowment Funds				
	(As of June 30)				
	2008	2009	2010	2011	2012
Unrestricted*	-	\$ (998,385)	\$ (773,816)	\$ (297,406)	\$ (670,824)
Temporarily Restricted	\$ 779,484	10,062	15,861	85,203	277,818
Permanently Restricted	<u>3,240,266</u>	<u>3,335,457</u>	<u>3,468,262</u>	<u>3,538,029</u>	<u>3,612,564</u>
Total	<u>\$4,019,751</u>	<u>\$2,357,134</u>	<u>\$2,710,307</u>	<u>\$3,325,826</u>	<u>\$3,219,558</u>

*Decrease in Unrestricted Assets due to market investment losses.

Contributions to the College's endowment are classified as permanently restricted if the donor requires that the contributed funds be held in perpetuity and that all distributions must come from earnings and/or capital appreciation. Earnings and capital appreciation are considered temporarily restricted until the purpose for which they are designated has been achieved. Amounts distributed under these guidelines are considered unrestricted.

Plant Assets

Total plant asset balances increased approximately 209% from 2007 to 2012. As of June 30, 2012, the net book value of the plant capital assets of the College in the plant fund totaled \$22,446,204. The following table presents a breakdown of the College's plant assets over the last six fiscal years:

**Total Plant Asset Balances
(As of June 30)**

	2007	2008	2009	2010	2011	2012
Land and land improvements	\$1,251,142	\$1,395,017	\$1,453,004	\$1,547,103	\$1,636,620	\$ 1,982,029
Buildings and leaseholds	7,711,597	7,834,610	8,473,685	9,045,720	9,060,636	13,740,869
Furniture, fixtures, and equipment	3,419,756	3,169,671	3,420,583	3,016,947	2,625,366	3,257,187
Automotive equipment	315,523	317,023	434,781	432,681	432,681	77,824
Library resources	1,335,510	1,362,025	1,390,465	1,418,544	1,308,646	1,339,558
Construction in progress	<u>2,042</u>	<u>100,731</u>	<u>62,253</u>	<u>137,149</u>	<u>4,465,985</u>	<u>9,266,296</u>
Total	14,035,570	14,179,078	15,234,770	15,598,144	19,529,934	29,663,763
Accumulated depreciation	<u>(6,789,309)</u>	<u>(6,878,116)</u>	<u>(7,365,439)</u>	<u>(7,084,905)</u>	<u>(6,913,481)</u>	<u>(7,217,559)</u>
Plant assets, net	<u><u>7,246,261</u></u>	<u><u>7,300,961</u></u>	<u><u>7,869,331</u></u>	<u><u>8,513,239</u></u>	<u><u>12,616,453</u></u>	<u><u>22,446,204</u></u>

Athletic Center Cost and Completion Schedule

The College budgeted \$10.60 million to design, build and furnish the new Athletic Center. It entered a construction contract totaling \$8.7 million. The remaining \$1.9 million budgeted for the project comprised architectural fees and design and furniture, fixtures and equipment.

The total cost to design, construct and furnish it was \$13.37 million, of which \$11.07 was the responsibility of the College. Pursuant to the construction contract, the \$2.3 million difference was covered by the contractor in the form of gifts-in-kind. The College will be executing an all-inclusive design build gross maximum price contract (which will include architectural fees and design and furniture, fixture and equipment) with the Contractor for development of Roberson Hall Phase II.

The College received proceeds of \$7.16 million from a borrowing with BB&T to fund development of the new Athletic Center. The College's capital campaign was expected to fund the remaining Athletic Center development costs but the capital campaign cash receipts have not come in as quickly as expected. As a result, the College has borrowed \$2.5 million from its endowment and \$1.2 million from its operating reserves in fiscal year 2013 to fund construction and will reimburse itself with proceeds of the Bonds. The College also executed contracts with the Maintenance Contractor and Chartwells which provided upfront payments to the College. The College used portions of the payments from these contracts to fund construction of the Athletic Center.

As of October 25, 2012, the contractor is performing a punch list of remaining completion items for the Athletic Center. The College has held certain special events in the Athletic Center but has not opened the Athletic Center to students for widespread use. The College plans to open the Athletic Center to students on November 12, 2012.

Maintenance Agreement

On November 14, 2011, the College entered into a Facilities Services Agreement (the "Maintenance Agreement") with the Maintenance Contractor, pursuant to which the Maintenance Contractor supplies janitorial, maintenance and grounds services for the College's physical plant for an annual contract price of \$1,314,344, subject to adjustment in future years. Pursuant to the Maintenance Agreement, the Maintenance Contractor loaned the College \$1,500,000 for capital improvements to the campus (the "Loan") which the College has an obligation to repay over 15 years, on an unsecured basis. Should the Maintenance Agreement be terminated or expire prior to the amortization of the Loan, the College would be obligated to pay back the full amount of the unamortized portion of the Loan within 30 days after the termination or expiration date.

Outstanding Indebtedness

Upon the issuance of the Bonds, the College's only other outstanding indebtedness will be the DDA Note described below:

DDA Loan Agreement and DDA Note. Under a Loan Agreement, dated as of September 1, 2001 (the "DDA Loan Agreement"), between the Downtown Development Authority of the City of Franklin Springs, Georgia and the College, the College executed a promissory note (the "DDA Note") in favor of Pinnacle Bank evidencing the College's obligations under the DDA Loan Agreement. The DDA Note was issued in September 2001 in the amount of \$1.4 million to fund the construction of the Swails Center and Melton and Hartsfield Residence Halls (the "DDA Projects"). At June 30, 2012, the DDA Note was outstanding in the amount of \$508,436.21 and is payable in monthly installments of \$10,000 including interest at two-thirds of the average prime rate for the prior year per annum, adjusted annually on September 1. The rate was 2.167% at June 30, 2011. The final maturity of the DDA Note is 2021. The College's obligations under the DDA Loan Agreement and the DDA Note are secured by Deed to Secure Debt, dated September 18, 2001, from the College to Pinnacle Bank (the "DDA Security Deed"). The DDA Security Deed encumbers the DDA Projects and Townhouse Apartments 1-8 (also known as Drum Avenue Townhouses) and the King Street Duplex Apartments 1-6 (collectively, the "Subordinate Mortgaged Property"). The DDA Security Deed does not encumber any of the Mortgaged Property securing repayment of the Promissory Note and the Bonds.

Subordinate Security Deed. As a condition precedent to the closing of the Bonds, the College will, with the consent of Pinnacle Bank, record a Subordinate Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the "Subordinate Security Deed") for the benefit of the Master Trustee. The Subordinate Security Deed will encumber the Subordinate Mortgaged Property. The Subordinate Security Deed will be subordinate to the DDA Security Deed and the Line of Credit Security Deed (defined below). The Subordinate Security Deed and the Senior Security Deed shall be collectively referred to herein as the Security Deeds. An ALTA Survey with respect to the property included in the Security Deeds and a lender's title insurance policy covering the Subordinate Security Deed have not been obtained as of the issuance of the Bonds.

Pinnacle Line of Credit. The Pinnacle Line of Credit is a \$1,158,322.00 line of credit. The expiration date is May 23, 2013. The Line of Credit will be paid down to zero with proceeds of the Bonds. The Pinnacle Line of Credit will be secured by a deed to secure debt on the Swails Convocation Center (the "Line of Credit Security Deed") on a subordinate basis to the DDA Loan. The College intends to renew the Pinnacle Line of Credit.

Post Closing Obligations. The College has covenanted in the Agreement that within 120 days of the issuance of the Bonds, the College will deliver the following to the Trustee: (a) ALTA Survey with respect to the property included in the Security Deeds, (b) an endorsement to the title insurance policy covering the Senior Security Deed removing the survey exception and (c) a lender's title insurance policy covering the Subordinate Security Deed.

ALUMNI AND ADVANCEMENT PROGRAM

The Office of Alumni and Development is responsible for campus development, in addition to alumni and public relations. The six person office staff is led by the Vice President for Development and includes Development, Annual Giving, and Alumni Relations staff members. Gifts for the last five years averaged \$2.1 million annually.

In calendar year 2011-12 the College hosted the following annual events and raised a total of \$240,972.

2011-12 Annual Fundraising Events

Event	Funds Raised
Beginning of the Year Solicitation	\$4,330
Summer Scholarship Campaign	2,335
Lion Pride Campaign	2,675
Spring Phon-a-thon	45,030
Fall Phon-a-thon	41,809
20/20 Club	40,389
End of the Year Campaign	3,180
Feast of Ingathering	69,185
Spring Golf Tournament	20,250
General Church Solicitation	<u>11,789</u>
Total	<u>\$240,972</u>

Five Year Giving Totals

The following table lists total philanthropic contributions by donor type for the past five fiscal years:

Total Philanthropic Contributions					
	2008	2009	2010	2011	2012
Alumni	\$420,637	\$591,049	\$1,301,681	\$700,464	\$4,212,377
Businesses	237,768	414,956	129,603	73,980	48,837
Churches	176,553	106,775	98,903	105,466	86,466
Conferences	458,694	392,300	388,352	390,382	362,755
Estate	300,909	6,767	5,158	-	14,483
Foundations	136,987	88,761	68,930	50,655	51,377
Individuals	231,458	157,660	171,153	204,402	337,908
Organizations	<u>10,500</u>	<u>21,691</u>	<u>29,162</u>	<u>211,943</u>	<u>152,513</u>
Total	<u>\$1,973,505</u>	<u>\$1,779,960</u>	<u>\$2,192,940</u>	<u>\$1,749,238</u>	<u>\$5,266,716</u>

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The following table summarizes gifts received by the College during the past five fiscal years:

Five Year Total Fund-Raising					
	2008	2009	2010	2011	2012
Unrestricted Giving	\$755,213	\$960,937	\$1,664,880*	\$637,210	\$1,449,107
Temporarily Restricted Giving	680,263	404,832	410,180	372,237	1,131,091
Permanently restricted Giving	<u>536,529</u>	<u>95,191</u>	<u>117,880</u>	<u>69,767</u>	<u>67,986</u>
Total Cash Received	\$1,972,005	\$1,460,960	\$2,192,940	\$1,079,214	\$2,648,184
Gifts-In-Kind	<u>1,500</u>	<u>319,000</u>	<u>-</u>	<u>670,024</u>	<u>2,618,532</u>
Total Contribution Income	<u>\$1,973,505</u>	<u>\$1,779,960</u>	<u>\$2,192,940</u>	<u>\$1,749,238</u>	<u>\$5,266,716</u>

*FY 2010: The College received a \$1,000,000 unrestricted gift that was used for Roberson Hall Phase I construction.

Year-To-Date Contributions

As of November 2012, cash contributions received by the College were \$1,317,357 compared to \$978,007 for the same period in 2011. There are no restricted contributions and all contributions may be used to pay debt service on the Bonds. Cash contributions equal \$900,000. Pledges equal \$700,000 and the College expects to receive another unrestricted pledge of at least \$600,000 for naming rights of the athletic center in very near future. The College typically receives more gifts at the end of the calendar year with a year-end mailing sent to potential donors.

Capital Campaign

The College initiated the Capital Campaign, in conjunction with the Strategic Plan, in July of 2011. The Capital Campaign will continue to pursue funding until fall of 2013. The Capital Campaign's goal is to raise \$4 million by 2014 to update existing facilities and teaching equipment, support students and faculty through increased endowments, and expand the campus through new building projects.

The College has created a timeline for pursuing Capital Campaign support from various segments of the community. These segments of the Capital Campaign are listed below with the timelines of the origination and completion of each fundraising phase. All categories will and have included direct mail, personal solicitation and donor development.

Capital Campaign Schedule

Category	Timeline
Faculty/Staff	July 2011 – October 2011
Board of Trustees	October 2011 – March 2012
Private Phase	January 2012 – October 2012
Alumni Phase	March 2012 – October 2012
Foundation Phase	July 2012 – June 2013
Student Phase	August 2012 – September 2012
Church Phase	November 2012 – September 2013

To date the College has received 100% participation from the Board of Trustees, and 99% participation from the faculty and staff, the two constituencies for which fundraising has been concluded as of July 2012.

Momentum for the Capital Campaign began in December of 2010 when a major donor family gave a \$1,000,000 lead gift. Since then, two major facilities have been constructed.

As of October 2012, the capital campaign has been successful in securing \$1,571,963 in pledges as well as \$894,431 in cash. The pledges are mainly 24 month pledges to be paid monthly, quarterly and annually. Projections suggest a similar goal for 2012-13. This is more than three times as much as any past campaign the College has undertaken. The following table details total campaign pledges by donor-type as of October 2012.

Total Campaign Pledges by Donor

College Employee	\$ 48,411
Board Trustee	505,500
Church	5,000
Individuals	<u>1,013,052</u>
Total	<u>\$2,465,394</u>

Alumni Involvement

The Emmanuel College Alumni Association consists of 5,927 graduates or past students of the College. Out of these alumni approximately 1,274 are donors. This represents a 21% giving rate among alumni. The alumni director visits approximately 17 local alumni chapters each year to inform alumni of the progress the College is making. These chapters are located in the Carolinas, Georgia, Virginia, Maryland, Florida and Alabama.

The Alumni Association is involved with Homecoming Weekend plans, chapter meetings and specific solicitations and projects. On average, approximately 450 guests attend the Homecoming Weekend in October each year. Other annual events include the annual Golf Tournament and the Alumni Gathering trip. Additionally, many alumni participate in the annual Feast of Ingathering, a scholarship fundraising event that produces between \$70,000 and \$90,000 each year. In the past three years the alumni have completed three campus beautification projects totaling \$169,000. These are highly visible projects on campus.

Each year the alumni are solicited for gifts through multiple direct mail solicitations, a Quarterly Quad magazine, three phone campaigns at different times of the year, an annual Golf Tournament fundraiser, and personal solicitations.

EMPLOYEE BENEFITS AND RETIREMENT PLANS

The College provides medical, dental, life, and long-term disability insurance to all full-time employees. Each employee is eligible to participate in the College’s retirement plan after 12 months of employment if the employee works 1,000 hours or more in a calendar year. The College contributes an amount equal to 6% of the employee’s eligible compensation to a 403(b) tax-sheltered annuity plan sponsored by the IPHC. Employees may contribute additional funds under this plan through a salary reduction agreement. In addition, employees may contribute to other tax-sheltered annuities through salary reduction agreements.

INSURANCE

The College carries standard industry insurance policies, including real and personal property; business income, extra expense, rents and tuition; employee dishonesty; earthquake; and flood insurance.

LITIGATION

The College is not aware of any litigation pending or threatened in which an unfavorable decision would adversely affect the financial condition or operations of the College.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

EMMANUEL COLLEGE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

JUNE 30, 2011

WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

EMMANUEL COLLEGE

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JUNE 30, 2011

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ED K. BURTON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Ed K. Burton, CPA

Alan M. Burton, CPA

Members American Institute of CPA's and Georgia Society of CPA's

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Emmanuel College
Franklin Springs, Georgia

We have audited the accompanying statements of financial position of Emmanuel College (a nonprofit organization) as of June 30, 2011 and June 30, 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Emmanuel College's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emmanuel College as of June 30, 2011 and June 30, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011 on our consideration of Emmanuel College'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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Emmanuel College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ed K. Burton, LLC

September 30, 2011

EMMANUEL COLLEGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND JUNE 30, 2010

	<u>6/30/2011</u>	<u>6/30/2010</u>
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 8,115,035.22	\$ 304,519.83
Accounts Receivable	162,851.89	123,352.51
Other Assets	303,795.40	12,590.97
Investments	5,525,783.02	4,937,254.66
Property and Equipment (Net)	<u>12,616,452.92</u>	<u>8,513,238.62</u>
Total Assets	<u>\$ 26,723,918.45</u>	<u>\$ 13,890,956.59</u>
<u>Liabilities:</u>		
Deposits and Prepaid Tuition	\$ 374,630.97	\$ 186,414.56
Accounts Payable and Accrued Liabilities	603,017.29	396,875.61
Notes Payable	2,222,132.55	-
Current Portion of Long-Term Debt	283,513.86	215,947.74
Long-Term Debt	11,303,470.04	1,599,075.45
Obligations Under Interest Rate Swaps	<u>379,148.00</u>	<u>-</u>
Total Liabilities	<u>\$ 15,165,912.71</u>	<u>\$ 2,398,313.36</u>
<u>Net Assets:</u>		
Unrestricted	\$ 7,593,660.81	\$ 7,658,559.95
Temporarily Restricted	426,315.60	365,820.95
Permanently Restricted	<u>3,538,029.33</u>	<u>3,468,262.33</u>
Total Net Assets	<u>\$ 11,558,005.74</u>	<u>\$ 11,492,643.23</u>
Total Liabilities and Net Assets	<u>\$ 26,723,918.45</u>	<u>\$ 13,890,956.59</u>

The accompanying notes are an integral part of these financial statements

EMMANUEL COLLEGE
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Tuition and Fees (Net of Allowances and Discounts)	\$ 6,364,228.20	\$ -	\$ -	\$ 6,364,228.20
Investment Income	45,077.06	142,421.26	-	187,498.32
Net Realized & Unrealized Gain (Loss)				
on Investments	580,848.78	(73,079.33)	-	507,769.45
Gifts and Pledges	1,307,234.91	372,236.52	69,767.00	1,749,238.43
Auxiliary Enterprises	2,359,316.79	-	-	2,359,316.79
Other	110,357.02	-	-	110,357.02
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>381,083.80</u>	<u>(381,083.80)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 <u>\$ 11,148,146.56</u>	 <u>\$ 60,494.65</u>	 <u>\$ 69,767.00</u>	 <u>\$ 11,278,408.21</u>
Expenses and Losses:				
Educational and General:				
Instructional	\$ 3,089,163.47	\$ -	\$ -	\$ 3,089,163.47
Public Support	22,039.10	-	-	22,039.10
Academic Support	337,515.54	-	-	337,515.54
Student Services	2,912,679.00	-	-	2,912,679.00
Institutional Support	2,714,381.99	-	-	2,714,381.99
Scholarships and Student Aid	<u>232,824.00</u>	<u>-</u>	<u>-</u>	<u>232,824.00</u>
Total Educational and General	<u>\$ 9,308,603.10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,308,603.10</u>
Auxiliary Enterprises	<u>1,525,294.60</u>	<u>-</u>	<u>-</u>	<u>1,525,294.60</u>
Total Expenses and Losses	<u>\$ 10,833,897.70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,833,897.70</u>
 Change in Net Assets before Interest Rate Swaps	 \$ 314,248.86	 \$ 60,494.65	 \$ 69,767.00	 \$ 444,510.51
Valuation Adjustment for Interest Rate Swaps	<u>(379,148.00)</u>	<u>-</u>	<u>-</u>	<u>(379,148.00)</u>
 Change in Net Assets	 \$ (64,899.14)	 \$ 60,494.65	 \$ 69,767.00	 \$ 65,362.51
Net Assets at Beginning of Year	<u>7,658,559.95</u>	<u>365,820.95</u>	<u>3,468,262.33</u>	<u>11,492,643.23</u>
Net Assets at End of Year	<u>\$ 7,593,660.81</u>	<u>\$ 426,315.60</u>	<u>\$ 3,538,029.33</u>	<u>\$ 11,558,005.74</u>

The accompanying notes are an integral part of these financial statements

EMMANUEL COLLEGE
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Tuition and Fees (Net of Allowances and Discounts)	\$ 6,328,616.34	\$ -	\$ -	\$ 6,328,616.34
Investment Income	16,109.77	13,905.84	-	30,015.61
Net Realized & Unrealized Gain (Loss) on Investments	253,905.50	(8,106.87)	-	245,798.63
Gifts and Pledges	1,664,880.65	410,180.15	117,880.00	2,192,940.80
Auxiliary Enterprises	2,069,883.59	-	-	2,069,883.59
Other	356,531.68	-	-	356,531.68
Net Assets Released from Restrictions: Satisfaction of Program Restrictions	<u>467,670.26</u>	<u>(482,595.26)</u>	<u>14,925.00</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 11,157,597.79</u>	<u>\$ (66,616.14)</u>	<u>\$ 132,805.00</u>	<u>\$ 11,223,786.65</u>
Expenses and Losses:				
Educational and General:				
Instructional	\$ 3,002,488.70	\$ -	\$ -	\$ 3,002,488.70
Public Support	18,942.92	-	-	18,942.92
Academic Support	339,163.99	-	-	339,163.99
Student Services	2,931,709.90	-	-	2,931,709.90
Institutional Support	2,443,295.73	-	-	2,443,295.73
Scholarships and Student Aid	<u>225,271.00</u>	<u>-</u>	<u>-</u>	<u>225,271.00</u>
Total Educational and General	<u>\$ 8,960,872.24</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,960,872.24</u>
Auxiliary Enterprises	<u>1,492,117.49</u>	<u>-</u>	<u>-</u>	<u>1,492,117.49</u>
Total Expenses and Losses	<u>\$ 10,452,989.73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,452,989.73</u>
Change in Net Assets	\$ 704,608.06	\$ (66,616.14)	\$ 132,805.00	\$ 770,796.92
Net Assets at Beginning of Year	<u>6,953,951.89</u>	<u>432,437.09</u>	<u>3,335,457.33</u>	<u>10,721,846.31</u>
Net Assets at End of Year	<u>\$ 7,658,559.95</u>	<u>\$ 365,820.95</u>	<u>\$ 3,468,262.33</u>	<u>\$ 11,492,643.23</u>

The accompanying notes are an integral part of these financial statements

EMMANUEL COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010

	<u>6/30/2011</u>	<u>6/30/2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 444,510.51	\$ 770,796.92
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gain) Loss on Investments	(565,280.02)	(289,583.19)
Depreciation	685,671.55	658,172.67
Abandonment Loss on Property and Equipment	36,603.65	5,775.12
(Gain)/Loss on Sale of Property and Equipment	-	(89,133.00)
(Increase) Decrease in Accounts Receivable	(39,499.38)	44,145.77
(Increase) Decrease in Inventories and Other Assets	(291,204.43)	17,322.46
Increase in Accounts Payable and Accrued Expenses	206,141.68	216,928.35
Increase in Deposits and Prepaid Tuition	<u>188,216.41</u>	<u>(304,831.08)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 665,159.97</u>	 <u>\$ 1,029,594.02</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Property and Equipment	\$ -	\$ 127,629.00
Purchases of Property and Equipment	(4,825,489.50)	(1,346,351.61)
Proceeds from Sale of Investments	153,331.02	396,957.56
Purchase of Investments	(205,285.51)	(790,199.68)
Depreciation of Investments - Buildings	<u>28,706.15</u>	<u>27,899.29</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>\$ (4,848,737.84)</u>	 <u>\$ (1,584,065.44)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Notes and Bonds Payable	\$ 14,372,009.70	\$ 2,063,250.02
Payments on Notes and Bonds Payable	<u>(2,377,916.44)</u>	<u>(2,056,905.15)</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>\$ 11,994,093.26</u>	 <u>\$ 6,344.87</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ 7,810,515.39	 \$ (548,126.55)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>304,519.83</u>	 <u>852,646.38</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 8,115,035.22</u>	 <u>\$ 304,519.83</u>
 Supplemental Data:		
Interest Paid	\$ 316,336.54	\$ 67,808.25

The accompanying notes are an integral part of these financial statements

Emmanuel College

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization

Emmanuel College is a private four-year college located in Franklin Springs, Georgia.

Accrual Basis

The financial statements of Emmanuel College (the "College") have been prepared on the accrual basis.

The College reports gifts of cash and other assets 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 time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The College reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Basis of Presentation

The College has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made" and Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-for-Profit Organizations".

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

- Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or the passage of time.
- Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Notes to Financial Statements, Continued

Summary of Significant Accounting Policies, continued:

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted net assets are reported as net assets released from restrictions. Temporarily restricted revenues received and expended during the same fiscal year are recorded as unrestricted revenues and expenses in the statement of activities.

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction.

Contributions of long-lived assets are reported as unrestricted revenue. Contributions restricted for the acquisition of grounds, buildings, and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets.

The change in fair value of investments is recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

The costs of providing program services and support services of the College have been summarized on a functional basis in the statement of activities. Accordingly, certain operating costs have been allocated among the functional categories.

Functional Expenses are classified as Educational & General and Auxiliary Enterprises. Educational & General Expenses are normally categorized as Instructional, Public Support, Academic Support, Student Services, Institutional Support and Scholarships.

Cash and Cash Equivalents

The College considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Unconditional Promises to Give

The College has adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Made" (SFAS 116), which requires the College to record certain promises to give as revenue when the promise is made.

Notes to Financial Statements, Continued

Summary of Significant Accounting Policies, continued:

Conditional Promises and Indications of Intentions to Give

Pursuant with the College's policy and in conformity with SFAS 116, the College does not recognize conditional promises as revenue until the condition is met or the pledges are received.

Investments

Investments are carried at market and appraised-value, and realized and unrealized gains and losses are reflected in the statement of activities net of investment fees of \$57,509.55. Fair market value for investments is based on quoted market prices or dealer quotes, where available.

Land, Buildings and Equipment

Land and buildings acquired prior to June 30, 1972 are recorded at appraised value as of that date or as of a prior appraisal date of June 30, 1965. Equipment and land and buildings acquired after June 30, 1972 are recorded at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the various assets as follows:

- Land Improvements 15-25 Years
- Buildings 25-75 Years
- Automotive Equipment 5-7 Years
- Equipment and Furniture 5-20 Years
- Library Resources 25 Years

Deposits and Prepaid Tuition

Deposits relate primarily to fall session tuition and housing deposits received prior to June 30, 2011 and June 30, 2010.

Tuition and Fees

Tuition and fees are reported net of discounts and scholarship allowances of \$3,332,361.58 in fiscal year ended June 30, 2011 and \$2,521,855.64 in fiscal year ended June 30, 2010.

Other Significant Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

Notes to Financial Statements, Continued

2. Temporarily and Permanently Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

	<u>6/30/11</u>	<u>6/30/10</u>
Academic Support	\$ 20,856.67	\$ 20,998.65
Student Aid	252,662.78	161,710.25
Buildings and Equipment	89,955.60	114,797.38
Operation of Physical Plant	6,780.76	46,035.76
Other	<u>56,059.79</u>	<u>22,278.91</u>
Total Temporarily Restricted Net Assets	<u>\$426,315.60</u>	<u>\$ 365,820.95</u>

Permanently restricted net assets are restricted to:

Investment in perpetuity, the income from which is expendable to support:

	<u>6/30/11</u>	<u>6/30/10</u>
Academic Support	\$ 101,903.00	\$ 99,348.00
Operation and Maintenance of Plant	225,000.00	225,000.00
Student Aid	3,131,330.83	3,065,173.83
Other	<u>79,795.50</u>	<u>78,740.50</u>
Total Permanently Restricted Net Assets	<u>\$3,538,029.33</u>	<u>\$3,468,262.33</u>

3. Net Assets Released from Donor Restrictions:

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events by specified donors.

	<u>6/30/11</u>	<u>6/30/10</u>
Purpose restrictions accomplished:		
Student Aid	\$245,489.50	\$230,483.00
Academic Support	810.36	25,389.66
Operation of Physical Plant	80,150.00	30,095.00
Buildings and Equipment	50,372.78	46,165.69
Athletics	---	18,078.26
Other	<u>4,261.16</u>	<u>117,458.65</u>
Total	<u>\$381,083.80</u>	<u>\$467,670.26</u>

4. Promises to Give:

The College had no unconditional promises to give at June 30, 2011 and June 30, 2010.

Notes to Financial Statements, Continued

5. Investments:

Investments other than physical plant are recorded at market and are composed of the following:

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash & Money Mkt.	\$ 101,749.02	\$ 101,749.02	\$ 237,472.23	\$ 237,472.23
Marketable Securities	3,102,152.60	3,914,586.98	2,916,542.81	3,195,310.13
Real Estate	1,299,445.02	1,299,445.02	1,322,999.01	1,322,999.01
Other	176,203.19	210,002.00	168,899.16	181,473.29
	<u>\$4,679,549.83</u>	<u>\$5,525,783.02</u>	<u>\$4,645,913.21</u>	<u>\$4,937,254.66</u>

To facilitate the management of the College's investment portfolio, certain investments, which represent restricted assets, are pooled with the College's unrestricted assets. Investment income and expenses and realized and unrealized gains and losses are allocated to the individual funds participating in the pool based on the relationship of the market value of each fund to the total value of the participating funds.

Real estate includes land, buildings and contents and is recorded at historical cost. Depreciation expense on the buildings and contents for the years ended June 30, 2011 and June 30, 2010 was \$28,706.15 and \$27,899.29, respectively.

6. Endowment Funds:

Emmanuel College's investment policies for endowment funds are included in its overall Endowment Policies adopted by the Board of Trustees. The investment policies provide that the endowment funds shall be invested in the International Pentecostal Holiness Foundation or other entities recommended by the Finance Committee and approved by the Board of Trustees. Endowment funds are required to be invested in a manner that will properly balance long-term growth, income and risk, as determined by the Finance Committee. The Finance Committee periodically reviews and establishes the long-term return objectives. Currently, the long-term target annual rate of return is 7.5%.

In general, the Endowment Policies provide for an expenditure of 4% of the prior year balance, provided a buffer of 15% over the historic dollar amount has been accumulated. In addition, a minimum distribution amount has been established at \$1,000.

Contributions to endowments are classified as permanently restricted if the donor requires that the contributed funds be held in perpetuity and that all distributions must come from earnings and/or capital appreciation. Earnings and capital appreciation are considered temporarily restricted until the purpose for which they are designated has been achieved. Amounts distributed under these guidelines are considered unrestricted.

All endowment funds are donor designated endowments.

Notes to Financial Statements, Continued

Endowment Funds, Continued

Reconciliation of Beginning and Ending Balances by Net Asset Classification

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, July 1, 2010	\$ (773,815.82)	\$ 15,860.81	\$ 3,468,262.33	\$ 2,710,307.32
Dividend Income		\$ 142,421.26		\$ 142,421.26
Investment Fees - IPHC Foundation		(45,172.60)		(45,172.60)
Contributions Gifts & Grants		-	69,767.00	69,767.00
Unrealized Gain/Loss on Investments		448,503.15		448,503.15
Reclassifications	476,409.88	(476,409.88)		
Net Activity	<u>\$ 476,409.88</u>	<u>\$ 69,341.93</u>	<u>\$ 69,767.00</u>	<u>\$ 615,518.81</u>
Net Assets, June 30, 2011	<u>\$ (297,405.94)</u>	<u>\$ 85,202.74</u>	<u>\$ 3,538,029.33</u>	<u>\$ 3,325,826.13</u>

7. Land, Buildings and Equipment:

Land and buildings acquired prior to June 30, 1972 are recorded at appraised value. Land and buildings acquired subsequent to June 30, 1972 are recorded at cost. At June 30, 2011 and June 30, 2010, the components for the College's property and equipment were as follows:

	<u>6/30/11</u>	<u>6/30/10</u>
Land and Land Improvements	\$ 1,636,620.28	\$ 1,547,102.74
Buildings and Leaseholds	9,060,635.68	9,045,720.08
Furniture, Fixtures and Equipment	2,625,366.20	3,016,947.24
Automotive Equipment	432,680.66	432,680.66
Library Resources	1,308,645.72	1,418,544.02
Construction in Progress	<u>4,465,984.96</u>	<u>137,149.08</u>
	<u>\$19,529,933.50</u>	<u>\$15,598,143.82</u>
Less: Accumulated Depreciation	<u>(6,913,480.58)</u>	<u>(7,084,905.20)</u>
	<u>\$ 12,616,452.92</u>	<u>\$ 8,513,238.62</u>

Gain or loss on disposition of land, buildings and equipment is reflected in earnings and the related costs and accumulated depreciation are removed from the respective accounts.

Depreciation expense for the years ended June 30, 2011 and June 30, 2010 amounted to \$685,671.55 and \$658,172.67, respectively.

Notes to Financial Statements, Continued

8. Leases:

The College leases a mobile office and office space under operating leases that will expire in fiscal years ended June 30, 2012 and June 30, 2013. The total paid on these leases in fiscal years ended June 30, 2011 and June 30, 2010 was \$12,600.00 and \$3,000 respectively.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2010 are as follows:

	<u>Amount</u>
FYE 6/30/12	\$12,160.00
FYE 6/30/13	1,800.00
	<u>\$13,960.00</u>

9. Bonds and Notes Payable:

Housing and Urban Development bonds payable represent bonds issued by the Secretary of Housing and Urban Development for the construction of Drum Hall. These bonds bear interest at 3% payable semi-annually on May 1st and November 1st. Principal is due annually on November 1st through the year 2013 as follows:

	<u>Amount</u>
FYE 6/30/12	\$ 14,000.00
FYE 6/30/13	14,000.00
FYE 6/30/14	14,000.00

During the current year the Franklin County Industrial Building Authority issued revenue bonds in the principal amount of \$3,375,000 Series 2010 and \$7,310,000 Series 2010B and loaned the proceeds to Emmanuel College to fund the costs of a new dormitory, refinance existing loans and bond issuance costs of issuing the Series 2010 bonds and to finance or refinance all or a portion of the costs to construct and equip a new athletic complex and fund the costs of issuing the Series 2010B bonds.

Interest on these bonds is calculated as the lesser of the Adjusted Libor Rate, the Non-BQ Adjusted Libor Rate or the Taxable Adjusted Libor Rate and the Maximum Rate.

The principal amounts of bond redemptions on the Franklin County Industrial Building Authority bonds are as follows:

	<u>Series 2010</u>	<u>Series 2010 B</u>
FYE 6/30/12	\$ 65,520.00	\$ 89,243.76
FYE 6/30/13	90,168.00	182,240.88
FYE 6/30/14	93,750.00	190,194.84
FYE 6/30/15	97,386.00	198,634.74
FYE 6/30/16	100,932.00	207,298.32
FYE 6/30/17-6/30/21	567,432.00	1,179,989.04
FYE 6/30/22-6/30/26	686,517.00	1,461,108.78
FYE 6/30/27-6/30/31	830,493.00	1,809,179.70
FYE 6/30/32-6/30/36	<u>842,802.00</u>	<u>1,992,109.94</u>
TOTALS	<u>\$3,375,000.00</u>	<u>\$7,310,000.00</u>

Notes to Financial Statements, Continued

Bonds and Notes Payable, Continued

Long-Term Notes Payable consisted of the following at June 30, 2011 and June 30, 2010:

	<u>6/30/11</u>	<u>6/30/10</u>
Pinnacle Bank, DDA Series 2001A, payable in monthly installments of \$10,000 including interest at 2/3 of the average prime rate (2.1670% at 6/30/11) for prior year per annum, adjusted annually on September 1.	\$ 615,944.21	\$ 720,664.89
Pinnacle Bank, payable in monthly installments of \$8,319.97 including interest at 5%.	-----	1,039,358.30
BB&T, payable in monthly installments of \$1,225.31 including interest at 3.1855%.	<u>244,039.69</u>	<u>-----</u>
	\$ 859,983.90	\$1,760,023.19
Less: Current Portion	<u>(114,750.10)</u>	<u>(202,947.74)</u>
	<u>\$ 745,233.80</u>	<u>\$1,557,075.45</u>
Long-Term Notes and Bonds mature as follows:		
6/30/2012	\$ 283,513.86	
6/30/2013	403,743.85	
6/30/2014	417,923.63	
6/30/2015	418,703.66	
6/30/2016	433,679.11	
Thereafter	<u>9,629,419.79</u>	
	<u>\$11,586,983.90</u>	

The College also has lines of credit with two banks in the amount of \$2,222,132.55 at 6/30/11 with interest at 4% and 5.5%.

Certificates of deposit, real estate and equipment are pledged as collateral on the above notes payable.

Interest expense for the years ended June 30, 2011 and June 30, 2010 totaled \$52,808.41 and \$66,662.85, respectively. The College has included in construction in progress capitalized interest in the amount of \$263,495.63 which includes swap interest payments of \$122,949.26.

10. Interfund Receivables and Payables:

As stated in Note 1 to the Financial Statements the College has adopted SFAS 116 and SFAS 117. However, the College still uses fund accounting for its internal record keeping purposes. Fund accounting is a system of recording resources whose use may be limited by donors, granting agencies, governing boards, or other individuals or entities by law.

Notes to Financial Statements, Continued

Interfund Receivables and Payables, Continued

The College maintains accounts in a General Fund, Operating Reserve Fund, Investment Fund, Property, Plant and Equipment Fund, Restricted Contribution Fund and an Endowment Fund. There were no inter-fund receivables and payables at June 30, 2011 and at June 30, 2010.

11. Employee Pension Plan:

The College sponsors a 403(b) retirement plan for faculty, salaried staff and hourly staff who work at least 1,000 hours a year. Employees are eligible for the plan after they have completed one full year of service. The College contributes 6% of participating employees' annual salaries. The College contributed to the plan \$236,988.27 in fiscal year ended June 30, 2011 and \$208,404.21 in fiscal year ended June 30, 2010.

12. Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

Carrying amounts for cash and cash equivalents approximate fair values.

Pledges Receivable

Carrying amounts for unconditional pledges are based on the present value of the promises, which approximates the fair value (see Note 4). There were no pledges receivables at June 30, 2011.

Investments

The fair values of marketable securities are based on quoted market prices at year-end. The carrying amounts of other investments approximate fair value (see Note 5).

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the assets or the liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure the fair value into three broad levels:

Notes to Financial Statements, Continued

Fair Value of Financial Instruments, Continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the College has the ability to access.
- Level 2 inputs are inputs (other than quoted prices within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include managements own data.)

The following tables present the College's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011.

Fair Value Measurements on a Recurring Basis As of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
INVESTMENTS				
Cash & Money Market	\$ 101,749.02	\$ ---	\$ ---	\$ 101,749.02
Marketable Securities	3,914,586.98	---	---	3,914,586.98
Real Estate	---	---	1,299,445.02	1,299,445.02
Other	<u>157,387.00</u>	<u>---</u>	<u>52,615.00</u>	<u>210,002.00</u>
Totals	<u>\$ 4,173,723.00</u>	<u>\$ ---</u>	<u>\$ 1,352,060.02</u>	<u>\$ 5,525,783.02</u>

Fair Value Measurements at June 30, 2011 Using Inputs at Quoted Prices (Level 1)

	<u>Cash and Money Market</u>	<u>Marketable Securities</u>	<u>Other</u>	<u>Total</u>
Beginning Balance 6/30/10	\$ 237,472.23	\$ 3,195,310.13	\$ 131,279.29	\$ 3,564,061.65
Realized and Unrealized				
Gains & Losses	---	488,875.62	19,320.66	508,196.28
Purchases	19,817.99	61,491.91	---	81,309.90
Dividends and Interest	3,411.43	171,781.95	6,787.05	181,980.43
Sales	<u>(158,952.63)</u>	<u>(2,872.63)</u>	<u>---</u>	<u>(161,825.26)</u>
Ending Balance 6/30/11	<u>\$ 101,749.02</u>	<u>\$ 3,914,586.98</u>	<u>\$ 157,387.00</u>	<u>\$ 4,173,723.00</u>

Notes to Financial Statements, Continued

Fair Value of Financial Instruments, Continued

Fair Value Measurements at June 30, 2011 Using Significant Unobservable Inputs (Level 3)

	<u>Real Estate</u>	<u>Other</u>	<u>Total</u>
Beginning Balance 6/30/10	\$ 1,322,999.01	\$ 50,194.00	\$ 1,373,193.01
Purchase of Real Estate	5,152.16	---	5,152.16
Depreciation on Real Estate	(28,706.15)	---	(28,706.15)
Increase in Cash Value	---	2,421.00	2,421.00
Unrealized Gain (Loss)	---	---	---
Ending Balance 6/30/11	<u>\$ 1,299,445.02</u>	<u>\$ 52,615.00</u>	<u>\$ 1,352,060.02</u>

Long-Term Debt

The carrying amount of the College's long-term debt approximates fair value (see Note 9).

13. Concentration of Credit Risk:

Financial instruments which subject the College to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments; equity holdings of domestic corporations; and mutual funds which invest primarily in short-term government securities. The College typically maintains cash and cash equivalents and temporary investments in local banks, which may at times, exceed the FDIC limits. At June 30, 2011 and June 30, 2010, cash at these institutions exceeded federally insured limits by \$7,762,108.31 and \$141,461.13, respectively.

The College's operations are located in Franklin Springs, Georgia and its students come primarily from Georgia and surrounding states. The College's major source of revenue is derived from tuition and room and board.

The College receives funds, which are applied against students' accounts, from federal and state governmental organizations that provide assistance to students attending institutions of higher education.

14. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements, Continued

15. Compensated Absences:

Employees of the College are entitled to paid vacations and paid sick days, depending on job classification, length of service, and other factors. Employees and management have contracts or agreements with the College that provide for compensated absences. A total of \$52,208.91 and \$68,082.18 is included in accrued liabilities at June 30, 2011 and June 30, 2010.

16. Income Tax Status:

The College is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

17. Fund-Raising:

Total fund-raising expenses in the amount of \$102,413.81 and \$59,223.06 for fiscal years ended June 30, 2011 and June 30, 2010 respectively are included in Institutional Support in the Statement of Activities. The fund-raising expenses of the College include allocated salaries and related expenses in the amount of \$73,094.28 and \$45,117.83 for fiscal years ended June 30, 2011 and June 30, 2010.

18. Current Economic Conditions:

The current economic environment presents entities with unprecedented circumstances and challenges, which in some cases have resulted in large declines in fair values of investments and other assets, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the College.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statement could change rapidly, resulting in material future adjustments in asset values or net assets that could negatively impact the College's ability to maintain liquidity at desired levels.

19. Reclassification of Investment Losses:

Pursuant to SFAS 124, the College reclassified certain endowment fund investment losses from temporarily restricted to unrestricted in fiscal year ended June 30, 2009. To the extent that investment losses caused the fair value of the assets of an endowment fund to drop below the required level, they were reclassified as unrestricted losses on investments. At June 30, 2009, the total losses reclassified were \$988,385.35.

Notes to Financial Statements, Continued

Reclassification of Investment Losses, Continued

During fiscal year ended June 30, 2010, \$214,569.53 of unrealized gain was reclassified unrestricted and offset against the above balance leaving a balance of \$773,815.82. An additional \$476,409.88 was reclassified unrestricted and offset against the balance in fiscal year ended June 30, 2011 leaving a new balance of \$297,405.94. Subsequent gains will be recorded as unrestricted gains on investments until this balance has been reduced to zero.

20. Derivative Financial Instruments:

The College has entered into two interest rate swap arrangements with BB&T that effectively fixes the interest rate of the outstanding balances on industrial revenue bonds at 3.74% (\$3,375,000) and 4.34% (\$7,310,000). The notional amount of these contracts is \$10,685,000 at June 30, 2011. These swap arrangements are set to mature on September 30, 2017 and December 30, 2017.

The Company's purpose in entering into the swap agreements was to hedge against the risk of interest rate increases on the related variable rate debt. Accordingly, the swap agreements are classified as cash flow hedging activities and represent derivative financial instruments. These derivative financial instruments are not held for trading purposes.

The Company accounts for derivative financial instruments in accordance with Financial Accounting Standards Board Statement No. 133. Accordingly, the derivative financial instruments are reflected on the statement of financial position at fair value.

Since the instruments are classified as hedging activities, changes in their fair market value are recognized as a valuation adjustment for interest rate swaps. At June 30, 2011 the change in market value of the derivative financial instruments was a decrease of \$379,148. The cash flow effects of the swap arrangements are reported as adjustments to interest expense. The amount of the swap interest has been capitalized and is recorded as an increase in construction in progress. The net cash flow for the year ended June 30, 2011 was an increase in construction in progress of \$122,949.

The cumulative unrealized gain or loss from changes in the swap contract's fair value that is included as a valuation adjustment for interest rate swaps in unrestricted net assets will be reclassified as changes in net assets when the contracts expire.

21. Subsequent Events:

Subsequent events were evaluated through September 30, 2011, which is the date that the financials were available to be issued. Management does not believe that there were any subsequent events that need to be disclosed in the financial statements.

EMMANUEL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/ Program Title	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Accrued or (Deferred) Revenue at July 1, 2010</u>	<u>Receipts or Revenue Recognized</u>	<u>Federal Disbursement/ Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2011</u>
<u>U.S. Department of Education</u>						
Federal Supplemental Educational Opportunity Grants	84.007	\$ 46,929.00	\$ -	\$ 46,929.00	\$ 46,929.00	\$ -
Federal Direct Student Loans	84.268	4,913,746.00	-	4,913,746.00	4,913,746.00	-
Federal Work-Study Program	84.033	97,306.00	-	97,306.00	97,306.00	-
Federal Pell Grant Program	84.063	1,965,375.00	-	1,965,375.00	1,965,375.00	-
Academic Competitiveness Grant	84.375	71,200.00	-	71,200.00	71,200.00	-
National SMART Grant	84.376	<u>26,000.00</u>	<u>-</u>	<u>26,000.00</u>	<u>26,000.00</u>	<u>-</u>
Total (SFA Cluster)		<u>\$ 7,120,556.00</u>	<u>\$ -</u>	<u>\$ 7,120,556.00</u>	<u>\$ 7,120,556.00</u>	<u>\$ -</u>

Emmanuel College
Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2011

1. Summary of Significant Accounting Policies:

Accrual Basis

The schedule of expenditures of federal awards of Emmanuel College has been prepared on the accrual basis of accounting.

2. Federal Direct Student Loans

Emmanuel College administers federal direct student loan programs including Stafford, Unsubsidized Stafford and PLUS Loans. During the year, students received \$2,022,340 Stafford, \$2,054,915 Unsubsidized Stafford and \$836,491 PLUS Loans. These loans are federally guaranteed.



ED K. BURTON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Ed K. Burton, CPA

Alan M. Burton, CPA

Members American Institute of CPA's and Georgia Society of CPA's

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Emmanuel College
Franklin Springs, Georgia

We have audited the financial statements of Emmanuel College (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emmanuel College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmanuel College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmanuel College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ed K. Burton, LLC

September 30, 2011



ED K. BURTON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Board of Trustees
Emmanuel College
Franklin Springs, Georgia

Compliance

We have audited the compliance of Emmanuel College (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. Emmanuel College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Emmanuel College's management. Our responsibility is to express an opinion on Emmanuel College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Emmanuel College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Emmanuel College's compliance with those requirements.

In our opinion, Emmanuel College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Emmanuel College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Emmanuel College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Emmanuel College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Emmanuel College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Emmanuel College's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties.

Ed K. Burton, LLC

September 30, 2011

EMMANUEL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

A. Summary of Audit Results

1. As discussed in the notes to the financial statements, an unqualified opinion was issued on the financial statements of Emmanuel College.
2. The audit did not disclose any reportable condition in internal control, which is material to the financial statements of Emmanuel College.
3. The audit did not disclose any noncompliance, which is material to the financial statements of Emmanuel College.
4. The audit did not disclose any reportable condition in internal control over student financial assistance programs (major program).
5. An unqualified opinion was issued on compliance for student financial assistance programs.
6. The audit did not disclose any audit findings in which the auditor is required to report under OMB Circular A-133, Section 501(a).
7. Emmanuel College's only major program is student financial assistance programs. This cluster of programs consists of Federal Supplemental Educational Opportunity Grant Program (CFDA No. 84.007), Federal Direct Student Loan Program (CFDA No. 84.268), Federal Work Study (CFDA No. 84.033), Federal Pell Grant Program (CFDA No. 84.063), Academic Competitiveness Grant (CFDA No. 84.375), and National SMART Grant (CFDA No. 84.376).
8. Emmanuel College qualifies as a low-risk auditee under OMB Circular A-133, Section 530.

B. Findings Relating to the Financial Statements

None

C. Findings and Questioned Costs for Federal Awards

None

EMMANUEL COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The SFA Programs were audited for the year ended June 30, 2010 and a report of an independent certified public accountant was issued thereon dated September 30, 2010. There were no prior audit findings.

EMMANUEL COLLEGE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

JUNE 30, 2012

WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

EMMANUEL COLLEGE

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JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Emmanuel College
Franklin Springs, Georgia

We have audited the accompanying statements of financial position of Emmanuel College (a nonprofit organization) as of June 30, 2012 and June 30, 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Emmanuel College's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emmanuel College as of June 30, 2012 and June 30, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2012 on our consideration of Emmanuel College'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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Emmanuel College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ed K. Burton, LLC

September 30, 2012

EMMANUEL COLLEGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 AND JUNE 30, 2011

	<u>6/30/2012</u>	<u>6/30/2011</u>
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 1,356,338	\$ 8,115,035
Accounts Receivable	237,265	162,852
Pledges Receivable (Net of Allowance)	1,223,166	-
Other Assets	250,085	303,795
Investments	4,951,600	5,525,783
Property and Equipment (Net)	<u>22,509,642</u>	<u>12,616,453</u>
Total Assets	<u>\$ 30,528,096</u>	<u>\$ 26,723,918</u>
<u>Liabilities:</u>		
Deposits and Prepaid Tuition	\$ 588,789	\$ 374,631
Accounts Payable and Accrued Liabilities	876,074	603,017
Notes Payable	2,658,322	2,222,132
Current Portion of Long-Term Debt	403,604	283,514
Long-Term Debt	10,900,339	11,303,470
Deferred Revenue	2,527,608	-
Obligations Under Interest Rate Swaps	<u>839,147</u>	<u>379,148</u>
Total Liabilities	<u>\$ 18,793,883</u>	<u>\$ 15,165,912</u>
<u>Net Assets:</u>		
Unrestricted	\$ 6,565,465	\$ 7,593,661
Temporarily Restricted	1,556,182	426,316
Permanently Restricted	<u>3,612,565</u>	<u>3,538,029</u>
Total Net Assets	<u>\$ 11,734,212</u>	<u>\$ 11,558,006</u>
Total Liabilities and Net Assets	<u>\$ 30,528,096</u>	<u>\$ 26,723,918</u>

The accompanying notes are an integral part of these financial statements

EMMANUEL COLLEGE
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Tuition and Fees (Net of Allowances and Discounts)	\$ 6,195,174	\$ -	\$ -	\$ 6,195,174
Investment Income	19,283	84,670	-	103,953
Net Realized & Unrealized Gain (Loss) on Investments	(171,509)	(146,007)	-	(317,516)
Gifts and Pledges	3,249,201	1,949,529	67,986	5,266,716
Auxiliary Enterprises	2,657,507	-	-	2,657,507
Other	198,272	-	-	198,272
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>777,075</u>	<u>(777,075)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 <u>\$ 12,925,003</u>	 <u>\$ 1,111,117</u>	 <u>\$ 67,986</u>	 <u>\$ 14,104,106</u>
Expenses and Losses:				
Educational and General:				
Instructional	\$ 3,467,689	\$ -	\$ -	\$ 3,467,689
Public Support	21,441	-	-	21,441
Academic Support	409,581	-	-	409,581
Student Services	3,622,115	-	-	3,622,115
Institutional Support	3,700,012	-	-	3,700,012
Scholarships and Student Aid	<u>244,358</u>	<u>-</u>	<u>-</u>	<u>244,358</u>
Total Educational and General	\$ 11,465,196	\$ -	\$ -	\$ 11,465,196
Auxiliary Enterprises	<u>2,002,705</u>	<u>-</u>	<u>-</u>	<u>2,002,705</u>
Total Expenses and Losses	<u>\$ 13,467,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,467,901</u>
 Change in Net Assets before Interest Rate Swaps	 \$ (542,898)	 \$ 1,111,117	 \$ 67,986	 \$ 636,205
Valuation Adjustment for Interest Rate Swaps	<u>(459,999)</u>	<u>-</u>	<u>-</u>	<u>(459,999)</u>
 Change in Net Assets	 <u>\$ (1,002,897)</u>	 <u>\$ 1,111,117</u>	 <u>\$ 67,986</u>	 <u>\$ 176,206</u>
Net Assets at Beginning of Year as Previously Reported	\$ 7,593,661	\$ 426,316	\$ 3,538,029	\$ 11,558,006
Reclass of Prior Year Net Assets	<u>(25,299)</u>	<u>18,749</u>	<u>6,550</u>	<u>-</u>
Net Assets at Beginning of Year as Restated	<u>\$ 7,568,362</u>	<u>\$ 445,065</u>	<u>\$ 3,544,579</u>	<u>\$ 11,558,006</u>
Net Assets at End of Year	<u>\$ 6,565,465</u>	<u>\$ 1,556,182</u>	<u>\$ 3,612,565</u>	<u>\$ 11,734,212</u>

The accompanying notes are an integral part of these financial statements

EMMANUEL COLLEGE
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Tuition and Fees (Net of Allowances and Discounts)	\$ 6,364,228	\$ -	\$ -	\$ 6,364,228
Investment Income	45,077	142,421	-	187,498
Net Realized & Unrealized Gain (Loss)				
on Investments	580,849	(73,079)	-	507,770
Gifts and Pledges	1,307,234	372,237	69,767	1,749,238
Auxiliary Enterprises	2,359,317	-	-	2,359,317
Other	110,357	-	-	110,357
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>381,084</u>	<u>(381,084)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 <u>\$ 11,148,146</u>	 <u>\$ 60,495</u>	 <u>\$ 69,767</u>	 <u>\$ 11,278,408</u>
Expenses and Losses:				
Educational and General:				
Instructional	\$ 3,089,163	\$ -	\$ -	\$ 3,089,163
Public Support	22,039	-	-	22,039
Academic Support	337,516	-	-	337,516
Student Services	2,912,679	-	-	2,912,679
Institutional Support	2,714,382	-	-	2,714,382
Scholarships and Student Aid	<u>232,824</u>	<u>-</u>	<u>-</u>	<u>232,824</u>
Total Educational and General	\$ 9,308,603	\$ -	\$ -	\$ 9,308,603
Auxiliary Enterprises	<u>1,525,294</u>	<u>-</u>	<u>-</u>	<u>1,525,294</u>
Total Expenses and Losses	<u>\$ 10,833,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,833,897</u>
 Change in Net Assets before Interest Rate Swaps	 \$ 314,249	 \$ 60,495	 \$ 69,767	 \$ 444,511
Valuation Adjustment for Interest Rate Swaps	<u>(379,148)</u>	<u>-</u>	<u>-</u>	<u>(379,148)</u>
 Change in Net Assets	 \$ (64,899)	 \$ 60,495	 \$ 69,767	 \$ 65,363
Net Assets at Beginning of Year	<u>7,658,560</u>	<u>365,821</u>	<u>3,468,262</u>	<u>11,492,643</u>
Net Assets at End of Year	<u>\$ 7,593,661</u>	<u>\$ 426,316</u>	<u>\$ 3,538,029</u>	<u>\$ 11,558,006</u>

The accompanying notes are an integral part of these financial statements

EMMANUEL COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

	<u>6/30/2012</u>	<u>6/30/2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets Prior to Interest Rate Swaps	\$ 636,205	\$ 444,510
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gain) Loss on Investments	290,535	(565,280)
Depreciation	749,010	685,671
Non-Cash Contribution	(2,618,532)	-
Abandonment Loss on Property and Equipment	2,095	36,604
(Gain)/Loss on Sale of Property and Equipment	68,479	-
(Increase) in Accounts Receivable	(74,413)	(39,499)
(Increase) in Pledges Receivable Temporarily Restricted	(1,223,166)	-
(Increase) Decrease in Inventories and Other Assets	53,709	(291,204)
Increase in Accounts Payable and Accrued Expenses	273,057	206,142
Increase in Deposits and Prepaid Tuition	214,158	188,216
Increase in Deferred Revenue	<u>2,527,608</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 898,745</u>	<u>\$ 665,160</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Property and Equipment	\$ 215,850	\$ -
Purchases of Property and Equipment	(8,310,089)	(4,825,489)
Proceeds from Sale of Investments	831,889	153,331
Purchase of Investments	(576,209)	(205,286)
Depreciation of Investments - Buildings	<u>27,968</u>	<u>28,706</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (7,810,591)</u>	<u>\$ (4,848,738)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Notes and Bonds Payable	\$ 670,195	\$ 14,372,010
Payments on Notes and Bonds Payable	<u>(517,046)</u>	<u>(2,377,917)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 153,149</u>	<u>\$ 11,994,093</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (6,758,697)	\$ 7,810,515
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,115,035</u>	<u>304,520</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,356,338</u>	<u>\$ 8,115,035</u>
Supplemental Data:		
Interest Paid	\$ 580,472	\$ 316,337

The accompanying notes are an integral part of these financial statements

Emmanuel College
Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization

Emmanuel College is a private four-year college located in Franklin Springs, Georgia.

Accrual Basis

The financial statements of Emmanuel College (the "College") have been prepared on the accrual basis.

The College reports gifts of cash and other assets 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 time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The College reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Basis of Presentation

The College has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made" and Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-for-Profit Organizations".

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

- Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or the passage of time.
- Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Notes to Financial Statements, Continued

Summary of Significant Accounting Policies continued:

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted net assets are reported as net assets released from restrictions. Temporarily restricted revenues received and expended during the same fiscal year are recorded as unrestricted revenues and expenses in the statement of activities.

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction.

Contributions of long-lived assets are reported as unrestricted revenue. Contributions restricted for the acquisition of grounds, buildings, and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets.

The change in fair value of investments is recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

The costs of providing program services and support services of the College have been summarized on a functional basis in the statement of activities. Accordingly, certain operating costs have been allocated among the functional categories.

Functional Expenses are classified as Educational & General and Auxiliary Enterprises. Educational & General Expenses are normally categorized as Instructional, Public Support, Academic Support, Student Services, Institutional Support and Scholarships.

Cash and Cash Equivalents

The College considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Unconditional Promises to Give

The College has adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Made" (SFAS 116), which requires the College to record certain promises to give as revenue when the promise is made.

Notes to Financial Statements, Continued

Summary of Significant Accounting Policies continued:

Conditional Promises and Indications of Intentions to Give

Pursuant with the College's policy and in conformity with SFAS 116, the College does not recognize conditional promises as revenue until the condition is met or the pledges are received.

Investments

Investments are carried at market and appraised-value, and realized and unrealized gains and losses are reflected in the statement of activities net of investment fees of \$63,539. Fair market value for investments is based on quoted market prices or dealer quotes, where available.

Land, Buildings and Equipment

Land and buildings acquired prior to June 30, 1972 are recorded at appraised value as of that date or as of a prior appraisal date of June 30, 1965. Equipment and land and buildings acquired after June 30, 1972 are recorded at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the various assets as follows:

- Land Improvements 15-25 Years
- Buildings 25-75 Years
- Automotive Equipment 5-7 Years
- Equipment and Furniture 5-20 Years
- Library Resources 25 Years

Deposits and Prepaid Tuition

Deposits relate primarily to fall session tuition and housing deposits received prior to June 30, 2012 and June 30, 2011.

Tuition and Fees

Tuition and fees are reported net of discounts and scholarship allowances of \$4,428,100 in fiscal year ended June 30, 2012 and \$3,332,362 in fiscal year ended June 30, 2011.

Other Significant Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

Notes to Financial Statements, Continued

2. Temporarily and Permanently Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

	<u>6/30/12</u>	<u>6/30/11</u>
Academic Support	\$ 51,898	\$ 20,857
Student Aid	231,216	252,662
Buildings and Equipment	1,180,779	89,956
Operation of Physical Plant	62,524	6,781
Other	<u>29,765</u>	<u>56,060</u>
Total Temporarily Restricted Net Assets	<u>\$1,556,182</u>	<u>\$ 426,316</u>

Permanently restricted net assets are restricted to:

Investment in perpetuity, the income from which is expendable to support:

	<u>6/30/12</u>	<u>6/30/11</u>
Academic Support	\$ 105,608	\$ 101,903
Operation and Maintenance of Plant	225,000	225,000
Student Aid	3,201,261	3,131,331
Other	<u>80,696</u>	<u>79,795</u>
Total Permanently Restricted Net Assets	<u>\$3,612,565</u>	<u>\$3,538,029</u>

3. Net Assets Released from Donor Restrictions:

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events by specified donors.

	<u>6/30/12</u>	<u>6/30/11</u>
Purpose restrictions accomplished:		
Student Aid	\$251,318	\$245,490
Academic Support	1,000	810
Operation of Physical Plant	15,013	80,150
Buildings and Equipment	424,841	50,373
Other	<u>84,903</u>	<u>4,261</u>
Total	<u>\$777,075</u>	<u>\$381,084</u>

4. Promises to Give:

The College had unconditional promises to give at June 30, 2012 of \$1,388,477. Included in this amount, are non cash gifts and services of \$818,437. There were no unconditional promises to give at June 30, 2011. Pledges were discounted to their present value assuming their respective terms, and a discount rate of 4% compounded annually. The College has established a reserve for uncollected pledges at 25% of the discounted pledges receivable. After discounting pledges and establishing the reserve for uncollectible pledges, the College had net pledges of \$1,223,166 (\$0 unrestricted and \$1,223,166 temporarily restricted) at June 30, 2012. At June 30, 2012, \$1,079,184 of the total pledges was due in less than one year and \$143,982 was due in one to five years.

Notes to Financial Statements, Continued

5. Investments:

Investments other than physical plant are recorded at market and are composed of the following:

	<u>June 30, 2012</u>		<u>June 30, 2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash & Money Mkt.	\$ 382,411	\$ 382,411	\$ 101,749	\$ 101,749
Marketable Securities	2,760,500	3,228,499	3,102,153	3,914,587
Real Estate	1,285,795	1,285,795	1,299,445	1,299,445
Other	<u>54,895</u>	<u>54,895</u>	<u>176,203</u>	<u>210,002</u>
	<u>\$4,483,601</u>	<u>\$4,951,600</u>	<u>\$4,679,550</u>	<u>\$5,525,783</u>

To facilitate the management of the College's investment portfolio, certain investments, which represent restricted assets, are pooled with the College's unrestricted assets. Investment income and expenses and realized and unrealized gains and losses are allocated to the individual funds participating in the pool based on the relationship of the market value of each fund to the total value of the participating funds.

Real estate includes land, buildings and contents and is recorded at historical cost. Depreciation expense on the buildings and contents for the years ended June 30, 2012 and June 30, 2011 was \$27,968 and \$28,706, respectively.

6. Endowment Funds:

Emmanuel College's investment policies for endowment funds are included in its overall Endowment Policies adopted by the Board of Trustees. The investment policies provide that the endowment funds shall be invested in the International Pentecostal Holiness Foundation or other entities recommended by the Finance Committee and approved by the Board of Trustees. Endowment funds are required to be invested in a manner that will properly balance long-term growth, income and risk, as determined by the Finance Committee. The Finance Committee periodically reviews and establishes the long-term return objectives. Currently, the long-term target annual rate of return is 7.5%.

In general, the Endowment Policies provide for an expenditure of 4% of the prior year balance, provided a buffer of 15% over the historic dollar amount has been accumulated. In addition, a minimum distribution amount has been established at \$1,000.

Contributions to endowments are classified as permanently restricted if the donor requires that the contributed funds be held in perpetuity and that all distributions must come from earnings and/or capital appreciation. Earnings and capital appreciation are considered temporarily restricted until the purpose for which they are designated has been achieved. Amounts distributed under these guidelines are considered unrestricted.

All endowment funds are donor designated endowments.

Notes to Financial Statements, Continued

Endowment Funds, Continued

Reconciliation of Beginning and Ending Balances by Net Asset Classification

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, July 1, 2011	<u>\$(297,406)</u>	<u>\$ 85,203</u>	<u>\$ 3,538,029</u>	<u>\$ 3,325,826</u>
Dividend Income		\$ 84,670		\$ 84,670
Investment Fees - IPHC Foundation		(50,532)		(50,532)
Contributions Gifts & Grants			67,985	67,985
Unrealized Gain/Loss on Investments		(208,391)		(208,391)
Reclassifications	<u>(112,916)</u>	<u>132,965</u>	<u>6,550</u>	<u>26,599</u>
Net Activity	<u>\$(112,916)</u>	<u>\$ (41,288)</u>	<u>\$ 74,535</u>	<u>\$ (79,669)</u>
Net Assets, June 30, 2012	<u>\$(410,322)</u>	<u>\$43,915</u>	<u>\$3,612,564</u>	<u>\$ 3,246,157</u>

7. Land, Buildings and Equipment:

Land and buildings acquired prior to June 30, 1972 are recorded at appraised value. Land and buildings acquired subsequent to June 30, 1972 are recorded at cost. At June 30, 2012 and June 30, 2011, the components for the College's property and equipment were as follows:

	<u>6/30/12</u>	<u>6/30/11</u>
Land and Land Improvements	\$ 1,982,029	\$ 1,636,620
Buildings and Leaseholds	13,740,869	9,060,636
Furniture, Fixtures and Equipment	3,257,187	2,625,366
Automotive Equipment	77,824	432,681
Library Resources	1,339,558	1,308,646
Construction in Progress	<u>9,329,734</u>	<u>4,465,985</u>
	\$29,721,201	\$19,529,934
Less: Accumulated Depreciation	<u>(7,217,559)</u>	<u>(6,913,481)</u>
	<u>\$ 22,509,642</u>	<u>\$ 12,616,453</u>

Gain or loss on disposition of land, buildings and equipment is reflected in earnings and the related costs and accumulated depreciation are removed from the respective accounts.

Depreciation expense for the years ended June 30, 2012 and June 30, 2011 amounted to \$749,010 and \$685,672, respectively.

Notes to Financial Statements, Continued

8. Leases:

The College leases office space, security officers, vehicles, and equipment under operating leases that will expire at various dates in the future. The total paid on these leases in fiscal years ended June 30, 2012 and June 30, 2011 was \$209,887 and \$12,600 respectively.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2012 are as follows:

	<u>Amount</u>
FYE 6/30/13	\$ 314,451
FYE 6/30/14	333,912
FYE 6/30/15	317,728
FYE 6/30/16	195,311
FYE 6/30/17	<u>15,868</u>
	<u>\$1,177,270</u>

9. Bonds and Notes Payable:

Housing and Urban Development bonds payable represent bonds issued by the Secretary of Housing and Urban Development for the construction of Drum Hall. These bonds bear interest at 3% payable semi-annually on May 1st and November 1st. Principal is due annually on November 1st through the year 2013 as follows:

	<u>Amount</u>
FYE 6/30/13	\$ 14,000
FYE 6/30/14	14,000

During fiscal year ended June 30, 2011, the Franklin County Industrial Building Authority issued revenue bonds in the principal amount of \$3,375,000 Series 2010 and \$7,310,000 Series 2010B and loaned the proceeds to Emmanuel College to fund the costs of a new dormitory, refinance existing loans and bond issuance costs of issuing the Series 2010 bonds and to finance or refinance all or a portion of the costs to construct and equip a new athletic complex and fund the costs of issuing the Series 2010B bonds.

Interest on these bonds is calculated as the lesser of the Adjusted Libor Rate, the Non-BQ Adjusted Libor Rate or the Taxable Adjusted Libor Rate and the Maximum Rate. The principal amounts of bond redemptions on the Franklin County Industrial Building Authority bonds are as follows:

	<u>Series 2010</u>	<u>Series 2010 B</u>
FYE 6/30/13	\$ 90,168	\$ 182,241
FYE 6/30/14	93,750	190,195
FYE 6/30/15	97,386	198,635
FYE 6/30/16	100,932	207,298
FYE 6/30/17	105,003	216,230
FYE 6/30/18-6/30/22	589,524	1,231,518
FYE 6/30/23-6/30/27	713,157	1,524,926
FYE 6/30/28-6/30/32	862,647	1,888,120
FYE 6/30/33-6/30/36	<u>656,913</u>	<u>1,581,593</u>
TOTALS	<u>\$3,309,480</u>	<u>\$7,220,756</u>

Notes to Financial Statements, Continued

Bonds and Notes Payable, Continued

Long-Term Notes Payable consisted of the following at June 30, 2012 and June 30, 2011:

	<u>6/30/12</u>	<u>6/30/11</u>
Pinnacle Bank, DDA Series 2001A, payable in monthly installments of \$10,000 including interest at 2/3 of the average prime rate (2.1670% at 6/30/11) for prior year per annum, adjusted annually on September 1.	\$ 508,436	\$ 615,944
BB&T, payable in monthly installments of \$1,225 including interest at 3.1855%.	<u>237,271</u>	<u>244,041</u>
	\$ 745,707	\$ 859,985
Less: Current Portion	<u>(117,195)</u>	<u>(114,750)</u>
	<u>\$ 628,512</u>	<u>\$ 745,235</u>
Long-Term Notes and Bonds mature as follows:		
6/30/2013	\$ 403,604	
6/30/2014	417,783	
6/30/2015	418,563	
6/30/2016	433,538	
6/30/2017	382,827	
Thereafter	<u>9,247,628</u>	
	<u>\$11,303,943</u>	

The College also has lines of credit with two banks in the amount of \$2,658,322 at 6/30/12 with interest at 4% and 5.5%.

Certificates of deposit, real estate and equipment are pledged as collateral on the above notes payable.

Interest expense for the years ended June 30, 2012 and June 30, 2011 totaled \$185,727 and \$52,808, respectively. The College has included in construction in progress capitalized interest in the amount of \$394,710 which includes swap interest payments of \$263,496.

10. Interfund Receivables and Payables:

As stated in Note 1 to the Financial Statements the College has adopted SFAS 116 and SFAS 117. However, the College still uses fund accounting for its internal record keeping purposes. Fund accounting is a system of recording resources whose use may be limited by donors, granting agencies, governing boards, or other individuals or entities by law.

Notes to Financial Statements, Continued

Interfund Receivables and Payables, Continued

The College maintains accounts in a General Fund, Operating Reserve Fund, Investment Fund, Property, Plant and Equipment Fund, Restricted Contribution Fund and an Endowment Fund. There were no inter-fund receivables and payables at June 30, 2012 and at June 30, 2011.

11. Employee Pension Plan:

The College sponsors a 403(b) retirement plan for faculty, salaried staff and hourly staff who work at least 1,000 hours a year. Employees are eligible for the plan after they have completed one full year of service. The College contributes 6% of participating employees' annual salaries. The College contributed to the plan \$258,161 in fiscal year ended June 30, 2012 and \$236,988 in fiscal year ended June 30, 2011.

12. Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

Carrying amounts for cash and cash equivalents approximate fair values.

Pledges Receivable

Carrying amounts for unconditional pledges are based on the present value of the promises, which approximates the fair value (see Note 4). There were pledges receivables of \$1,365,675 at June 30, 2012.

Investments

The fair values of marketable securities are based on quoted market prices at year-end. The carrying amounts of other investments approximate fair value (see Note 5).

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the assets or the liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure the fair value into three broad levels:

Notes to Financial Statements, Continued

Fair Value of Financial Instruments, Continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the College has the ability to access.
- Level 2 inputs are inputs (other than quoted prices within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include managements own data.)

Investments

The following table present the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2012:

Description	Fair Value at Reporting Date Using			
	06/30/2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading Securities				
Non US Equity Mutual Funds	\$ 650,826	\$ 650,826		
Global Fixed Income Mutual Funds	706,629	706,629		
Alternative Investments	320,222	320,222		
Commodity Futures ETF	173,251	173,251		
Natural Resources Equity Mutual Fund	119,069	119,069		
Global Real Estate Mutual Fund	253,063	253,063		
US Equity Hedged Mutual Fund	168,060	168,060		
Cash/Money Market Funds	382,411	382,411		
Total	\$ 2,773,531	\$ 2,773,531	\$ -	\$ -
Available-for-Sale Equity Securities				
US Individual Equity Securities	\$ 611,569	\$ 611,569		
Non US Equity ADR Securities	225,810	225,810		
Total	\$ 837,379	\$ 837,379	\$ -	\$ -
Other				
Real Estate	\$ 1,285,795	\$ -		\$ 1,285,795
Cash Value - Life Insurance Policies	54,895			54,895
Total	\$ 1,340,690	\$ -	\$ -	\$ 1,340,690
Grand Total	\$ 4,951,600	\$ 3,610,910	\$ -	\$ 1,340,690

Notes to Financial Statements, Continued

Fair Value of Financial Instruments, Continued

**Fair Value Measurements at June 30, 2012
Using Inputs at Quoted Prices (Level 1)**

	<u>Cash and</u> <u>Money Market</u>	<u>Marketable</u> <u>Securities</u>	<u>Other</u>	<u>Total</u>
Beginning Balance 6/30/11	\$ 101,749	\$ 3,914,587	\$ 157,387	\$ 4,173,723
Realized and Unrealized				
Gains & Losses	---	(253,928)	(14,844)	(268,772)
Purchases	332,389	162,917	---	495,306
Dividends and Interest	---	98,565	3,223	101,788
Sales	(69,593)	(631,367)	(126,636)	(827,596)
Investment Fees	<u>---</u>	<u>(61,258)</u>	<u>(2,281)</u>	<u>(63,539)</u>
Ending Balance 6/30/12	<u>\$ 364,545</u>	<u>\$ 3,229,516</u>	<u>\$ 16,849</u>	<u>\$ 3,610,910</u>

**Fair Value Measurements at June 30, 2012
Using Significant Unobservable Inputs (Level 3)**

	<u>Real Estate</u>	<u>Other</u>	<u>Total</u>
Beginning Balance 6/30/11	\$ 1,299,445	\$ 52,615	\$ 1,352,060
Purchase of Real Estate	50,223	---	50,223
NBV of Assets Sold	(35,905)		(35,905)
Depreciation on Real Estate	(27,968)	---	(27,968)
Increase in Cash Value	---	2,280	2,280
Unrealized Gain (Loss)	<u>---</u>	<u>---</u>	<u>---</u>
Ending Balance 6/30/12	<u>\$ 1,285,795</u>	<u>\$ 54,895</u>	<u>\$ 1,340,690</u>

Long-Term Debt

The carrying amount of the College's long-term debt approximates fair value (see Note 9).

Notes to Financial Statements, Continued

13. Concentration of Credit Risk:

Financial instruments which subject the College to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments; equity holdings of domestic corporations; and mutual funds which invest primarily in short-term government securities. The College typically maintains cash and cash equivalents and temporary investments in local banks, which may at times, exceed the FDIC limits. At June 30, 2012 and June 30, 2011, cash at these institutions exceeded federally insured limits by \$967,819 and \$7,762,108, respectively.

The College's operations are located in Franklin Springs, Georgia and its students come primarily from Georgia and surrounding states. The College's major source of revenue is derived from tuition and room and board.

The College receives funds, which are applied against students' accounts, from federal and state governmental organizations that provide assistance to students attending institutions of higher education.

14. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

15. Compensated Absences:

Employees of the College are entitled to paid vacations and paid sick days, depending on job classification, length of service, and other factors. Employees and management have contracts or agreements with the College that provide for compensated absences. A total of \$49,510 and \$52,209 is included in accrued liabilities at June 30, 2012 and June 30, 2011.

16. Deferred Revenue:

The College has deferred revenue resulting from a food service agreement with Compass Group, USA - Chartwells Division. The agreement is for the period June 1, 2011 through May 31, 2021. As part of the agreement, Chartwells has agreed to make investments in the College's dining service program to fund capital investments in total sum of \$1,115,000. This investment is shown as deferred revenue and will be recognized as income according to a table that shows the investment in various items of equipment and the amortizable figure for each item. The amount amortized in FYE 6/30/12 was \$20,725 and is included in income. The balance of \$1,094,275 is shown in deferred revenue at June 30, 2012.

The College has deferred revenue resulting from a maintenance and facility support agreement with SSC Service Solutions. The agreement is for the period November 14, 2011 through November 13, 2026. As part of the agreement, SSC Service Solutions has agreed to make a \$1,500,000 investment in the College. This amount is to be amortized over the 15 year life of the agreement. The amount amortized for FYE 6/30/12 was \$66,667 and is included in income. The balance of \$1,433,333 is shown in deferred revenue at June 30, 2012.

Notes to Financial Statements, Continued

17. Income Tax Status:

The College is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

18. Fund-Raising:

Total fund-raising expenses in the amount of \$156,521 and \$102,414 for fiscal years ended June 30, 2012 and June 30, 2011 respectively are included in Institutional Support in the Statement of Activities. The fund-raising expenses of the College include allocated salaries and related expenses in the amount of \$111,677 and \$73,094 for fiscal years ended June 30, 2012 and June 30, 2011.

19. Current Economic Conditions:

The current economic environment presents entities with unprecedented circumstances and challenges, which in some cases have resulted in large declines in fair values of investments and other assets, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the College.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statement could change rapidly, resulting in material future adjustments in asset values or net assets that could negatively impact the College's ability to maintain liquidity at desired levels.

20. Reclassification of Investment Losses:

Pursuant to SFAS 124, the College reclassified certain endowment fund investment losses from temporarily restricted to unrestricted in fiscal year ended June 30, 2009. To the extent that investment losses caused the fair value of the assets of an endowment fund to drop below the required level, they were reclassified as unrestricted losses on investments. At June 30, 2009, the total losses reclassified were \$988,385.

During fiscal year ended June 30, 2010, \$214,570 of unrealized gain was reclassified as unrestricted and offset against the above balance leaving a balance of \$773,816. An additional \$476,410 was reclassified as unrestricted and offset against the balance in fiscal year ended June 30, 2011 leaving a new balance of \$297,406. During fiscal year ended June 30, 2012, additional unrealized losses resulted in amount of \$112,916 being reclassified. This leaves an accumulated balance of \$410,322 at June 30, 2012 after reclassification. Subsequent gains will be recorded as unrestricted gains on investments until this balance has been reduced to zero.

21. Derivative Financial Instruments:

The College has entered into two interest rate swap arrangements with BB&T that effectively fixes the interest rate of the outstanding balances on industrial revenue bonds at 3.74% (\$3,375,000) and 4.34% (\$7,310,000). The notional amount of these contracts was \$10,530,236 and \$10,685,000 at June 30, 2012 and June 30, 2011, respectively. These swap arrangements are set to mature on September 30, 2017 and December 30, 2017.

Notes to Financial Statements, Continued

Derivative Financial Instruments, Continued

The Company's purpose in entering into the swap agreements was to hedge against the risk of interest rate increases on the related variable rate debt. Accordingly, the swap agreements are classified as cash flow hedging activities and represent derivative financial instruments. These derivative financial instruments are not held for trading purposes.

The Company accounts for derivative financial instruments in accordance with Financial Accounting Standards Board Statement No. 133. Accordingly, the derivative financial instruments are reflected on the statement of financial position at fair value.

Since the instruments are classified as hedging activities, changes in their fair market value are recognized as a valuation adjustment for interest rate swaps. At June 30, 2012 the cumulative change in market value of the derivative financial instruments was a decrease of \$839,147. The cash flow effects of the swap arrangements are reported as adjustments to interest expense. The net cash flow for the year ended June 30, 2012 was an increase in interest expense of \$220,600. Due to the drop in interest rates, the interest rate swaps have been ineffective.

The cumulative unrealized gain or loss from changes in the swap contract's fair value that is included as a valuation adjustment for interest rate swaps in unrestricted net assets will be reclassified as changes in net assets when the contracts expire.

22. Reclassifications:

Reclassifications occurred to certain prior year amounts in order to conform to current year classifications. The reclassifications have no effect on the change in net assets of the current year.

23. Subsequent Events:

Subsequent events were evaluated through September 30, 2012, which is the date that the financials were available to be issued. Management does not believe that there were any subsequent events that need to be disclosed in the financial statements.

EMMANUEL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/ Program Title	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Accrued or (Deferred) Revenue at July 1, 2011</u>	<u>Receipts or Revenue Recognized</u>	<u>Federal Disbursement/ Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2012</u>
<u>U.S. Department of Education</u>						
Federal Supplemental Educational Opportunity Grants	84.007	\$ 41,995	\$ -	\$ 41,995	\$ 41,995	\$ -
Federal Direct Student Loans	84.268	4,715,160	-	4,715,160	4,715,160	-
Federal Work-Study Program	84.033	97,306	-	97,306	97,306	-
Federal Pell Grant Program	84.063	<u>1,964,530</u>	<u>-</u>	<u>1,964,530</u>	<u>1,964,530</u>	<u>-</u>
Total (SFA Cluster)		<u>\$ 6,818,991</u>	<u>\$ -</u>	<u>\$ 6,818,991</u>	<u>\$ 6,818,991</u>	<u>\$ -</u>

Emmanuel College
Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies:

Accrual Basis

The schedule of expenditures of federal awards of Emmanuel College has been prepared on the accrual basis of accounting.

2. Federal Direct Student Loans

Emmanuel College administers federal direct student loan programs including Stafford, Unsubsidized Stafford and PLUS Loans. During the year, students received \$1,901,168 Stafford, \$1,940,024 Unsubsidized Stafford and \$873,968 PLUS Loans. These loans are federally guaranteed.



REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Emmanuel College
Franklin Springs, Georgia

We have audited the financial statements of Emmanuel College (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 30, 2012. 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.

Internal Control Over Financial Reporting

Management of Emmanuel College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Emmanuel College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmanuel College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmanuel College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ed K. Burton, LLC

September 30, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Board of Trustees
Emmanuel College
Franklin Springs, Georgia

Compliance

We have audited the compliance of Emmanuel College (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. Emmanuel College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Emmanuel College's management. Our responsibility is to express an opinion on Emmanuel College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Emmanuel College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Emmanuel College's compliance with those requirements.

In our opinion, Emmanuel College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Emmanuel College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Emmanuel College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Emmanuel College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Emmanuel College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Emmanuel College's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties.

Ed K. Burton, LLC

September 30, 2012

EMMANUEL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

A. Summary of Audit Results

1. As discussed in the notes to the financial statements, an unqualified opinion was issued on the financial statements of Emmanuel College.
2. The audit did not disclose any reportable condition in internal control, which is material to the financial statements of Emmanuel College.
3. The audit did not disclose any noncompliance, which is material to the financial statements of Emmanuel College.
4. The audit did not disclose any reportable condition in internal control over student financial assistance programs (major program).
5. An unqualified opinion was issued on compliance for student financial assistance programs.
6. The audit did not disclose any audit findings in which the auditor is required to report under OMB Circular A-133, Section 501(a).
7. Emmanuel College's only major program is student financial assistance programs. This cluster of programs consists of Federal Supplemental Educational Opportunity Grant Program (CFDA No. 84.007), Federal Direct Student Loan Program (CFDA No. 84.268), Federal Work Study (CFDA No. 84.033), Federal Pell Grant Program (CFDA No. 84.063).
8. Emmanuel College qualifies as a low-risk auditee under OMB Circular A-133, Section 530.

B. Findings Relating to the Financial Statements

None

C. Findings and Questioned Costs for Federal Awards

None

EMMANUEL COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The SFA Programs were audited for the year ended June 30, 2011 and a report of an independent certified public accountant was issued thereon dated September 30, 2011. There were no prior audit findings.

APPENDIX C

SUMMARY OF CERTAIN DOCUMENTS AND DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms and summaries of the Master Trust Indenture (the “Master Indenture”), the Trust Indenture (the “Indenture”), the Loan Agreement (the “Agreement”) and the Deed to Secure Debt (the “Security Deed”) related to the issuance of the Franklin County Industrial Building Authority Tax-Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A and the Franklin County Industrial Building Authority Taxable Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B. The statements made herein relating to such documents are summaries and do not purport to be complete. Copies of the Master Indenture, the Indenture, the Agreement and the Security Deed are on file at the principal corporate trust office of the Trustee. The following summaries are qualified in their entirety by express reference to such documents.

DEFINITIONS FROM THE MASTER INDENTURE, THE INDENTURE, THE AGREEMENT AND THE SECURITY DEED

Set forth below is a summary of certain of the defined terms used in the Master Indenture, the Indenture, the Agreement and the Security Deed and in this summary of the provisions thereof. Reference is made to such documents for the full definition of all terms and for the definition of capitalized terms used herein but not defined herein.

“Act” shall mean the Amendment to the Constitution of the State of Georgia (Ga. Laws 1962, p. 1103, *et seq.*), as amended.

“Additional Indebtedness” shall mean any Indebtedness incurred by the College.

“Affiliate” of any specified Person shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, (a) “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the Ownership of voting securities, by contract, membership or otherwise; and (b) the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agreement” shall mean the Loan Agreement, dated as of December 1, 2012, between the College and the Authority, as supplemented or amended.

“Architect” shall mean a Person who or which is appointed by the College for the purpose of passing on questions relating to the design and construction of Facilities, has all licenses and certifications necessary for the performance of such services, and, in the good faith opinion of the College, has a favorable reputation for skill and experience in performing similar services in respect of Facilities of a comparable size and nature.

“Authority” shall mean the Franklin County Industrial Building Authority, and its successors and assigns.

“Authorized Authority Representative” shall mean the Chairman, Vice Chairman or any other individual designated from time to time in writing to the Trustee and the College by a certificate signed by an authorized signatory of the Authority to represent the Authority, which certificate shall set forth the specimen signature of such person or persons.

“Authorized College Representative” shall mean the President or any other individual designated from time to time in writing to the Trustee and the Authority by a certificate signed by an authorized signatory of the College, which certificate shall set forth the specimen signature of such person or persons.

“Balloon Indebtedness” shall mean:

- (a) Long-Term Indebtedness as to which, when issued, 25% or more of the debt service thereon is due in a single year, or
- (b) Long-Term Indebtedness as to which, when issued, 25% or more of the original principal amount thereof may, at the option of the holder or registered owner thereof, be redeemed or repurchased at one time, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date, or
- (c) Any Guaranty of Long-Term Indebtedness that is Balloon Indebtedness.

“Bond Counsel” shall mean an attorney or firm of attorneys of national recognition experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is selected or employed by the College and not unacceptable to any recipient of the opinion required to be rendered by such Bond Counsel.

“Bond Index” shall mean (a) in respect of any Outstanding Variable Rate Indebtedness, the average interest rate on such Indebtedness for the twelve (12) months immediately preceding the month prior to such calculation, or if such Indebtedness shall have had a variable rate for less than a twelve (12) month period, the average interest rate on such Indebtedness for such lesser period; (b) in respect of any proposed tax-exempt Indebtedness, the rate that is equal to The Bond Buyer thirty-year Revenue Bond Index; and (c) in respect of any proposed taxable Indebtedness, ten year treasury notes plus one percent (1%).

“Bonds” shall mean collectively the Series 2012A Bonds and the Series 2012B Bonds.

“Book Value” shall mean the cost of such property, net of accumulated depreciation, calculated in conformity with generally accepted accounting principles.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, the proposed temporary or final regulations prescribed under such section or under any predecessor provision of the Code.

“College” shall mean Emmanuel College, Inc., and its successors and assigns.

“Commitment Indebtedness” shall mean the obligation of any Person to repay amounts disbursed pursuant to a Credit Facility issued to pay when due such Person’s obligations under Indebtedness incurred in accordance with the provisions of the Master Indenture.

“Completion Indebtedness” shall mean any Long-Term Indebtedness (a) incurred by the College for the purpose of financing the completion of constructing or equipping property with respect to which Long-Term Indebtedness was theretofore incurred in accordance with the provisions of the Master Indenture, and (b) in a principal amount not in excess of the amount required (i) to provide a completed and equipped property of substantially the type and scope contemplated at the time such prior Long-Term Indebtedness was incurred, (ii) to provide for capitalized interest during the period of construction, (iii) to capitalize a reserve with respect to such Completion Indebtedness, and (iv) to pay the costs and expenses of issuing such Completion Indebtedness.

“Consultant” shall mean a Person who or which is not affiliated with the College and who or which is appointed by the College for the purpose of passing on questions relating to the financial affairs, management or operations of the College and, in the good faith opinion of the College, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors. If any Consultant’s report or opinion is required to be given with respect to matters partly within and partly without the expertise of such Consultant, such Consultant may rely upon the report or opinion of another Consultant, which other Consultant shall be reasonably satisfactory to the relying Consultant and the College.

“Continuing Disclosure Certificate” shall mean the Continuing Disclosure Certificate executed by the College in connection with the issuance of the Bonds, as supplemented or amended.

“Costs of the Projects” shall mean, with respect to the Projects, all items permitted to be financed under the provisions of the Code and the Act.

“Counsel” shall mean a lawyer duly admitted to practice law before the highest court of any state in the United States of America or the District of Columbia, or any law firm, who or which, as the case may be, is not unsatisfactory to any recipient of the opinion required to be rendered by such Counsel.

“Credit Facility” shall mean any letter of credit, line of credit, insurance policy, guaranty or other agreement constituting a credit enhancement or liquidity facility which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company or surety company for the benefit of the holder of any Indebtedness in order to provide a source of funds for the payment of all or any portion of the College’s payment obligations under such Indebtedness.

“Debt Service Requirement” shall mean, for any period of time, the amounts payable or the payments required to be made by the College in respect of principal and interest on Outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of Long-Term Indebtedness is included more than once), taking into account for purposes of calculating any projected debt service requirements (a) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in Section 4.3 (concerning the assumptions to be used in including debt service requirements of the guaranteed obligation), (b) that any payments to be made in respect of Balloon Indebtedness and Variable Rate Indebtedness shall be calculated in accordance with the provisions of Section 4.4 of the Indenture, (c) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (d) any amounts payable from funds available under an Escrow Deposit (other than amounts so payable solely by reason of the obligor’s failure to make payments from other sources), or funded from the proceeds of such Long-Term Indebtedness (*i.e.*, accrued and capitalized interest), shall be excluded from the determination of the Debt Service Requirement, (e) with respect to any Credit Facility, to the extent there are no outstanding and unpaid draws under such Credit Facility, the principal of and interest relating to such Credit Facility shall not be included in Debt Service Requirement and (f) that (i) with respect to any Hedged Obligation, the interest on such Hedged Obligation during any Hedge Period and for so long as the provider of the related Hedge Agreement is a Qualified Hedge Agreement Counterparty and has not defaulted on its payment obligations thereunder shall be calculated by adding (A) the amount of interest payable by the College on such Hedged Obligation pursuant to its terms and (B) the amount of Hedge Payments payable by the College under the related Hedge Agreement and subtracting (C) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement and (ii) that if the provider of any Hedge Agreement is not a Qualified Hedge Agreement Counterparty or is in default thereunder, the amount of interest payable by the College on the related Hedged Obligation shall be the interest calculated as if such Hedge Agreement had not been executed.

“Debt Service Reserve Fund” shall mean the fund established in Section 505 of the Indenture.

“Depository” shall mean the financial institutions from time to time designated by the College to act as a depository for the Revenue Fund in accordance with the provisions of the Master Indenture and of the Depository Agreement.

“Depository Agreement” shall mean the depository agreements executed by the depositories of the Revenue Fund.

“Escrow Deposit” shall mean a segregated escrow fund or other similar fund, account or deposit in trust of cash in an amount (or Investment Securities the principal of and interest on which will be in an amount), and under terms, sufficient, without further reinvestment, to pay all or a portion of the principal of, and premium, if any, and interest on, the indebtedness secured by such escrow fund or other similar fund, account or deposit as the same shall become due or payable upon redemption.

“Event of Default” shall mean any event of default under the Master Indenture, the Indenture or the Agreement, as appropriate.

“Facilities” shall mean the educational and related facilities that are owned, leased and/or operated by the College and any future additions, expansions and substitutions thereof.

“Fiscal Year” shall mean the period commencing on July 1 of each year and ending on June 30 of the next calendar year, or such other period as may be designated in an Officer’s Certificate of the College.

“Fitch” shall mean Fitch IBCA, Inc. and any successors and assigns.

“Governing Body” shall mean, when used with respect to any Person, its board of directors, board of trustees, or other board, committee or group of individuals in which the powers of a board of directors or board of trustees is vested generally or for the specific matters under consideration.

“Government Issuer” shall mean any federal, state or municipal corporation or political subdivision thereof or any instrumentality of any of the foregoing empowered to issue obligations on behalf thereof that issues Related Bonds.

“Government Obligations” shall mean (a) for purposes of the Master Indenture (i) direct obligations (including obligations issued or held in book-entry form on the books of the Department of the Treasury) of, or obligations, the principal of and interest on which are unconditionally guaranteed by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian pursuant to the terms of a custody agreement, and (ii) obligations issued by any state of the United States of America or any political subdivision, public instrumentality or public authority of any state of the United States of America, provision for the full and timely payment of the principal or premium of and interest on which shall have been made by deposit with a trustee or escrow agent, pursuant to an irrevocable security agreement, of obligations described in clause (i) of this definition; and (b) for purposes of the Indenture, (i) non-callable direct obligations of the United States of America or (ii) noncallable obligations unconditionally guaranteed by the United States of America.

“Gross Revenues” shall mean all accounts and all revenues, income, receipts, gifts and money received or receivable in any period by or on behalf of the College including, but without limiting the generality of the foregoing, (a) revenues derived from the College’s operations; (b) gifts, grants, bequests, donations and contributions to the College exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor at the time of donation to a particular purpose inconsistent with their use for payment of operating expenses or payments of Obligations; (c) indirect cost recovery payments under research grant agreements; (d) amounts earned on amounts deposited into the funds and accounts created under the Master Indenture; and (e) proceeds derived from (i) insurance except to the extent the use thereof is otherwise required by the Master Indenture, (ii) the sale or other disposition of inventory and other tangible and intangible property, (iii) condemnation awards, except to the extent that the use thereof is otherwise required by the Master Indenture, and (iv) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of the College, and in each case, together with all rights to receive same, whether in the form of, and specifically including all accounts receivable, deposit accounts, general intangibles, investment property, chattel paper, instruments, securities, securities accounts, securities entitlements, financial assets or otherwise to the extent representing deposits of the foregoing or the proceeds thereof and whether now owned or held or hereafter acquired. Anything herein to the contrary notwithstanding, there shall not be included in Gross Revenues, (A) the proceeds of borrowing and interest earned thereon if and to the extent such interest is required to be excluded by the terms of the borrowing; and (B) revenues, income, receipts and money received by the College as agent for and on behalf of someone other than itself.

“Guaranty” shall mean any obligation of the College guaranteeing any obligation of any other Person, which obligation would, if such other Person were a party to this Master Indenture, constitute Indebtedness under the Master Indenture.

“Hedge Agreement” shall mean, without limitation, (a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) any contract to exchange cash flows or payments or series of payments; (d) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (e) any other type of contract or arrangement that the College determines is to be used, or is intended to be used, to manage or reduce the cost of any Related Bonds or other Indebtedness, to convert any element of any Related Bonds or other Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

“Hedge Payments” shall mean regularly scheduled payments to be paid to a provider of a Hedge Agreement by the College pursuant to any Hedge Agreement.

“Hedge Period” shall mean the period during which a Hedge Agreement is in effect.

“Hedge Receipts” shall mean regularly scheduled payments to be paid by any provider of a Hedge Agreement pursuant to such Hedge Agreement.

“Hedged Obligations” shall mean any Related Bonds or other Indebtedness for which the College shall have entered into a Hedge Agreement.

“Historical Debt Service Coverage Ratio” shall mean, for any period of time, the ratio determined by dividing Income Available For Debt Service for such period by the Debt Service Requirement for such period.

“Historical Pro Forma Debt Service Coverage Ratio” shall mean for any period of time, the ratio determined by dividing Income Available for Debt Service for such period by the Maximum Annual Debt Service and the Long-Term Indebtedness then proposed to be issued.

“Holder” shall mean, as the context requires, the registered owner of any Note, the beneficiary of any Guaranty in whose name a Guaranty is issued or the holder or beneficiary of any other type of Obligation. In the case of an Obligation issued to a trustee or other fiduciary acting on behalf of the holders of any bonds, notes or other similar obligations which are secured by such Obligation, including any registered securities depository then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by book-entry registration) substantial amounts of obligations of types comprising the Obligations, the term Holder shall mean the trustee or other fiduciary or, if so provided in the Related Financing Documents, the holders of the Related Bonds in proportion to their respective interests therein, including any registered securities depository then in the business of holding (for the benefit of beneficial owners whose interests may be evidenced by book-entry registration) substantial amounts of obligations of types comprising the Obligations.

“Income Available For Debt Service” of the College shall mean, with respect to any period of time, the excess of revenues over expenses plus depreciation expense, amortization expense, and interest expense on Long Term Indebtedness. Excess revenues over expenses shall exclude the non-cash termination value of any Hedge Agreement, extraordinary gains or losses as defined under Generally Accepted Accounting Principles, unrealized gains or losses on investments, gains or losses resulting from the extinguishment of Indebtedness, gains or losses resulting from the sale, exchange or other disposition of capital assets not in the ordinary course of business, unrealized gains or losses from the write-down, reappraisal or revaluation of assets or any other components of revenues or expenses that do not contribute to or diminish cash flow.

“Indebtedness” shall mean all liabilities recorded as indebtedness under generally accepted accounting principles. Without limiting the foregoing, Indebtedness shall not include (a) Hedge Agreements, (b) rentals payable under leases which are not properly capitalized under generally accepted accounting principles or (c) any other obligation which does not constitute indebtedness under generally accepted accounting principles.

“Indenture” shall mean the Indenture, as amended or supplemented.

“Insurance Consultant” shall mean a Person, who or which is appointed by the College for the purpose of reviewing and recommending insurance coverages for the Facilities and operations of the College and, in the good faith opinion of the College, has a favorable reputation for skill and experience in performing such services in respect of Facilities and operations of a comparable size and nature. If any Insurance Consultant’s report or opinion is required to be given with respect to matters partly within and partly without the expertise of such Insurance Consultant, such Insurance Consultant may rely upon the report or opinion of another Insurance Consultant or other expert, which other Insurance Consultant or other expert shall be reasonably satisfactory to the relying Insurance Consultant and the College.

“Interest Payment Date” shall mean May 1 and November 1 of each year, commencing May 1, 2013.

“Investment Securities” for purposes of the Master Indenture shall mean and include the following:

- (a) Government Obligations;
- (b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, instrumentalities or other entities, established by an Act of Congress or otherwise, provided such obligations are backed by the full faith and credit of the United States of America:
 - (i) U.S. Export-Import Bank,
 - (ii) Farmers Home Administration,
 - (iii) Federal Financing Bank,
 - (iv) Federal Housing Administration Debentures,
 - (v) General Services Administration,
 - (vi) Aid for International Development,
 - (vii) Government National Mortgage Association,
 - (viii) U.S. Maritime Administration, and
 - (ix) U.S. Department of Housing and Urban Development;
- (c) 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, instrumentalities, corporations or other entities, established by an Act of Congress or otherwise:
 - (i) Federal Home Loan Bank System,
 - (ii) Federal Home Loan Mortgage Corporation,
 - (iii) Federal National Mortgage Association,
 - (iv) Student Loan Marketing Association,
 - (v) Resolution Funding Corporation.
 - (vi) Financing Corporation,
 - (vii) Small Business Administration,

- (viii) Federal Farm Credit Banks,
- (ix) Private Export Funding Corp, and
- (x) Tennessee Valley Authority;

(d) 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 a rating by S&P of AAAm-G, AAAM, or AAm and if rated by Moody's of Aaa, Aa1 or Aa2;

(e) certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks that are secured at all times by collateral described in (a) and/or (b) above, provided that the collateral is held by a third party and the Master Trustee has a perfected first security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(g) investment agreements, including GIC's, with providers with a rating of "Prime - 1" or "A3" or better by Moody's or "A-1" or "A" or better by S&P;

(h) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements that provide for the transfer of securities from a dealer or bank (seller/borrower) to the College, or the Master Trustee on its behalf (buyer/lender), and the transfer of cash from the College, or the Master Trustee on its behalf, to the dealer, bank or securities firm with an agreement that the dealer or bank will repay the cash plus the yield to the College, or the Master Trustee on its behalf, in exchange for the securities at a specified date provided that such repurchase agreements satisfy the following criteria:

(i) the repurchase agreement must be between the College, or the Master Trustee on its behalf, and a counterparty whose rating or whose guarantor's rating is at least "A-" or better by S&P or "A3" or better by Moody's at the time the repurchase agreement is entered into; and

(ii) the repurchase agreement must be in writing and include the following (1) the securities that are acceptable for transfer are of the type listed in (a), (b) or (c) above, (2) the collateral must be delivered to the College, the Master Trustee (if the Master Trustee is not supplying the collateral) or a third party acting as agent for the College or Master Trustee before/simultaneous with payment (perfection by possession of certificated securities), and (3) the securities must be valued weekly, marked-to-market at current market price plus accrued interest, and the value of the collateral must be equal to 102% for securities listed in (a) above and 104% for securities listed in (b) and (c) above of the amount of cash transferred by the College, or the Master Trustee on its behalf, to the dealer, bank or security firm under the repurchase agreement plus accrued interest. If the value of the collateral drops below 104% of the value of the cash transferred by the College, or the Master Trustee on its behalf, then additional cash and/or acceptable securities must be transferred;

(l) Forward Purchase Agreements by a financial institution rated at the time of execution by any Rating Agency in one of three highest rating categories assigned by such Rating Agency (without regard to any refinement or graduation of rating category by numerical modifier or otherwise). Securities eligible for delivery under the agreement will include those described in sections (a), (b) or (c) above. Any Forward Purchase Agreement must be accompanied by a bankruptcy opinion that the securities delivered will not be considered part of the bankruptcy estate in the event of a declaration of bankruptcy or insolvency by the provider; and

(m) A bank deposit account offered by Regions Bank known as the “Regions Trust Cash Swap.”

“Investment Securities” for purposes of the Indenture, shall mean and include:

(a) the local government investment pool created in Chapter 83 of Title 36 of the Official Code of Georgia Annotated, as amended;

(b) bonds or obligations of the State of Georgia, or of other counties, municipal corporations, and political subdivisions of the State of Georgia rated “AA” or better by any Rating Agency;

(c) bonds or other obligations of the United States or of subsidiary corporations of the United States government which are fully guaranteed by such government;

(d) obligations of and obligations guaranteed by agencies or instrumentalities of the United States government, including those issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, Bank for Cooperatives, and any other such agency or instrumentality now or hereafter in existence; provided, however, that all such obligations shall have a current credit rating from a nationally recognized rating service of at least one of the three highest rating categories available and have a nationally recognized market;

(e) bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or Projects notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government;

(f) certificates of deposit of national or state banks located within the State of Georgia which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan or savings and loan associations located within the State of Georgia which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any of the proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within the State of Georgia or with a trust office within the state, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State of Georgia or other states or of any county or municipal corporation in the State of Georgia, obligations of the United States or subsidiary corporations referred to in paragraph (c) above, obligations of the agencies and instrumentalities of the United States government referred to in paragraph (d) above, or bonds, obligations, or Projects notes of public housing agencies, urban renewal agencies, or municipalities referred to in paragraph (e) above;

(g) securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(i) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referred to in paragraphs (c) and (d) above and repurchase agreements fully collateralized by any such obligations;

(ii) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(iii) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(iv) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State of Georgia; and

(h) Interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956, provided that each such interest-bearing time deposit, repurchase agreement, reverse repurchase agreement, rate guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys.

“Lien” shall mean any mortgage or pledge of, security interest in or lien or encumbrance on any Property of the College in favor of, or which secures any Indebtedness or any other obligation of the College to any Person, but specifically excluding subordination arrangements among creditors.

“Liquidity Covenant” shall mean the liquidity covenant described herein under the heading “Liquidity Covenant.”

“Liquidity Ratio” shall mean the ratio of current assets plus unrestricted liquid long-term investments minus amounts on deposit in the Debt Service Reserve Fund if included in unrestricted liquid long-term investments or current assets, minus current liabilities to Long-Term Indebtedness, all determined in accordance with generally accepted accounting principles.

“Long-Term Indebtedness” shall mean (a) all Indebtedness which, at the time of incurrence or issuance, has a final maturity or term greater than one year or which is renewable at the option of the obligor thereof for a term greater than one year from the date of original incurrence or issuance; and (b) Short-Term Indebtedness which is incurred as interim financing and which is intended to be repaid out of the proceeds of other Long-Term Indebtedness, provided that any one of the applicable conditions described in the Master Indenture are met with respect to such Short-Term Indebtedness on the date of incurrence, assuming for purposes of compliance therewith that such Short-Term Indebtedness is Long-Term Indebtedness characterized as Balloon Indebtedness for purposes of meeting any of the applicable conditions contained in the Master Indenture; provided, however, Long-Term Indebtedness shall not include the current portion of the Long-Term Indebtedness payable in the then-current Fiscal Year.

“Master Indenture” shall mean the Master Trust Indenture, dated as of December 1, 2012, as supplemented by the First Supplemental Master Trust Indenture, dated as of December 1, 2012, between the College and the Master Trustee, as amended or supplemented.

“Master Trustee” shall mean Regions Bank, and its successors and assigns.

“Maximum Annual Debt Service” shall mean the highest annual Debt Service Requirement for the current or any succeeding Fiscal Year during the remaining term of all Outstanding Obligations.

“Moody’s” shall mean Moody’s Investors Services, Inc. and any successors or assigns.

“Net Operating Revenues” of the College shall mean, with respect to any period of time, student tuition and fees constituting Gross Revenues less contractual allowances and discounts, all determined in accordance with generally accepted accounting principles.

“Non-Recourse Indebtedness” shall mean any Indebtedness for new Property that constitutes all or any portion of the Facilities of the College secured by a Lien on such new Property, liability for which is effectively limited to such new Property subject to such Lien, with no recourse, directly or indirectly, to any other Facilities of the College.

“Note” shall mean any note issued pursuant to the Master Indenture by the College to evidence Indebtedness incurred pursuant to the terms of the Master Indenture or to evidence any other Obligation if the Holder of such Obligation requests that a Note be issued to evidence such Obligation.

“Obligations” shall mean all Notes and Guaranties issued under the Master Indenture, any lease, contractual agreement to pay money or other obligations of the College issued under the Master Indenture and any additional forms of Obligations created pursuant to the Master Indenture.

“Officer’s Certificate” shall mean a certificate signed by a duly authorized officer.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

“Owner” shall mean the Person(s) in whose name(s) any Bond or Bonds are registered from time to time in accordance with the Indenture.

“Outstanding” shall mean (a) in connection with any Bonds, shall mean as of the time in question, all Bonds which have been authenticated and delivered under the terms of the Indenture, except: (i) Bonds theretofore canceled or required to be canceled pursuant to the Indenture; (ii) Bonds deemed to have been paid in accordance with the terms of the Indenture; and (iii) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture; provided that in determining whether the registered Owners of a requisite aggregate principal amount of Bonds outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which, to the actual knowledge of the Trustee, are held by or on behalf of the College or any Affiliate thereof shall be disregarded for the purposes of any such determination unless all such Bonds are so owned; or (b) in connection with any Notes, shall mean, as of any date of determination, all Notes theretofore issued or incurred and not paid and discharged other than (i) Notes theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Notes deemed paid or for which an Escrow Deposit has been established, (iii) Notes in lieu of which other Notes have been authenticated and delivered or have been paid pursuant to the provisions of the Supplemental Indenture regarding mutilated, destroyed, lost or stolen Notes unless proof satisfactory to the Master Trustee has been received that any such Note is held by a bona fide purchaser for value without notice, and (iv) any Note held by the College; or, (c) in connection with any Guaranties, shall mean all Guaranties unless the Master Trustee has received from the Holder thereof a written release of all claims thereof against the College thereunder and all other College; or, (d) in connection with any Obligations other than Notes and Guaranties, shall mean, as of any date of determination, all Obligations theretofore issued or incurred other than (i) Obligations which have been paid, (ii) Obligations for which an opinion of Counsel stating that such Obligations have been discharged has been provided to the Master Trustee, (iii) evidence of Obligations for which new evidence has been substituted in a manner analogous to clause (b)(iii) above and (iv) any Obligations held by the College, provided that Obligations held by the College may be deemed

by the College to be continuously Outstanding if such Obligations were acquired with an intent that they only be held temporarily in connection with an effort to remarket them to Persons other than the College.

“Permitted Liens” shall mean the Master Indenture, all Related Financing Documents and, as of any particular time:

(a) any judgment lien or notice of pending action against the College so long as (i) such judgment or pending action is being contested and execution thereon has been stayed or the period for responsive pleading or appeal has not lapsed, or (ii) in the absence of such contest, neither the pledge and security interest of the Master Indenture nor any Property of the College will be materially impaired or subject to material loss or forfeiture;

(b) any Liens (or deposits to obtain the release of such Liens) on any Property for taxes, assessments, levies, fees, water and sewer charges, 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 in the opinion of the College, are not material in amount or are not due and payable or which are not delinquent or which, the amount or validity of which, are being contested and execution thereon is stayed;

(c) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not, in the opinion of the College, materially impair the use of such Property or materially and adversely affect the value thereof;

(d) any lease which relates to Property of the College which is of a type that is customarily the subject of such leases;

(e) any Lien securing Obligations provided such Lien also secures all Obligations (other than Obligations representing Subordinated Indebtedness or Non-Recourse Indebtedness) on a parity basis;

(f) any Lien securing Subordinated Indebtedness or Non-Recourse Indebtedness;

(g) any Lien arising by reason of good faith deposits in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the College 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;

(h) any Lien to enable the College 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 similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(i) any Lien arising by reason of an Escrow Deposit;

(j) (i) any Lien in favor of a trustee or the holder of a Note on the proceeds of Indebtedness or cash or investments deposited with such trustee and acquired with such proceeds prior to the application of such proceeds or cash or investments and (ii) Liens in favor of a trustee, including the Master Trustee, to secure obligations to compensate, reimburse or indemnify such trustees;

(k) any Lien on Property received by the College through gifts, grants or bequests, such Lien being due to restrictions on such gifts, grants or bequests of property or the income thereon 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 College not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(l) any Lien existing at the time of a consolidation or merger as authorized by the Master Indenture, on the date of acquisition of any Property 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 College not subject to such Lien on such date, unless such lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(m) any Lien described in Exhibit A of the Master Indenture which is existing on the date of authentication and delivery of the Promissory Note 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 College not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Master Indenture;

(n) a security interest in any funds or accounts established pursuant to the provisions of any Related Financing Documents;

(o) any Lien in the form of purchase money security interests in Property financed with the proceeds of Indebtedness secured thereby;

(p) any Lien on accounts receivable arising as a result of a sale or a hypothecation of such accounts receivable as described herein under the heading "Sale, Lease or Other Disposition of Property";

(q) options granted by the College to others to purchase real property or other assets of the College;

(r) Liens on any Related Bonds created under or in connection with any letter of credit or reimbursement agreement (such as liens under a pledge and security agreement) to secure repayment obligations under such letter of credit or reimbursement agreement for Related Bonds purchased with the proceeds of a drawing thereunder;

(s) Liens on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof;

(t) Liens on Property due to the rights of third-party payors for recoupment of amounts paid to the College;

(u) Liens securing Termination Payments under Hedge Agreements provided that such Liens are expressly made subordinate to the payment of all Obligations; and

(v) Liens on the Swails Center Property without limit.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

"Principal" when used to refer to the amount of any Obligation, shall mean (a) the principal amount of any Obligation that constitutes Indebtedness; (b) with respect to a Guaranty, the principal amount guaranteed; and (c) with respect to a Credit Facility, the amount disbursed by the issuer of the Credit Facility and not reimbursed on the date the principal amount is determined.

"Principal Office" shall mean the address of such Person identified in its notice address contained in the Indenture.

"Project Fund" shall mean the fund established in Section 402 of the Indenture.

"Projected Debt Service Coverage Ratio" shall mean for any future period of time, the ratio determined by dividing projected Income Available for Debt Service for such period by Maximum Annual Debt Service.

“Projects” shall mean the projects described in Exhibit “A” of the Agreement, namely (a) financing of the costs of constructing and equipping an addition to Roberson Hall and (b) reimbursing the College for expenditures associated with the construction and equipping of the Athletic Complex.

“Promissory Note” shall mean the 2012-A Master Note, dated the date of issuance of the Bonds, executed by the College in favor of the Trustee.

“Property” shall mean any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible, including cash, and wherever situated.

“Proposed Bonds” shall mean up to \$10,000,000 in aggregate principal amount of Long-Term Debt incurred for the purpose of financing (a) a student center and dining hall complex, (b) outdoor athletic venues, (c) a debt service reserve (if necessary), (d) capitalized interest and (e) costs of issuance.

“Qualified Hedge Agreement Counterparty” shall mean the provider of any Hedge Agreement whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long-term obligations, financial program rating, counterparty rating, or claims paying ability, are, as of the date of execution of the Hedge Agreement, rated at least as high as the third highest rating category (without reference to sub-categories) of any Rating Agency, but in no event lower than any credit rating assigned to the Hedged Obligations at the time of execution of the Hedge Agreement.

“Rate Covenant” shall mean the rate covenant described herein under the heading “Rate Covenant.”

“Rating Agency” shall mean severally or collectively, if applicable (a) S&P and any successor thereto, if it has assigned a rating to any Obligation issued and Outstanding under the Master Indenture or any Related Bonds issued and Outstanding pursuant to any Related Financing Documents, (b) Moody’s and any successor thereto, if it has assigned a rating to any Obligation issued and Outstanding under the Master Indenture or any Related Bonds issued and Outstanding pursuant to any Related Financing Documents, and (c) Fitch and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding pursuant to any Related Financing Documents. If any such Rating Agency shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to the others, but if both of the others shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to any other nationally recognized rating service or services as shall be designated in writing by the College to the Master Trustee; provided that such designee shall not be unsatisfactory to the Master Trustee.

“Related Bond Indenture” shall mean any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

“Related Bonds” shall mean the revenue bonds, notes, other evidences of indebtedness or any other obligations issued by a Government Issuer pursuant to a Related Bond Indenture, the proceeds of which are loaned or otherwise made available to the College in consideration of the execution, authentication and delivery of an Obligation.

“Related Financing Documents” shall mean all documents, including any Related Bond Indenture, executed in connection with the issuance of Related Bonds.

“Requisition” shall mean a written request for a disbursement from the Project Fund, signed by a College Representative, substantially in the form attached to the Agreement as Exhibit “B” and satisfactorily completed as contemplated by said form.

“Reserve Requirement” shall mean the least of (a) 10% of the original principal amount of the Bonds, (b) 125% of average annual principal and interest requirements in any Sinking Fund Year or (c) the maximum annual principal and interest requirements in any Sinking Fund Year. Notwithstanding the foregoing, if the Bonds have more than a de minimis amount of original issue discount or premium, the issue price will be used to measure the 10% limitation in lieu of the original principal amount as stated to the Trustee in writing.

“Revenue Fund” shall mean the fund by that name created in Section 2.7 of the Master Indenture.

“S&P” shall mean Standard & Poor’s Ratings Group, a division of The McGraw Hill Companies and any successor nationally recognized rating agency.

“Security Deeds” shall mean collectively the Senior Security Deed and the Subordinate Security Deed.

“Senior Security Deed” shall mean the Deed to Secure Debt and Security Agreement, dated as of December 1, 2012, executed by the College in favor of the Master Trustee, as amended or supplemented.

“Series 2012A Bonds” shall mean the Tax Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A, issued or authorized to be issued under the Indenture.

“Series 2012B Bonds” shall mean the Tax Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B, issued or authorized to be issued under the Indenture.

“Short-Term Indebtedness” shall mean all indebtedness other than Long-Term Indebtedness.

“Sinking Fund” shall mean the fund established in Section 501 of the Indenture.

“Sinking Fund Year” shall mean the period commencing on November 2 of each year and ending on November 1 of the next year.

“State” shall mean the State of Georgia.

“Subordinated Indebtedness” shall mean any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of the College which is expressly made subordinate and junior in right of payment of principal of, redemption premium, if any, and interest on, (a) all Obligations issued pursuant to the Master Indenture, and (b) all other obligations of the College under the Master Indenture, on terms and conditions which substantially require that (i) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness, unless full payment of all amounts then due and payable on Obligations issued under the Master Indenture have been made or duly provided for in accordance with the terms of such Obligations; (ii) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness if, at the time of such payment or application, or immediately after giving effect thereto, (1) there shall exist a default in the payment of the principal of, redemption premium, if any, or interest on any Obligations (whether at maturity or upon mandatory redemption), or (2) there shall have occurred an Event of Default with respect to any Obligations, as defined therein and in the Master Indenture, and such Event of Default shall not have been cured or waived or shall not have ceased to exist; and (iii) in the event that any Subordinated Indebtedness is declared or otherwise becomes due and payable because of the occurrence of an event of default with respect thereto, (1) the Holders at such time shall be entitled to receive payment in full thereon before the holders of the Subordinated Indebtedness shall be entitled to receive any payment on account of such Subordinated Indebtedness as a result of such event of default, and (2) no holder of Subordinated Indebtedness, or a trustee acting on such holder’s behalf, shall be entitled to exercise any control over proceedings to enforce the terms and conditions of the Master Indenture.

“Subordinate Security Deed” shall mean the Subordinate Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the “Subordinate Security Deed”) for the benefit of the Master Trustee, as amended or supplemented.

“Supplemental Indenture” shall mean an indenture supplemental to, and authorized and executed pursuant to, the terms of the Master Indenture.

“Term of Agreement” shall mean the term of the Agreement, which shall begin on the date of the Agreement and shall include that period of time up to and including November 1, 2043 or until such time as all of the Bonds and the fees and expenses of the Authority and the Trustee shall have been fully paid or provision made for such payments, whichever is later; provided, however, that the Agreement may be terminated prior to such date pursuant to Article V of the Agreement, but in no event before all of the obligations and duties of the College under the Agreement have been fully performed, including, without limitation, the payments of all costs and fees mandated under the Agreement.

“Termination Payment” shall mean any payment required by the terms of a Hedge Agreement to compensate the provider of the Hedge Agreement for the early termination of the Hedge Agreement by the College.

“Total Obligations” shall mean all Obligations and any other amounts owing under the Master Indenture.

“Trust Estate” shall mean (a) for purposes of the Master Indenture, (i) all Gross Revenues, (ii) all moneys and securities held by the Master Trustee or any other depositaries in any and all of the funds and accounts established under the Master Indenture and (iii) all property which is by the express provisions of the Master Indenture required to be subject to the lien thereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien thereof, by the College or by anyone in their behalf and (b) for purposes of the Indenture, (i) all right, title and interest of the Authority in and to the Agreement (except for the Authority’s rights to payment of fees and expenses, to indemnification and to receive notices) and the 2012A Promissory Note, (ii) all moneys and securities held by the Trustee in any and all of the funds and accounts established under the Indenture and (iii) any and all other property from time to time hereafter by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Authority or by anyone on its behalf or with its written consent to the Trustee.

“Trustee” shall mean Regions Bank, and its successors and assigns.

“Value,” when used in connection with any property, shall mean either (a) Book Value, or (b) at the election of the College evidenced by an Officer’s Certificate delivered to the Master Trustee, the aggregate fair market value of such property, as reflected in the most recent written report of an appraiser selected by the College and, in the case of real property, who or which is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which value is to be calculated) (i) increased the cost of any property acquired, or decreased by the fair market value of any property disposed of, since the date of such report and (ii) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the consumer price index announced from time to time by the United States Department of Labor from the date of such report to the date as of which value is to be calculated.

“Variable Rate Indebtedness” shall mean any portion of Indebtedness the interest rate on which fluctuates subsequent to the time of incurrence; provided, however, any Indebtedness for which payment obligations do not fluctuate in the aggregate shall not constitute Variable Rate Indebtedness.

THE MASTER INDENTURE

Establishment of Revenue Fund

The Master Indenture provides for the creation of a special separate trust fund of the College to be known and designated as the “Emmanuel College, Inc. Revenue Fund” (the “Revenue Fund”), which shall be held in trust by one or more Depositories designated from time to time by the College with approval of the Master Trustee. The College shall cause each such Depository to enter into a written Depository Agreement, which shall be satisfactory in form and substance to the Master Trustee, pursuant to which each such Depository shall agree to hold any and all Gross Revenues from time to time on deposit with such financial institution as assets of a trust for the Holders of the Obligations and to transfer the Gross Revenues to the Master Trustee upon receipt from the Master Trustee of a notice stating that delivery of such Gross Revenues is required due to the occurrence of an Event of Default under the Master Indenture. In order further to secure the timely making of the payment of the Outstanding Obligations, the College shall deposit daily, so far as practicable, all of the Gross Revenues into the Revenue Fund. On any day

that any Depository is not obliged to deliver Gross Revenues to the Master Trustee, the College shall have full authority to withdraw funds from the Revenue Fund and to expend such funds for any lawful purpose.

Investment of Funds

Unless the Depositories are required to deliver the Gross Revenues held in the Revenue Fund to the Master Trustee, all money held at any time in any fund established under the Master Indenture shall be invested in accordance with the College's normal investment practices. Any money received by the Master Trustee shall be invested by the Master Trustee, without need of any further authorization or direction only in Investment Securities. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment. Any money received by the Master Trustee shall be applied in accordance with the terms of the Master Indenture.

Supplemental Indenture Creating Obligation

The College and the Master Trustee are permitted under the Master Indenture, from time to time, to enter into a Supplemental Indenture in order to create an Obligation issued under the Master Indenture. Such Supplemental Indenture shall, (a) with respect to Obligations created thereby, set forth the date thereof, and the date or dates on which principal of and premium, if any, and interest on such Obligations shall be payable, and (b) provide for the form of such Obligations and shall contain such other terms and provisions as shall not be inconsistent with the provisions of the Master Indenture.

Conditions to Issuance of Obligations

The following conditions must be met before Obligations may be executed, authenticated and delivered under the Master Indenture:

- (a) all requirements and conditions to the issuance of such Obligations, if any, set forth in the Master Indenture and in the Supplemental Indenture shall have been complied with and satisfied, as evidenced by an opinion of Counsel to the College to that effect delivered to the Master Trustee;
- (b) the College shall have delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee or the Government Issuer, if any, may reasonably request;
- (c) the requirements of the Master Indenture with respect to the incurrence of Additional Indebtedness shall have been satisfied if such Obligations constitute Indebtedness; provided, however, that such requirements shall be deemed to have been satisfied with respect to the Promissory Note;
- (d) each Supplemental Indenture shall specify the purpose or purposes for which such Obligations are being issued, which may be any purpose within the corporate power of the College; and
- (e) the College shall have delivered to the Master Trustee an opinion of Counsel to the College to the effect that registration of such Obligations under the Securities Act of 1933, as amended, and qualification of the Master Indenture or the Supplemental Indenture under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that the College has complied with all applicable provisions of said Acts.

Obligations That Are Not Indebtedness Are Not Entitled to Vote

Obligations that are not Indebtedness or that do not secure Indebtedness (the "Non-Debt Obligations") are not entitled to vote under the Master Indenture; provided, however, if the consent of all the Holders of Obligations is required for an action under the Master Indenture, the written consent of all Holders of Non-Debt Obligations shall also be required as a condition precedent to such action.

Short-Term Indebtedness

The College has agreed under the Master Indenture that it will not incur any Additional Indebtedness constituting Short-Term Indebtedness unless, immediately after the incurrence of such Short-Term Indebtedness,

(a) (i) the principal amount of all Short-Term Indebtedness (exclusive of Long-Term Indebtedness) of the College then Outstanding does not exceed 15% of the Net Operating Revenues for the most recent Fiscal Year for which financial statements reported upon by an independent certified public accountant are available and (ii) for a period of not fewer than 15 consecutive days within each Fiscal Year, the College shall reduce the aggregate principal amount of all Outstanding Short-Term Indebtedness (exclusive of Long-Term Indebtedness) to less than 5% of Net Operating Revenues for the immediately preceding Fiscal Year, or

(b) any such Short-Term Indebtedness could be incurred under the tests for Long-Term Indebtedness described in (a) under the heading "Long Term Indebtedness" treating such Short-Term Indebtedness as Long-Term Indebtedness.

Long-Term Indebtedness

(a) The College has agreed that it will not incur any Additional Indebtedness constituting Long-Term Indebtedness unless the College makes the certifications described in (b) below and such Long-Term Indebtedness consists of one or more of the following:

(i) Long-Term Indebtedness of the College, if prior to the incurrence thereof, there is delivered to the Master Trustee:

(A) An Officer's Certificate of the College (which must be based on financial statements prepared by an independent certified public accountant) certifying that the Historical Pro Forma Debt Service Coverage Ratio for the most recent Fiscal Year preceding the delivery of such Officer's Certificate was not less than 1.15; and

(B) An Officer's Certificate of the College certifying that the Projected Debt Service Coverage Ratio for the first complete Fiscal Year following the later of (1) the delivery of such Consultant's Report or (2) the date upon which the assets financed by such Long-Term Indebtedness will be placed in service will not be less than 1.25.

(ii) Completion Indebtedness of the College provided that such Completion Indebtedness does not exceed 10% of the Indebtedness originally issued for the Project and there is delivered to the Master Trustee (i) an Officer's Certificate of the College to the effect that at the time of issuance of the original Indebtedness, the proceeds (together with any other funds available) were expected to be sufficient to finance the project and (ii) a report of an Architect to the effect that the scope of the original project has not changed.

(iii) Commitment Indebtedness of the College or any Guaranty of any Commitment Indebtedness of the College without limit.

(iv) Long-Term Indebtedness of the College incurred for the purpose of refunding, repurchasing or refinancing (whether in advance or otherwise) any Outstanding Long-Term Indebtedness provided that there is delivered to the Master Trustee an Officer's Certificate certifying that the total debt service on the refunding Indebtedness is not more than 110% of the total debt service on the refunded Indebtedness.

(v) The conversion without limit of Long-Term Indebtedness of the College that is convertible from one interest or payment mode to another interest or payment mode (e.g., weekly to

monthly or to a fixed rate) from one mode to another pursuant to the terms of the documentation authorizing such Long-Term Indebtedness.

(vi) Subordinated Indebtedness without limit of the College or Non-Recourse Indebtedness without limit of the College.

(vii) The Promissory Note.

(viii) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under the Master Indenture.

(ix) Indebtedness under a Credit Facility without limit.

(x) The Proposed Bonds provided that they are issued within three years of the issuance of the Promissory Note.

(b) In connection with the incurrence of any Long-Term Indebtedness, an Officer's Certificate of the College shall be delivered to the Master Trustee to the effect that (i) the College has complied with the Rate Covenant and the Liquidity Covenant for either (A) the last two Fiscal years immediately preceding the Fiscal Year in which the Long-Term Indebtedness will be issued or (B) with respect to the Proposed Bonds, each full Fiscal Year for which the Promissory Note has been outstanding and (ii) there is no Event of Default under the Master Indenture.

Guaranties; Limited Obligors

(a) The College has agreed that it will not enter into, or become liable in respect of any Guaranty in excess of \$200,000 per Guaranty and \$2,000,000 in the aggregate and dated after the date of the Master Indenture unless the excess principal amount of the indebtedness being guaranteed could then be incurred as Long-Term Indebtedness, taking into account the assumptions as to calculating the aggregate annual principal and interest payments on, and the principal amount of, the indebtedness being guaranteed, described in subsection (b) below.

(b) In the case of Guaranties of indebtedness that would, if such indebtedness were incurred by the College, constitute Long-Term Indebtedness, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall be deemed to be equal to 100% of the principal and interest payments which would be payable on the indebtedness being guaranteed as if such indebtedness were Long-Term Indebtedness of the College; provided, however, if the College has not been required, by reason of its Guaranty, to make any payment in respect of the indebtedness which is guaranteed within the immediately preceding twenty-four (24) months, the aggregate annual principal and interest payments on, and the principal amount of the Guarantee shall be deemed to equal 20% of the principal and interest payments which would be payable on the indebtedness being guaranteed.

Balloon Indebtedness and Variable Rate Indebtedness

For purposes of the covenants and computations required or permitted pursuant to the Master Indenture, it is assumed that (a) the interest rate on Variable Rate Indebtedness is equal to that rate derived from the Bond Index and (b) the principal of Balloon Indebtedness is amortized over a period of 30 years (or, if the actual term of such Balloon Indebtedness exceeds 30 years, over the actual term thereof).

Insurance

The College has agreed that, except if it chooses to furnish self-insurance in lieu of these requirements as permitted by the Master Indenture and as discussed herein under the heading "Self-Insurance In Lieu of Required Insurance," it will maintain, or cause to be maintained, insurance covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it and its Property and operations. All insurers must be rated at least "A-" by A.M. Best or S&P, or rated in the highest rating category that is commercially available. The College shall

retain an Insurance Consultant who shall annually prepare and file with the Master Trustee a report on the adequacy of such insurance (including any self-insurance). The College has agreed that it will follow any recommendations of the Insurance Consultant to the extent feasible in the opinion of the College.

Self-Insurance In Lieu of Required Insurance Coverage

In lieu of maintaining the required insurance policies described above, the College is permitted to self-insure any of the required coverages (or a portion thereof) other than casualty insurance. In addition to the foregoing, if the College elects to self-insure, the College shall cause a nationally recognized independent actuary to submit a written report to the Master Trustee within 150 days after the end of each Fiscal Year setting forth a determination of the amount of reserves that should be maintained in the College's self-insurance trust fund. The College shall immediately deposit any amount necessary to cause the self-insurance trust fund to be funded in the amount determined by such actuary.

Recovery of Insurance Proceeds

In the event of damage to or destruction of all or any part of the Property of the College with a Value in excess of five percent (5%) of the Value of all Property of the College, the College has agreed to exercise its best efforts to recover any applicable insurance and cause such proceeds to be paid to the College. From such proceeds, the College shall provide for the payment or reimbursement of reasonable expenses of obtaining the recovery. The College shall then give notice to the Master Trustee of such expenses and of the amount of the remaining proceeds (the "Net Proceeds").

Use of Net Proceeds

Subject to the provisions of any Related Financing Document, the College will apply the Net Proceeds for any lawful corporate purpose as the College determines, if the College shall first have delivered to the Master Trustee an Officer's Certificate stating that the Projected Debt Service Coverage Ratio for each of the next two full succeeding Fiscal Years immediately following the date of such certificate(s), taking into account such damage or destruction and the proposed use of the Net Proceeds is at least 1.25. If the College is unable to deliver the foregoing Officer's Certificate, the College shall apply the Net Proceeds, or so much thereof as may be needed, to the repair, replacement, restoration or reconstruction of the affected Property or, at the option of the College, to any other capital project of equivalent value and utility, to the acquisition of any property or to the repayment in whole or in part of Outstanding Obligations. Subject to the provisions of any Related Financing Document, such Obligations shall be prepaid ratably.

Balance of Net Proceeds

Any Net Proceeds remaining after all necessary lawful uses will be transferred by the College to the Master Trustee and applied to the redemption or defeasance of the Outstanding Obligations. Subject to the provisions of any Related Financing Document, such Obligations shall be prepaid or defeased ratably.

Eminent Domain

In the event of a taking by eminent domain of all or any part of the Property of the College with a Value in excess of five percent (5%) of the Value of all Property of the College, the College will exercise its best efforts to recover any applicable proceeds and cause such proceeds to be paid to the College. The College shall make appropriate deductions from such proceeds as in the case of insurance proceeds and shall give notice to the Master Trustee of such deductions and of the amount of the remaining Net Proceeds. The Net Proceeds shall be applied in the same manner as insurance proceeds are applied under the Master Indenture, as described herein under the headings "Use of Net Proceeds" and "Balance of Net Proceeds."

General Covenants of the College

The Master Indenture contains the following general covenants of the College, which has covenanted and agreed, *inter alia*, to do the following:

(a) except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other separate legal existence and to be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification;

(b) at all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition, ordinary wear and tear excepted, and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing in the Master Indenture shall be construed (i) to prevent it from ceasing to operate any portion of its Property, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business;

(c) to do all things reasonably necessary to conduct its affairs and to carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and to duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Property; provided, nevertheless, that nothing contained in the Master Indenture shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith;

(d) to pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof;

(e) to comply at all times with all material terms, covenants and provisions of any material Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; provided, however, that it need not comply with this covenant if and to the extent that its Governing Body shall have determined, as evidenced by an Officer's Certificate, that such compliance is not in its best interests and that lack of such compliance would not materially impair the pledge of Gross Revenues or its ability to pay its Indebtedness when due; and

(f) to procure and maintain all necessary and material licenses and permits and to maintain accreditation of its facilities and operations (other than those of a type for which accreditation is not available) by a recognized accrediting body, when and as available; provided, however, that it need not comply with this covenant if and to the extent that its Governing Body shall have determined, as evidenced by an Officer's Certificate, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

Liens

The College has agreed that it will not create or suffer to be created or exist any Lien upon the Trust Estate or upon any Property including, without limitation, all proceeds thereof, whether cash or non-cash, now owned or hereafter acquired by it, other than Permitted Liens.

Sale, Lease or Other Disposition of Property

The College has agreed that it will not sell, lease or otherwise dispose of any Property, except for sales, leases or other dispositions of Property which qualify under one or more of the following:

(a) to any Person if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the College stating that, in the judgment of the officer executing such certificate, such Property has become, or within the next succeeding twenty-four calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or

unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(b) to any Person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the College certifying that Property qualifying for transfer in the then-current Fiscal Year by the College does not exceed 10% of the Value of all Property of the College for the immediately preceding Fiscal Year;

(c) to any Person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the College, which Officer's Certificate shall not consider the revenues derived from the Property being sold, to the effect that immediately after the transfer in question, either (i) if one dollar of Additional Indebtedness were incurred, the College would meet the test providing for the incurrence of Long-Term Indebtedness described in (a)(i)(A) or (B) under the heading "Long-Term Indebtedness," or (ii) such disposition will increase the Projected Debt Service Coverage Ratio in the Fiscal Year immediately following such disposition over what such ratio would have been in such Fiscal Year had such disposition not occurred; provided, however, any disposition of cash pursuant to the provisions of this paragraph shall not exceed 10% of the Value of all Property of the College for the immediately preceding Fiscal Year and there is delivered to the Master Trustee an Officer's Certificate of the College, which Officer's Certificate shall consider the revenues derived from the Property being sold, to the effect that if one dollar of Additional Indebtedness were incurred, the Historical Debt Service Coverage Ratio of the College will not be reduced by more than 20%;

(d) as part of a merger, consolidation, sale or conveyance permitted under the Master Indenture;

(e) to any Person in the ordinary course of business;

(f) to any Person provided that the sale or disposition relates to the sale or disposition of accounts receivable and that such sale or disposition is without recourse, or if such sale or disposition is with recourse that is limited to 35% of the accounts receivable;

(g) to any Person in connection with an operating lease of Property to such Person;

(h) upon fair and reasonable terms no less favorable than would be obtained in a comparable arm's-length transaction;

(i) to any Person if the transfer involves any Property received as restricted gifts, grants, bequests or other similar sums or the income thereon, to the extent that such sums may not be pledged or applied to the payment of any Debt Service Requirement or operating expenses generally as a result of restrictions or designations imposed by the donor or maker of the gift, grant, bequest or other sums in question; or

(j) to any Person if the transfer constitutes a Permitted Lien.

Notwithstanding the foregoing, no cash shall be transferred by the College to any other Person unless there is delivered to the Master Trustee an Officer's Certificate of the College to the effect that the College will satisfy the Liquidity Covenant after such transfer.

Consolidation, Merger, Sale or Conveyance

(a) The College has covenanted that it will not merge or consolidate with any other Person or sell or convey all or substantially all of its assets or all or substantially all of its Property to any Person unless:

(i) Either it will be the surviving corporation or the successor corporation shall be a Person organized and existing under the laws of the United States of America or a state thereof and shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all

Outstanding Obligations issued under the Master Indenture according to their tenor, and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture by a Supplemental Indenture satisfactory to the Trustee, executed and delivered to the Master Trustee by such Person;

(ii) If all amounts due or to become due on any Related Bonds which bear interest that is not includable in gross income for federal income tax purposes under the Code have not been fully paid to the holders thereof, the Master Trustee shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then-existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the date of the delivery of any such Related Bonds, would not, by itself, cause the interest payable on such Related Bonds to become includable in gross income for federal income tax purposes under the Code;

(iii) There is delivered to the Master Trustee an Officer's Certificate of the College to the effect that immediately following such transaction, (A) no Event of Default would then exist nor, to such officer's knowledge, would there exist any event which, with the passage of time or the giving of notice or both, would or might become an Event of Default under the Master Indenture, and (B) either (1) if one dollar of Additional Indebtedness were incurred, the College would meet the tests providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a)(i)(A) or (B) of the provisions discussed herein under the heading "Long-Term Indebtedness" (assuming for purposes of such Certificate that the Income Available for Debt Service and Indebtedness of such Person were Income Available for Debt Service and Indebtedness of the College), or (2) such transaction will cure any Event of Default then in existence under the Master Indenture, or (3) by reason of such transaction, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such transaction will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such transaction not occurred and (C) the College's fund balance is at least 90% of what it was prior to such transaction; and

(iv) immediately after such consolidation, merger or acquisition, the Historical Debt Service Coverage Ratio will not be reduced by more than 20% and the College will satisfy the Rate Covenant.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor under the Master Indenture.

(c) In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate to reflect such consolidation, merger, sale or conveyance.

Notwithstanding the foregoing, arrangements pursuant to which control of the College is vested in another Person shall not constitute a disposition, consolidation, merger, sale or conveyance for purposes of the Master Indenture.

No Default Certificate

The College has covenanted that it will, within 150 days after the end of each Fiscal Year, file with the Master Trustee an Officer's Certificate of the College, stating whether or not to the best knowledge of the signer, the College is in default in the performance of any covenant contained in the Master Indenture, and, if so, specifying each such default of which the signer may have knowledge and the remedial action being taken to cure such default (the "No Default Certificate").

Rate Covenant

The College has agreed that it will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, rates, fees and charges for the use of and for the services furnished or to be furnished by the College which will be sufficient in each Fiscal Year (a) to produce Income Available for Debt Service equal to at least 110% of the Debt Service Requirement for such Fiscal Year, and

(b) together with any other moneys that shall be available to the College, to enable the College to discharge its Obligations as they shall become due and payable for such Fiscal Year (the “Rate Covenant”). Compliance with the Rate Covenant shall be based upon audited financial statements, shall be certified at the end of each Fiscal Year by an Accountant and shall be part of the No Default Certificate. The College has further agreed that, from time to time and as often as shall be necessary, it will revise, or cause to be revised, subject to applicable requirements or restrictions imposed by law and subject to the provisions of the Master Indenture described in the paragraph below, the rates, fees and charges as may be necessary or proper in order to comply with the Rate Covenant.

If the College is not in compliance with the Rate Covenant at the end of any Fiscal Year (the “Noncompliance Year”), it will employ a Consultant within 60 days of the delivery of the No Default Certificate to make recommendations with respect to the Rate Covenant. The recommendations of the Consultant will be filed with the Master Trustee. The College shall, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, (a) comply with the recommendations of the Consultant or (b) elect not to comply with the recommendations of the Consultant (“Elect Not to Comply”). If the College exercises its right to Elect Not to Comply, the College shall file with the Master Trustee a certified copy of a resolution of the Governing Body determining not to comply with such recommendations and stating in reasonable detail the reasons therefor. In the event that the College shall fail to comply with the recommendations of the Consultant, subject to the applicable requirements or restrictions imposed by law and subject to the College’s right to Elect Not to Comply, the Master Trustee may, at the direction of the holders of a majority in principal amount of the Obligations Outstanding, in addition to the rights and remedies elsewhere set forth in the Master Indenture, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the College to comply with the recommendations of the Consultant. As long as (a)(i) the College is reasonably complying with the recommendations of the Consultant or (ii) it properly exercises its right to Elect Not to Comply and (b)(i) Income Available for Debt Service was equal to at least 100% of the Debt Service Requirement for the Noncompliance Year and (ii) the Consultant’s report indicates that Income Available for Debt Service will be equal to at least 100% of the Debt Service Requirement for the Fiscal Year following the Noncompliance Year, an Event of Default will be triggered only upon the failure to satisfy the Rate Covenant the at end of the Fiscal Year following the Noncompliance Year. The failure to retain a Consultant as required by the terms of the Master Indenture shall constitute an Event of Default.

Liquidity Covenant

The College shall maintain a Liquidity Ratio greater than or equal to .05 for the Fiscal Years ending June 30, 2014 and 2015; .075 for the Fiscal Years ending June 30, 2016 and 2017; .10 for the Fiscal Years ending June 30, 2018 and 2019; .125 for the Fiscal Years ending June 30, 2020 and 2021; and .15 for the Fiscal Years ending June 30, 2022 and thereafter (the “Liquidity Covenant”). Liquidity Ratio means the ratio of current assets plus unrestricted liquid long-term investments minus amounts on deposit in the Debt Service Reserve Fund, if included in unrestricted long-term investments or current assets, minus current liabilities to Long-Term Indebtedness, all determined in accordance with generally accepted accounting principles. Compliance with the Liquidity Covenant will be based upon audited financial statements, will be certified by an Accountant at the end of each Fiscal Year and will be part of the No Default Certificate.

If the College is not in compliance with the Liquidity Covenant at the end of any Fiscal Year (the “Noncompliance Year”), it will employ a Consultant within 60 days of the delivery of the No Default Certificate to make recommendations with respect to the Liquidity Covenant. The recommendations of the Consultant shall be filed with the Master Trustee. The College shall, promptly upon receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, (a) comply with the recommendations of the Consultant or (b) Elect Not to Comply. If the College exercises its right to Elect Not to Comply, the College shall file with the Master Trustee a certified copy of a resolution of the Governing Body of the College determining not to comply with such recommendations and stating in reasonable detail the reasons therefor. In the event that the College shall fail to comply with the recommendations of the Consultant, subject to the applicable requirements or restrictions imposed by law and subject to the College’s right to Elect Not to Comply, the Master Trustee may, at the direction of the holders of a majority in principal amount of the Obligations Outstanding, in addition to the rights and remedies elsewhere set forth in the Indenture, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the College to comply with the recommendations of the Consultant. As long as the College is reasonably complying with the recommendations of the Consultant or it

properly exercised its right to Elect Not to Comply, an Event of Default will be triggered only upon the failure to satisfy the Liquidity Covenant the at end of the Fiscal Year following the Noncompliance Year. The failure to retain a Consultant as required by the terms of the Master Indenture shall constitute an Event of Default.

Events of Default

The occurrence of any of one or more of the following events constitutes an “Event of Default” under the Master Indenture:

(a) if the College shall fail to make any payment of principal, redemption price or interest when due under the terms of any Obligation and such failure continues to exist upon the expiration of any applicable grace period; or

(b) subject to the provisions related to the Rate Covenant and the Liquidity Covenant, if the College shall fail to observe or perform any covenant or agreement contained in the Master Indenture or any Related Financing Documents for any Obligations for a period of thirty days after written notice of such failure, requiring the same to be remedied, shall have been given by the Master Trustee to the College, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by the Holders of at least 25% in aggregate principal amount of all Outstanding Obligations, in which event such notice shall be given; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied within such thirty-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the College shall commence such observance or performance within such thirty-day period and shall diligently and continuously prosecute the same to completion; or

(c) if (A) the College shall default in the payment of any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture) the principal amount of which in the aggregate exceeds ten percent (10%) of the Net Operating Revenues for the immediately preceding Fiscal Year, whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or (B) an event of default as defined in any Related Financing Documents under which any Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default, in the case of either (A) or (B), shall result in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; provided, however, that such default shall not constitute an Event of Default if (1) within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness under the laws governing such proceeding the College commences proceedings to contest the existence or payment of such Indebtedness, or (2) neither the pledge and security interest created under the Master Indenture nor any Property of the College will be materially impaired or subject to material loss or forfeiture; or

(d) if a decree or order by a court having jurisdiction shall have been entered adjudging the College as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the College under the United States Bankruptcy Code or any other similar applicable federal or state law, and such decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the College or of its property, or for the winding-up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 180 days;

(e) if the College shall institute proceedings to be adjudicated bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its Property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the College in furtherance of any of the aforesaid purposes;

(f) failure by the College to deliver the Gross Revenues to the Master Trustee as required by the Master Indenture.

Notice to Depositories

The Master Trustee may, at any time that an Event of Default exists, (i) by written notice to the Depositories in which any funds in the Revenue Fund are deposited, direct that Gross Revenues be immediately transferred to the Master Trustee, and upon such receipt of such funds the same shall be held in trust by the Master Trustee and disposed of as provided in the Master Indenture, and (ii) by written notice to the College direct that all subsequent Gross Revenues be transferred immediately to the Master Trustee. During the continuance of an Event of Default, all moneys received by the Master Trustee under the Master Indenture from the College or from any other source shall be applied as described herein under the heading "Application of Moneys Collected."

Acceleration

Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of (i) the Holders of not less than 25% in aggregate principal amount of Obligations Outstanding or (ii) any Person properly exercising the right given to such Person under any Supplemental Indenture to require acceleration of the Obligations issued pursuant to such Supplemental Indenture, shall, by notice to the College declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of the Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplemental Indenture give a Person the right to consent to acceleration of the Obligations issued pursuant to such Supplemental Indenture, the Obligations issued pursuant to such Supplemental Indenture may not be accelerated by the Master Trustee unless such consent is properly obtained. In the event Obligations are accelerated there shall be due and payable on such accelerated Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, interest on overdue interest if so provided in such Obligations, which accrues to the date of payment.

At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the College has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration of acceleration) of all Obligations Outstanding; (ii) the College has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the College under the terms of the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration of acceleration) shall have been remedied or waived, then the Master Trustee may, and upon the written request of Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding or any Person exercising the right given to such Person in any Supplemental Indenture shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Any declaration of acceleration shall be subject to the condition that if, at any time after the principal of all Outstanding Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided: (i) the College shall deposit with the Master Trustee an aggregate sum sufficient to pay (A) all matured installments of interest upon all Outstanding Notes and the principal and premium, if any, of all such Outstanding Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (B) all amounts due under any such Guaranty other than by reason of acceleration, (C) all sums due under any Obligations other than Notes and Guaranties, other than by reason of acceleration, and (D) the expenses and fees of the Master Trustee; and (ii) any and all Events of

Default under the Master Indenture, other than the nonpayment of principal of and accrued interest on Outstanding Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee shall, if requested by the Holders of 25% in aggregate principal amount of all Obligations then Outstanding, waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default.

Other Remedies

Upon the occurrence and continuance of any Event of Default under the Master Indenture, the Master Trustee may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Obligations Outstanding, or any Person exercising the right given to such Person in any Supplemental Indenture, together with indemnification of the Master Trustee to its reasonable satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Pursuing its remedies under the Security Deed;
- (ii) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;
- (iii) Suit upon all or any part of the Obligations;
- (iv) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;
- (v) Civil action to enjoin any acts or things, that may be unlawful or in violation of the rights of the Holders; and
- (vi) Enforcement of any other right of the Holders conferred by law or by the Master Indenture.

Payment of Obligations on Default

Upon the occurrence of an Event of Default as defined by the Master Indenture and upon demand of the Master Trustee because of such occurrence, the College will pay to the Master Trustee, for the benefit of the Holders of all Obligations then Outstanding, (a) the whole amount that then shall have become due and payable on all such Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest upon the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as provided in the applicable Supplemental Indenture, and (b) such further amounts as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

Suit for Moneys Due

In case the College fails forthwith to pay the amounts due under the Master Indenture upon the occurrence of an Event of Default under the Master Indenture upon such demand, the Master Trustee, in its own name and as trustee of an express trust is entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the College, and collect in the manner provided by law out of the Property of the College wherever situated the moneys adjudged or decreed to be payable. The Master Trustee, upon the bringing of any action or proceeding at law or in, as a matter of right, without notice and without giving bond to the College, may, to the extent permitted by law, have a receiver appointed of all of the Property of the College pending such action or proceeding, with such powers as the court making such appointment shall confer.

Proceedings in Bankruptcy

In case there shall be pending proceedings for the bankruptcy or for the reorganization or arrangement of the College under the United States Bankruptcy Code or any other applicable law, or in case a receiver or trustee shall have been appointed for its property, the Master Trustee, irrespective of whether the principal of the Obligations of any series shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Master Trustee shall have made any demand for payment of the obligations upon an Event of Default under the Master Indenture, is entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Obligations of all series, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to the College, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of such Holders to make such payments to the Master Trustee, and, in the event that the Master Trustee shall consent to the making of such payments directly to such Holders, to pay to the Master Trustee any amount due it for compensation and expenses, including counsel fees incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a first and prior lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of the Obligations may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Suit by Master Trustee

All rights of action and rights to assert claims under any Obligation are permitted to be enforced by the Master Trustee without the possession of such Obligation on any trial or other proceedings instituted by the Master Trustee. In any proceedings brought by the Master Trustee (and also any proceedings involving the interpretation of any provision of the Master Indenture to which the Master Trustee shall be a party) the Master Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

Application of Moneys Collected

Any amounts collected by the Master Trustee related to the payment of Obligations upon an Event of Default under the Master Indenture and, except as otherwise provided in the Master Indenture, all money and Investment Securities on deposit in any funds which the Master Trustee may establish from time to time shall be applied in the following order: first, to the payment of the reasonable costs and expenses of collection, including fees of Counsel and reasonable expenses, disbursements and advancements made by the Master Trustee and second, if directed by the Holders of a majority in aggregate principal amount of Obligations, to the payment of the costs of operating the Property. After payment of the foregoing, any other amounts collected by the Master Trustee shall be applied as follows:

- (a) Unless the principal of all Outstanding Obligations shall have been declared due and payable:
 - (i) first, to the payment to the Persons entitled thereto of all installments of interest then due on Obligations including, to the extent permitted by law, interest on overdue installments of interest if so provided in such Obligations, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

(ii) second, to the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations that shall have become due, and premium, if any, whether at maturity or by call for redemption, in the order of their due dates, with interest on such Obligations at the respective rates specified therein from the respective dates on which they came due, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date together with such interest, then to the payment of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of principal, ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Obligations.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied by the Master Trustee as set forth above, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notice 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 unpaid Obligation until such Obligation shall be presented to the Master Trustee for endorsement of any partial payment or for cancellation if fully paid. The Master Trustee shall provide from time to time, upon the request of the College, an accounting of the application of any such moneys as provided in this section.

Whenever all Obligations and other amounts due under the Master Indenture have been paid and all expenses and charges of the Master Trustee have been paid, any moneys remaining with the Master Trustee shall be paid to the College or its successors as directed by the College, or, if no such direction is available, as a court of competent jurisdiction may direct.

Actions by Holders

No Holder of an Obligation has any right under the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy under the Master Indenture, unless the Holders of not less than 25% in aggregate principal amount of Obligations then Outstanding (a) shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee, (b) shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities which may be incurred therein or thereby, and (c) the Master Trustee, for thirty days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee by the holders of a majority in aggregate principal amount of the Obligations then outstanding; it being understood and intended, and being expressly covenanted by the Holder of an Obligation and the Master Trustee, that no one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner provided in the Master Indenture and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of these provisions, each and every Holder of an Obligation and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

The Holder of an Obligation instituting a suit, action or proceeding in compliance with these requirements shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and

expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its Counsel.

Notwithstanding any other provision of the Master Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on any Obligation and any other amounts payable thereunder, on or after the respective due dates expressed in such Obligation, or to institute suit for the enforcement of any such payment on or after such respective dates in compliance with these requirements, shall not be impaired or affected without the consent of such Holder, provided that any moneys collected through the exercise of rights and remedies of any Holder against the College pursuant to the Related Financing Documents for an Obligation (other than rights and remedies relating to Liens permitted under the Master Indenture or to funds and accounts established under such Related Financing Documents) shall be paid over to the Master Trustee or, with the consent of the Holder, collected directly by the Master Trustee.

Direction of Proceedings by Holders

The Holders of a majority in aggregate principal amount of Obligations then Outstanding have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

Delay or Omission of Master Trustee

No delay or omission of the Master Trustee, or of any Holder of an Obligation, to exercise any right or power accruing upon an Event of Default, occurring and continuing as aforesaid, shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, nor shall the action of the Master Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and subsequent waiver of such Event of Default, affect or impair the rights of the Master Trustee or of such Holders in respect of any subsequent Event of Default or impair any right resulting therefrom; and every power and remedy given by the Master Indenture to the Master Trustee or to such Holders may be exercised from time to time and as often as may be deemed expedient by it or by them.

Remedies Cumulative

No remedy conferred upon or reserved by the Master Indenture to the Master Trustee or the Holders of Obligations is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative, and shall be in addition to every other remedy granted under the Master Indenture or now or hereafter existing at law or in equity or by statute; and the employment of any remedy granted under the Master Indenture, or otherwise, will not prevent the concurrent employment of any other appropriate remedy or remedies. In the pursuit of any such remedies the Master Trustee will have and be vested with the rights of a secured creditor under the Georgia Uniform Commercial Code (or similar laws of other jurisdictions as applicable) with respect to moneys collected by the Master Trustee pursuant to any provision of the Master Indenture, and shall have the power to foreclose any Lien which may be granted to it as Master Trustee, all to the extent permitted by law.

Notice of Default

The Master Trustee is required, within ten days after the occurrence of an Event of Default known to the Master Trustee, to mail to all Holders of Obligations, as the names and addresses of such Holders appear upon the books maintained by the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of an Event of Default where the College fails to make a required payment of principal, redemption price or interest due under the terms of an obligation and that failure continues to exist upon the expiration of any applicable grace period, the

Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of the Obligations. For purposes of the Master Indenture, matters shall not be considered to be known to the Master Trustee unless an officer of its corporate trust department located at its principal corporate trust office has actual knowledge thereof.

Resignation, Removal and Succession of Master Trustee

The Master Trustee is permitted to resign at any time without cause by (a) giving at least thirty days prior written notice to the College, (b) giving any other notice that may be required by a Supplemental Indenture and (c) mailing notice to each Holder of an Obligation then Outstanding, as the names and addresses of such Holders appear on the registers maintained by the Master Trustee, such resignation to be effective upon the acceptance of such Master Trusteeship by a successor. In addition, the Master Trustee may be removed (a) with cause at the direction of the Holders of a majority in aggregate principal amount of Obligations then Outstanding, delivered to the College and the Master Trustee, or (b) for any reason at the direction of the College if no Event of Default then exists under the Master Indenture, such direction to be evidenced by an Officer's Certificate of the College delivered to the Master Trustee, any such removal to be effective upon the acceptance of the Master Trusteeship by a successor. The Master Trustee shall promptly give notice of any removal pursuant to the previous sentence in writing to each Holder of an Obligation then Outstanding as provided above. In the case of the resignation or removal of the Master Trustee, a successor Master Trustee may be appointed by the College as evidenced by an Officer's Certificate from the College designating the successor, unless an Event of Default exists under the Master Indenture. If an Event of Default exists under the Master Indenture or if the College otherwise fails to appoint a successor within thirty days after any notice of resignation or direction to remove the Master Trustee is given, a successor may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding. If a successor Master Trustee shall not have been appointed within forty-five days after such notice of resignation or removal, the Master Trustee, the College or any Holder of an Obligation then Outstanding may apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided.

Acceptance by Successor Master Trustee

Any successor Master Trustee, however appointed, shall execute and deliver to its predecessor and to the College an instrument accepting such appointment, and thereupon such successor, without further act, shall become vested with all the estates, properties, rights, powers and duties of its predecessor under the Master Indenture applicable to it with like effect as if originally named the Master Trustee; but, nevertheless, upon the written request of such successor Master Trustee, its predecessor shall execute and deliver an instrument transferring to such successor Master Trustee, upon the trusts expressed in the Master Indenture applicable to it, all the estates, properties, rights and powers of such predecessor under the Master Indenture, and such predecessor shall duly assign, transfer, deliver and pay over to such successor Master Trustee all moneys or other property then held by such predecessor under the Master Indenture.

Qualifications of Successor Master Trustee

Any successor Master Trustee, however appointed, shall be a bank or trust company having, together with its affiliates, a combined capital and surplus on a consolidated basis of at least \$50,000,000, if there be such an institution willing, able and legally qualified to perform the duties of the Master Trustee under the Master Indenture upon reasonable or customary terms.

Supplemental Indentures Without Consent of Holders

The College, when authorized by a resolution of its Governing Body, and the Master Trustee, may from time to time and at any time enter into a Supplemental Indenture for one or more of the following purposes:

- (a) to provide for the issuance of any Obligations under the Master Indenture;

(b) to evidence the succession of another corporation to the College, or successive successions, and the assumption by successor corporation of the covenants, agreements and obligations of the College under the Master Indenture;

(c) to add to the covenants of the College such further covenants, restrictions or conditions as its Governing Body and the Master Trustee shall consider to be for the protection of the Holders of Obligations issued under the Master Indenture, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Indenture; provided, however, that in respect of any such additional covenant, restriction or condition, such Supplemental Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;

(d) to cure any ambiguity or to correct or supplement any provision contained in the Master Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Master Indenture or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Master Indenture or any Supplemental Indenture and shall not impair the security of the Master Indenture or adversely affect the interests of the Holders of any particular Obligations or series of Obligations issued under the Master Indenture;

(e) to modify or supplement the Master Indenture in such manner as may be necessary or appropriate to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions contained in the Master Indenture and the College undertakes such covenants, conditions or restrictions additional to those contained in the Master Indenture as would be necessary or appropriate so to qualify the Master Indenture;

(f) to provide for the establishment of funds and accounts under the Master Indenture and for the proper administration of and transfers of moneys between any such funds and accounts, provided that, except as otherwise provided in the Master Indenture for unclaimed moneys, all such funds and accounts shall be established for the equal and ratable benefit of the Holders of all Outstanding Obligations;

(g) to permit the issuance of additional forms of Obligations, provided that such Obligations are equally and ratably secured with all other Obligations issued pursuant to the Master Indenture (except as otherwise specifically provided); and

(h) to reflect a change in applicable law.

The Master Trustee is authorized to join with the College in the execution of any such Supplemental Indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, mortgage, pledge or assignment of any property thereunder, but the Master Trustee shall not be obligated to enter into any such Supplemental Indenture that affects the Master Trustee's rights, duties, indemnities or immunities under the Master Indenture or otherwise or which in the sole judgment of the Master Trustee might expose it to greater liability.

Notwithstanding the requirements to modify the Master Indenture with the consent of the Owners (as described herein under the heading "Modification of Master Indenture with Consent of Holders"), any Supplemental Indenture authorized by these provisions may, without the consent of or notice to the Holders of then Outstanding Obligations issued under the Master Indenture, be executed by the College and the Master Trustee.

Modification of Master Indenture with Consent of Holders

With the consent of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, the College, when authorized by its Governing Body, and the Master Trustee, is permitted from time to time and at any time, enter into a Supplemental Indenture to the Master Indenture for the purpose of adding

any provisions to or changing in any manner or eliminating any of the provisions of the Master Indenture or of any Supplemental Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, that (i) without the consent of the Holders of all Obligations whose Obligations are proposed to be modified, no such Supplemental Indenture shall effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon or permit the preference or priority of any Obligation over any other Obligation, and (ii) without the consent of the Holders of all Obligations then Outstanding, no such supplemental indenture shall reduce the aforesaid percentage or affected class of Obligations, the Holders of which are required to consent to any such Supplemental Indenture.

Upon the request of the College, accompanied by a copy of a resolution of its Governing Body, and upon the filing with the Master Trustee of evidence of the consent of Holders as aforesaid, the Master Trustee will join with the College in the execution of such Supplemental Indenture unless such Supplemental Indenture affects the Master Trustee's own rights, duties or immunities under the Master Indenture or otherwise, in which case the Master Trustee may, in its discretion, but shall not be obligated to, enter into such Supplemental Indenture.

It will not be necessary for the consent of the Holders to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Effect of Supplemental Indenture

Upon the execution of any Supplemental Indenture pursuant to the provisions of the Master Indenture, the Master Indenture will, with respect to each series of Obligations issued under the Master Indenture, be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under the Master Indenture of the Master Trustee, the College and the Holders of Obligations issued under the Master Indenture shall thereafter be determined, exercised and enforced, subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be and be deemed to be part of the terms and conditions of the Master Indenture.

The Master Trustee, subject to the provisions governing modifications to the Master Indenture with the consent of the Owners and without the consent of the Owners, may receive and rely on an opinion of Counsel as conclusive evidence that any such Supplemental Indenture complies with the provisions of the Master Indenture relating to the creation of Supplemental Indentures and the modification of the Master Indenture.

Obligations May Bear Notation of Changes

Obligations authenticated and delivered after the execution of any authorized Supplemental Indenture may bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplemental Indenture. If the College or the Master Trustee shall so determine, new Obligations so modified as to conform, in the opinion of the Master Trustee and the Governing Body of the College, to any modification of the Master Indenture contained in any such Supplemental Indenture may be executed by the College, authenticated by the Master Trustee and delivered in exchange for Obligations of the same series then Outstanding.

Satisfaction and Discharge of Master Indenture

If the Master Trustee receives: (a) an amount which is (i) in the form of (A) cash, or (B) Government Obligations, and (ii) in a principal amount sufficient, together with the interest thereon and any funds on deposit under the Master Indenture and available for such purpose, but without the need for any further reinvestment, to provide for the payment of the principal of and premium, if any, and interest on all Outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof; (b) irrevocable instructions from the College to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; and (c) an amount sufficient to pay or provide for the payment of all other sums payable by the College under the Master Indenture, then the Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the College, and at the cost and expense of the College, shall execute all such instruments acknowledging satisfaction of and discharging the Master Indenture as may be requested by the College.

In like manner, the College may provide for the payment thereof (or of a portion thereof) at or prior to maturity and the Obligation (or portion thereof) so provided for shall thereupon cease to be Outstanding under the Master Indenture.

In lieu of the foregoing, the College may deliver to the Holder thereof the assets, in type and amount, required under the Related Financing Documents to provide for the payment of the principal, premium, if any, and interest due or to become due in respect of such Obligation and such Obligation shall, upon surrender to the Master Trustee for cancellation, no longer be deemed Outstanding under the Master Indenture.

In the case of any Obligations issued to secure bonds, notes or other similar obligations issued by or on behalf of the College, such Obligations shall be deemed Outstanding, notwithstanding compliance with the foregoing, unless and until the bonds, notes or other obligations secured thereby are no longer deemed Outstanding under the Related Financing Documents pursuant to which they were issued.

THE INDENTURE

Establishment of Project Fund

The Indenture creates and establishes with the Trustee a special trust fund designated as the “Franklin County Industrial Building Authority Project Fund-Emmanuel College, Inc. Projects.” The Trustee shall use the moneys on deposit in the Project Fund to pay the Costs of the Projects, including but not limited to the costs of issuing the Bonds.

Disbursements From the Project Fund; Investments

All disbursements from the Project Fund will be made by the Trustee upon the receipt by the Trustee of a Requisition. The Trustee is entitled to disburse moneys upon the receipt of an email or a facsimile of the Requisition without further inquiry. The Trustee shall not be required to receive an original Requisition.

Upon the occurrence of an Event of Default under the Indenture and the acceleration of the Bonds, the Trustee shall transfer all moneys on deposit in the Project Fund to the Sinking Fund.

Establishment of Completion Date

Promptly upon completion of the Projects, the Authorized College Representative is required to deliver to the Trustee a certificate signed by the Authorized College Representative certifying the following:

- (a) the date on which the Projects were completed;
- (b) the amount (if any) which should be retained in the Project Fund to pay Costs of the Projects not yet due and payable or determinable (the “Retained Amount”); and
- (c) except for costs relating to the Retained Amount, all costs of labor, services, materials, supplies and construction relating to the Projects have been paid.

Upon receipt of the foregoing certificate, the Trustee will transfer all moneys on deposit in the Project Fund other than the Retained Amount to the Sinking Fund. The Retained Amount likewise may be transferred to the Sinking Fund by subsequent written direction of an Authorized College Representative. The Trustee shall apply moneys deposited into the Sinking Fund upon the completion of the Projects, at the written direction of the College, to (a) redeem Bonds or (b) pay debt service on the Bonds on the next Interest Payment Date. Prior to any use of such money transferred from the Project Fund to the Sinking Fund, the Trustee shall receive an opinion of Bond Counsel to the effect that such use of moneys will not adversely affect the tax-exempt status of the Series 2012A Bonds.

Creation of Sinking Fund

The Indenture creates and establishes with the Trustee a special trust fund designated as the “Franklin County Industrial Building Authority Sinking Fund-Emmanuel College, Inc. Projects.” The Trustee, at the written direction of the Authority or the College, may establish accounts or subaccounts from time to time in the Sinking Fund.

There will be deposited into the Sinking Fund all amounts paid by the College pursuant to the Agreement or the Promissory Note with respect to the principal of, redemption premium (if any) and interest on the Bonds. There shall also be deposited into the Sinking Fund any amounts transferred from the Project Fund upon the completion of the Projects and any proceeds from insurance or condemnation awards that will be used to redeem Bonds. The Trustee shall apply moneys on deposit in the Sinking Fund to pay the principal of, redemption premium (if any) or interest on the Bonds as the same become due.

Debt Service Reserve Fund

The Indenture creates and establishes with the Trustee a special trust fund designated as the “Franklin County Industrial Building Authority Debt Service Reserve Fund –Emmanuel College, Inc. Projects.” The Debt Service Reserve Fund will initially be funded with proceeds of the Bonds in an amount equal to the Reserve Requirement as provided by the Indenture.

Moneys in the Debt Service Reserve Fund will only be applied to the payment of the principal of, redemption premium (if any) and interest on the Bonds, except as otherwise provided for below. If, on any date on which payment of the principal, redemption premium (if any) or interest on the Bonds is due, whether at maturity, upon redemption prior to maturity, upon acceleration, or otherwise, and the amount on deposit in the Sinking Fund is insufficient to make such payment, the Trustee shall transfer without any further instruction or direction from the Debt Service Reserve Fund to the Sinking Fund amounts sufficient to pay any such deficiency.

Any earnings or other income from the investment of moneys in the Debt Service Reserve Fund shall be deposited in the Debt Service Reserve Fund, unless such deposit shall cause the moneys and the value of investments in the Debt Service Reserve Fund to exceed the Reserve Requirement as determined 15 days prior to each Interest Payment Date, in which case such excess interest or other income shall be deposited in the Sinking Fund. In addition, in connection with any redemption or defeasance, in whole or in part, of the Bonds, if, on the date of such redemption or defeasance, the moneys and value of investments in the Debt Service Reserve Fund exceeds the Reserve Requirement (taking into account such redemption or defeasance), such excess shall be transferred on the date of such redemption or defeasance at the written direction of the Authorized College Representative for any purpose for which the College shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such use of the excess moneys is permitted under the terms of the Act and will not, by itself, result in the interest on the Bonds becoming includable in gross income of the Owners thereof for federal income tax purposes. Upon an acceleration of the Bonds, the Trustee is authorized and directed to transfer all moneys in the Debt Service Reserve Fund to the Sinking Fund. The Trustee is authorized, without any further direction or instruction from the College, to liquidate investments in the Debt Service Reserve Fund to the extent required to make disbursements therefrom as permitted by the Indenture. If the balance in the Debt Service Reserve Fund falls below an amount equal to the Reserve Requirement, the deficiency will be restored by the College within 12 months of such valuation. The Trustee will determine if the Debt Service Reserve Fund is properly funded 15 days before each Interest Payment Date. Securities in the Debt Service Reserve Fund shall be valued at their fair market value. The Trustee will notify the College of any such deficiency.

Moneys Held in Trust

All moneys and instruments required to be deposited with or paid to the Trustee for the account of the Project Fund, the Debt Service Reserve Fund, the Sinking Fund or any other trust fund or reserve established under the Indenture, and any investments purchased with such moneys, will be held by the Trustee in trust and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the trust created by the Indenture and any lien or security interest granted with respect to the Trust Estate and shall be and remain entitled to the benefit and shall be subject to the security of the Indenture for the benefit of the Owners of all Outstanding Bonds.

Security for Deposits

All moneys and securities held by the Trustee for deposit in any fund established by the Indenture will be considered trust funds and shall not be subject to lien or attachment other than the lien created by the Indenture. All moneys on deposit with the Trustee shall, to the extent not insured by the Federal Deposit Insurance Corporation, be fully secured by Government Obligations. If at any time the Trustee is unwilling to accept such deposits or unable to secure them as provided in the preceding sentence, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation or Government Obligations.

Investments by the Trustee

The Trustee will, upon the written direction of the Authorized College Representative, invest all moneys on deposit in the Sinking Fund and the Debt Service Reserve Fund in Government Obligations or forward purchase agreements with respect thereto. The Trustee will, upon the written direction of the Authorized College Representative, invest all moneys on deposit in the Project Fund in Investment Securities. Such investments shall be made so as to mature or be subject to redemption (without penalty) at the option of the Trustee on or prior to the date or dates that the moneys therefrom will be required; provided, however, investments in the Debt Service Reserve Fund shall mature or be subject to unconditional put by the Trustee within five years. The Trustee may trade with itself or its Affiliates in the purchase and sale of such Government Obligations and Indenture Investment Securities. The Trustee may invest in Government Obligations and Indenture Investment Securities through its own trust department or bond department and moneys may be deposited in time deposits of, or certificates of deposit issued by, the Trustee or its Affiliates if such deposits or certificates of deposit otherwise qualify as Indenture Investment Securities. Such Government Obligations and Indenture Investment Securities shall be registered in the name of the Trustee. The Trustee shall not be responsible for any loss on any investment of moneys pursuant to the Indenture.

The Trustee shall, without further direction from the College, sell such Government Obligations and Indenture Investment Securities as and when required to make any payment for the purpose for which such investments are held. Each investment shall be credited to the fund or account for which it is held, and the income, profits and revenues therefrom shall be credited to the fund or account for which such investment was made, unless otherwise provided in the Indenture.

The Trustee is not responsible for monitoring or determining the yield on any investment, and may rely conclusively upon the College as to any such determination.

Payment of Principal, Interest and Premium

The Authority has covenanted to promptly pay, or cause to be paid, the principal of, redemption premium (if any) and the interest on the Bonds at the places, on the dates and in the manner provided in the Indenture and in the Bonds, according to the true intent and meaning thereof, but only from the Trust Estate.

Covenant Against Encumbrances

The Authority has covenanted that it will not voluntarily create any lien, encumbrance, or charge upon the Trust Estate, except the pledge, lien and charge for the security of the Bonds created by the Indenture.

Tax Covenants of Authority and Trustee

The Authority and the Trustee have agreed that they shall not take or cause to be taken, or fail to take any action which may cause interest on the Series 2012A Bonds to become includable in gross income of the Owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, the Authority has agreed that it will take all actions reasonably requested by the College, at the expense of the College, to comply with the provisions of Section 148 of the Code, including particularly Section 148(f) of the Code; provided, however, that the College and not the Authority or the Trustee shall be responsible for the computation of all amounts required to be

paid pursuant to Section 148 of the Code and for directing the Trustee to pay such amounts as and when the same are due and payable.

Events of Default

Any one or more of the following events qualify as an “Event of Default” under the Indenture:

- (a) failure to make payment of the principal or redemption price of any Bond when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise;
- (b) failure to make payment of any installment of interest on any Bond when the same shall become due and payable;
- (c) the occurrence of an event of default under the Agreement; or
- (d) failure of the Authority to duly and punctually perform any other of the covenants, conditions, agreements and provisions on its part contained in the Bonds or in the Indenture (other than as described in (a) through (c) above), which failure shall continue for 30 days after written notice specifying such default and requiring the same to be remedied has been given to the Authority and the College by the Trustee; provided, however, if the failure stated in such notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Authority within the applicable period and is diligently pursued until such failure is corrected.

Acceleration

Upon the happening of an event of default, the Trustee may, and upon written request of the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to it, the Trustee shall, by notice in writing delivered to the Authority and the College, declare the principal of all Bonds then outstanding and the interest accrued thereon to be immediately due and payable. The Trustee shall give notice of any such declaration as soon as practicable to the Master Trustee by telephone or telecopy, promptly confirmed in writing.

If, at any time after such declaration, but before the Bonds shall have been paid in full, all overdue installments of principal and interest on such Bonds, together with all other amounts owing under the Indenture and the Agreement have been paid in full or duly provided for, then and in every such case, the Owners of 25% in aggregate principal amount of Outstanding Bonds, by written notice to the Authority, the College and the Trustee, may rescind such declaration and annul such default in its entirety. No such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power related thereto. The Trustee shall give notice of any such rescission or annulment to the Master Trustee.

Upon any such acceleration, all moneys in the Project Fund, the Debt Service Reserve Fund and the other funds created by the Indenture shall be transferred to the Sinking Fund without any further direction or instructions.

In lieu of or in addition to a declaration of acceleration, the Trustee may also exercise any other right or remedy available to it at law or in equity, including the appointment of a receiver to the extent permitted by law or any other right or remedy available under the Act or the laws of the State, including but not limited to, the Uniform Commercial Code of the State.

Notice of Default

The Trustee is required to, within 30 days after the occurrence of an event of default actually known by it, mail or deliver by overnight courier service to the Owners and the Master Trustee notice of all events of default known to the Trustee unless such defaults shall have been cured before the giving of such notice.

Termination of Proceedings by Trustee

In case any proceedings taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every case the Authority, the Trustee, the College and the Owners shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Right of Owners to Control Proceedings

The Owners of a majority in aggregate principal amount of Outstanding Bonds shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee in respect of the Bonds.

Right of Owners to Institute Suit

No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture, or for any other remedy provided for under the Indenture or on the Bonds unless (a) such Owner previously shall have given to the Trustee written notice of an event of default as hereinabove described, (b) the Owners of 25% in aggregate principal amount of Outstanding Bonds shall have made written request that the Trustee exercise the powers granted in the Indenture or institute an action, suit, or proceeding in its name; (c) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; and (d) the Trustee shall have refused or neglected to comply with such request within a reasonable period of time. No one or more Owners shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture, except in the manner provided in the Indenture. All proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners.

None of the foregoing shall be construed, however, to affect or impair the right of any Owner, which is absolute and unconditional, to enforce the payment of the principal of and interest on such Owner's Bonds out of the moneys provided for such payment, or the obligation of the Authority to pay the same out of the sources pledged hereto, at the time and place expressed in the Indenture.

Right of Trustee to Institute Suit

All rights of action under the Indenture, or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceeding relative thereto, and any such suit, or proceeding, instituted by the Trustee shall be brought in its name for the ratable benefit of the Owners affected by such suit or proceeding, subject to the provisions of the Indenture.

Remedies Cumulative

No remedy conferred upon or reserved to the Trustee or to the Owners by the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy allowed under the Indenture or now or hereafter existing at law or in equity or by statute.

Waiver of Default

No delay or omission of the Trustee or of any of the Owners to exercise any right or power will be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy granted by the Indenture to the Trustee and the Owners respectively, may be exercised from time to time, and as often as may be deemed expedient.

Application of Moneys After Default

The Authority has covenanted that if an event of default shall occur and shall not have been remedied, the Trustee will apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture as follows and in the following order:

(a) Fees, Charges, Expenses and Liabilities of Trustee – to the payment of the reasonable and proper fees, charges, expenses and liabilities of the Trustee (including reasonable collection fees and reasonable counsel fees of the Trustee);

(b) Principal or Redemption Price and Interest – to the payment of the interest and principal or redemption price then due on the Bonds, as follows:

(i) Unless the principal of all Bonds shall have become due and payable, all such moneys shall be applied

first: to the payment to the Owners entitled thereto of all installments of interest then due, in the order of the maturity of such installments, 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 Owners entitled thereto, without any discrimination or preference;

second: to the payment to the Owners entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds 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 from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Owners entitled thereto without any discrimination or preference; and

third: to the payment of the redemption premium on and the principal of any Bonds called for redemption pursuant to the provisions of the Indenture.

(ii) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, 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.

Whenever moneys are to be applied after an event of default by the Trustee, such moneys shall be applied at such times, and from time to time, as the Trustee in its sole discretion 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; provided, however, that Trustee is not permitted to fail to liquidate investment obligations in the Sinking Fund and to apply amounts credited to such funds to the payment of debt service on the Bonds when due. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Authority, to the College, to any Owner or to any other Person for any delay in applying any such funds, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date and of the endorsement to be entered on each Certificate on which payment shall be made, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement, or some other procedure deemed satisfactory by the Trustee.

Qualification of Trustee

There will at all times be a trustee acting under the Indenture and the Trustee is required to be a corporation or national banking association organized and doing business under the laws of the United States of America or any state thereof, authorized under such laws to exercise corporate trust powers, having, together with its Affiliates a combined capital, surplus and undivided profits of at least \$75,000,000, subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital, surplus and undivided profits of such corporation shall be deemed to be its combined capital, surplus and undivided profits as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Resignation or Removal of Trustee and Appointment of Successor

The Trustee may at any time resign by giving written notice to the Authority, the College, the Operator, the Owners and the Master Trustee notice by first class mail. Upon receiving such notice of resignation, the College, with the approval of the Authority, shall promptly appoint a successor Trustee by an instrument in writing. If no successor Trustee shall have been so appointed and have accepted such appointment within 30 days after the mailing of such notice, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Owner who has been a bona fide Owner for at least six months may, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

So long as there exists no Event of Default and no event which, with the passage of time or the giving of notice or both, will become an Event of Default, (i) the College, with the approval of the Authority, may remove the Trustee and appoint a successor Trustee by an instrument in writing and (ii) the Owners of a majority in aggregate principal amount of Outstanding Bonds may also remove the Trustee and appoint a successor Trustee by an instrument in writing. Any Owner may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

The Trustee agrees that simultaneously with the appointment and acceptance of a successor Trustee, it will take such action as may be required under the Master Indenture to transfer the Promissory Note to such successor Trustee.

Notwithstanding any other provision of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

No Trustee that has resigned or been removed pursuant to the requirements of the Indenture shall be liable for any act or omission of any successor Trustee.

Discharge of Indebtedness

The Indebtedness created under the Indenture is permitted to be discharged in the following ways:

(a) If (i) the Authority or the College, shall pay or cause to be paid to the Owners the principal, redemption, premium (if any) and interest to become due thereon at the times and in the manner stipulated therein and in the Indenture, (ii) all fees and expenses of the Trustee then due and owing or accrued and all fees and expenses to accrue until the payment in full of the Bonds shall have been paid or provided for to the satisfaction of the Trustee, and (iii) the Authority and the College shall keep, perform and observe all and singular the covenants and promises in the Bonds, the Agreement and the Indenture expressed as to be kept, performed and observed by it or on its part, then, these presents and the rights granted under the Indenture shall cease, determine and be discharged, and thereupon the Trustee shall

cancel and discharge the Indenture and execute and deliver to the Authority and the College such instruments in writing as shall be requisite to evidence such cancellation and discharge. If the Authority or the College shall pay or cause to be paid to the Owners of all outstanding Bonds, the principal of, redemption premium (if any) and interest to become due thereon at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become discharged and satisfied.

(b) Bonds (or such portion thereof as is to be defeased) shall be deemed to be paid and no longer Outstanding under the Indenture if there shall be delivered to the Trustee by the Authority or by the College on behalf of the Authority (i) sufficient Government Obligations or cash to pay the principal of, redemption premium (if any) and interest on such Bonds, (ii) an opinion of Bond Counsel to the effect that the pledge of Government Obligations to the payment of the Bonds will not result in the interest on the Bonds becoming includable in gross income of the Owners thereof for federal income tax purposes and that the Bonds are no longer "Outstanding" under the Indenture and (iii) a report of an independent firm of nationally recognized certified public accountants or such other accountant (the "Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date.

If such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall be given or irrevocable arrangements satisfactory to the Trustee shall have been made for the giving thereof.

Termination of Authority's Liability Upon Discharge of Indebtedness

Upon the proper cancellation and discharge of the Indenture, or upon the deposit with the Trustee of sufficient money or Government Obligations (such sufficiency being determined as provided in subsection (b) under the heading "Discharge of Indebtedness" herein) all liability of the Authority in respect of such Bond shall cease, determine and be completely discharged and the Owners thereof shall thereafter be entitled only to payment out of the moneys and the proceeds of the cash and Government Obligations deposited with the Trustee as aforesaid for their payment. All moneys on deposit in any funds or accounts created under the Indenture remaining after payment in full of all outstanding Bonds and payment of all fees and expenses due under the Indenture shall be remitted to the College.

Supplemental Indentures Not Requiring Consent of Owners

The Authority and the Trustee, with the written consent of the College so long as it is not in default under the Agreement, but without the consent of the Owners of the Bonds, are permitted to enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter shall form a part thereof, for any one or more or all of the following purposes:

- (a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power reserved to or conferred upon the Authority by the Indenture;
- (b) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture in such manner as shall not be inconsistent with its terms;
- (c) to modify, amend or supplement the Indenture or any indenture supplemental hereto 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 any state securities or trust indenture law;
- (d) to grant additional rights and powers to the Trustee;
- (e) to provide for, or modify existing provisions with respect to, a book-entry system of registration for the Bonds;
- (f) to obtain or maintain a rating on the Bonds from any Rating Agency;

- (g) to assure the continued exclusion from the gross income of the Owners of the Series 2012A Bonds for federal income tax purposes of the interest on the Series 2012A Bonds;
- (h) to provide for a non-certificated method of delivery of the Bonds; and
- (i) to make any other change that, in the opinion of the Trustee, will not materially adversely affect the Owners of the Bonds.

Supplemental Indentures Requiring Consent of Owners

With the consent of the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds and the written consent of the College so long as it is not in default under the Agreement, the Authority and the Trustee are permitted under the Indenture to, from time to time and at any time, enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (a) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time for payment of interest, or reduce the amount of the principal thereof, or reduce or extend the time for payment of any premium payable on the redemption thereof, without the consent of the Owners of each Bond and so affected, or (b) reduce the aforesaid percentage of Owners required to approve any such supplemental indenture, or (c) deprive the Owners (except as aforesaid) of the lien created by the Indenture, without the consent of the Owners of all Outstanding Bonds.

Notice of Execution of Supplemental Indentures

Prior to the execution and delivery of any supplemental indenture, the Trustee will mail by first-class mail, postage prepaid or by overnight delivery service to the registered Owners, at least thirty (30) days prior to the proposed effective date of such supplemental indenture, a notice of such proposed supplemental indenture at the address appearing in the registration book maintained by the Trustee. Such notice need not set forth such in full but shall contain a summary of the provisions thereof. Such notice shall set forth a time and procedure for consenting to such proposed supplemental indenture.

Supplemental Indentures Modify the Indenture

Upon the execution of any supplemental indenture permitted and authorized under the terms of the Indenture, the Indenture is deemed to have been modified and amended in accordance therewith and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners shall thereafter be determined, exercised and enforced subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel approved by it, who may be counsel for the Authority or the College, as conclusive evidence that a proposed supplemental agreement complies with the provisions of the Indenture, and that it is proper for the Trustee to join the execution of such supplemental indenture.

Amendments to the Agreement

The Authority and the College are permitted under the Indenture, from time to time and at any time, without consent of the Owners, to amend the Agreement for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the College contained therein or to surrender, restrict or limit any right or power reserved to or conferred upon the College;
- (b) to cure any ambiguity, or cure, correct or supplement any defective provision contained in the Agreement in such manner as shall not be inconsistent with the terms of the Agreement;

- (c) to make any changes in the Agreement required in connection with an authorized supplemental indenture or an authorized supplement to the Promissory Note;
- (d) to grant additional rights and powers to the Trustee or the Authority;
- (e) to obtain or maintain a rating on the Bonds from any Rating Agency or
- (f) to make any other change that, in the opinion of Bond Counsel, will not materially adversely affect the Owners of the Bonds.

All other amendments of the Agreement shall be subject to the same notice and approval requirements for supplemental indentures as set forth herein under the heading “Notice of Execution of Supplemental Indentures.

Amendments to the Promissory Note

The Trustee is permitted under the Indenture, from time to time and at any time, without the consent of the Owners, to consent to any amendment, change or modification of the Promissory Note (a) as may be required by the provisions of the Promissory Note or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Promissory Note in such manner as shall not be inconsistent with the terms of the Agreement and the Indenture, (c) to make any changes necessary to conform the Promissory Note to any amendment, change or modification of the Indenture or the Agreement and (d) that in the opinion of Bond Counsel, will not materially adversely affect the Owners.

All other amendments of the Promissory Note shall be subject to the same notice and approval requirements for supplemental indentures as set forth herein under the heading “Notice of Execution of Supplemental Indentures.

Notice to the Rating Agency

The Trustee is required to send each Rating Agency then rating the Bonds notice of the supplement or amendment of the Indenture, the Agreement, the Promissory Note or the Master Indenture.

THE AGREEMENT

Agreement to Acquire and Construct the Projects

The College has agreed in the Agreement to make all contracts and do all things necessary for the acquisition, construction and equipping of the Projects. The College has further agreed that it will acquire, construct and equip the Projects with all reasonable dispatch and use its best efforts to cause the acquisition, construction, equipping and occupancy of the Projects to be completed as soon thereafter as may be practicable, delays caused by force majeure only excepted.

The College shall cause the portion of the Projects covered by the Construction Contracts (the “Roberson Hall Project”) to be constructed without material deviation from the Plans and Specifications and the Construction Contracts. The College may in its discretion make changes to the Roberson Hall Project, the Construction Contracts or the Plans and Specifications provided that such changes do not cause a material delay in the completion of the Roberson Hall Project. No changes to the Roberson Hall Project, the Construction Contracts or the Plans and Specifications shall cause the costs under the Construction Contracts to exceed the fixed cost or guaranteed maximum price for the Roberson Hall Project unless (a) the College shall deposit the funds needed to complete the Roberson Hall Project in the Project Fund and (b) the builder’s risk insurance policy and the performance and payment bonds are increased accordingly.

College Required to Pay in Event of Project Fund Insufficiency; No Warranty by Authority

In the event the moneys in the Project Fund available for payment of the Costs of the Projects should not be sufficient to pay the Costs of the Projects in full, the College has agreed pursuant to the Agreement to complete the Projects and to pay that portion of the Costs of the Projects in excess of the moneys available therefor in the Project Fund. The Authority does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Costs of the Projects will be sufficient to pay all of the Costs of the Projects. The College has agreed that if after exhaustion of the moneys in the Project Fund, the College should pay any portion of the Costs of the Projects, the College shall not be entitled to any reimbursement therefor from the Authority, the Trustee or the Owners of any of the Bonds, nor shall the College be entitled to any diminution of the amounts payable as part of its obligations under the Agreement.

THE AUTHORITY DOES NOT MAKE ANY WARRANTY OR REPRESENTATION (EITHER EXPRESS OR IMPLIED) THAT THE MONEYS DEPOSITED INTO THE PROJECT FUND AND AVAILABLE FOR PAYMENT OF THE COSTS OF THE PROJECTS UNDER THE PROVISIONS OF THE AGREEMENT WILL BE SUFFICIENT TO PAY ALL OF THE COSTS OF THE PROJECTS.

Amounts Payable Under the Agreement

The College has covenanted and agreed to repay the loan, as follows: on or before any Interest Payment Date for the Bonds or any other date that any payment of interest, premium, if any, or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any other moneys available for such payment in any account of the Sinking Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise), premium, if any, and interest on the Bonds as provided in the Indenture.

Pursuant to the Agreement, it has been agreed that all payments payable by the College as described above are assigned by the Authority to the Trustee for the benefit of the Owners of the Bonds. The College has assented to such assignment. The Authority has directed the College and the College has agreed to pay to the Trustee at the Principal Office of the Trustee all payments payable by the College as described in the preceding paragraph.

The College has agreed to comply with the provisions of the Indenture regarding funding the Debt Service Reserve Fund.

The College has also agreed to pay the reasonable expenses of the Authority related to the issuance of the Bonds and incurred upon the written request of the College.

The College has also agreed to pay the reasonable fees and expenses of the Trustee under the Indenture and all other amounts which may be payable to the Trustee under the terms of the Indenture, such amounts to be paid directly to the Trustee for the Trustee's own account as and when such amounts become due and payable.

In the event the College should fail to make any of the payments required by the preceding paragraphs, the item or installment so in default shall continue as an obligation of the College until the amount in default shall have been fully paid, and the College has agreed to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due, at the rate of interest borne by the Bonds.

College's Obligations Unconditional

The obligations of the College to make the payments required under the Agreement, as described above under the heading "Amounts Payable Under the Agreement" and to perform and observe the other agreements contained in the Agreement shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the College, whether under the Agreement or otherwise, or out of any indebtedness or liability at any time owing to the College by the Authority or the Trustee, and, until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the College (a) will not suspend or discontinue any payments provided for as described under the

above heading “Amounts Payable Under the Agreement,” (b) will perform and observe all other agreements contained in the Agreement and (c) except as otherwise provided in the Agreement, will not terminate the Term of Agreement for any cause, including, without limiting the generality of the foregoing, failure of the College to complete the acquisition, construction, and equipping of the Projects, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Projects, the taking by eminent domain of title to or temporary use of any or all of the Projects, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement. Nothing contained in the preceding sentences shall be construed to release the Authority from the performance of any of the agreements on its part contained within the Agreement, and in the event the Authority or the Trustee should fail to perform any such agreement on its part, the College may institute such action against the Authority or the Trustee as the College may deem necessary to compel performance so long as such action does not abrogate the obligations of the College contained in the first sentence of this paragraph.

Delivery of Promissory Note; Credits on Promissory Note Payments

In order to evidence the loan and the obligation of the College to repay the same, the College has agreed to execute and deliver the Promissory Note in principal amount equal to the aggregate principal amount of the Bonds. The Promissory Note shall be dated the date of initial authentication of the Bonds and shall provide for payment of amounts which, among other things, correspond as to time and amount with payments due on the Bonds. The Promissory Note shall be an obligation secured under the Master Indenture. The obligation of the College to make any payments under the Promissory Note shall be deemed to be satisfied and discharged to the extent of the corresponding payment described under the above heading “Amounts Payable Under the Agreement.”

Prepayment and Redemption of Amounts Payable Under the Agreement

The College shall have the option to prepay its obligations under the Agreement at the times and in the amounts as necessary to exercise its option to cause the Bonds to be defeased or redeemed as set forth in the Indenture and in the Bonds. The College has agreed that it shall prepay its obligations under the Agreement at the times and in the amounts as necessary to accomplish the mandatory redemption of the Bonds as set forth in the Indenture and in the Bonds. The Authority, at the request of the College, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the Outstanding Bonds, as may be specified by the College, on the date established for such redemption.

General Covenants of the College and Authority

The Agreement contains the following general covenants of the College and/or the Authority:

- (a) The College has covenanted perform its obligations under the Indenture;
- (b) The Authority and the College have covenanted that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Agreement and such further instruments as may reasonably be required for carrying out the expressed intention of the Agreement;
- (c) Whenever under the provisions of the Agreement the approval of the Authority or College is required or the Authority or the College is required to take some action at the request of the other, such approval or such request shall be given for the Authority by an Authorized Authority Representative and for the College by an Authorized College Representative, and the Trustee shall be authorized to act on any such approval or request;
- (d) The College has directed the Trustee to file and or cause to be filed any and all financing statements or amendments thereof or continuation statements necessary to perfect and continue the

perfection of the security interests granted in the Indenture, and has further covenanted to pay the costs of filing such instruments;

(e) The College has covenanted and agreed to comply with its obligations under the Continuing Disclosure Certificate (provided that failure of the College to comply with such covenant does not constitute a default under the Agreement);

(f) The College has covenanted that it will not take (or fail to take) any action or permit (or fail to permit) any action to be taken on its behalf, or cause or permit any circumstance within its control to arise or continue, if such action or circumstances would cause the interest on the Series 2012A Bonds to be includable in the gross income of Owners thereof for federal income tax purposes;

(g) The College has agreed to release the Authority and the Trustee from, and has agreed that the Authority and the Trustee shall not be liable for, and will indemnify, defend and hold the Authority and the Trustee harmless against, any loss or cause of action (legal or equitable) that may arise from (i) the acquisition, construction and operation of the Projects, (ii) the issuance of the Bonds or (iii) the execution, delivery and performance of the documents executed in connection with the issuance of the Bonds. The College has further agreed, at its own cost and expense, to defend any such actions which may be brought against the Authority or the Trustee as aforementioned, whether or not such actions have any basis in law or in fact, and shall pay all amounts which may be recovered therein against the Authority or the Trustee. For the purposes of this paragraph (g), "Authority" and "Trustee" shall mean the Authority and the Trustee, their board members, officers, directors, agents, servants, assignees and employees. If any action shall be brought against the Authority or the Trustee in respect of which indemnity may be sought under the Agreement against the College, the Authority or the Trustee, as the case may be, shall promptly notify the College in writing, and the College will assume the defense thereof, including the employment of counsel and the payment of all expenses. In any such action, the Authority and the Trustee shall have the right to employ separate counsel, but the fees and expenses of such counsel shall be at the expense of the Authority or the Trustee, as the case may be, unless the College agrees in writing to the employment of separate counsel or if the Authority or the Trustee believes in good faith that there are defenses available to the College which are not available to them or vice versa, or that a conflict of interest exists between the College and the Authority or the Trustee, as applicable. The College shall not be liable for any settlement of such action effected without its written consent, but if settled with the written consent of the College or if there shall be a final judgment for the plaintiff in any action, the College agrees to indemnify and hold harmless the Authority and the Trustee from and against any loss or liability by reason of such settlement or judgment. The Agreement expressly provides that the obligations of the College under this paragraph (g) shall survive the termination of the Agreement (although nothing within such paragraph shall be construed to provide for the indemnification of, or payment of expenses to, the Authority or Trustee as a result of the Authority's or the Trustee's gross negligence or willful misconduct);

(h) The College has covenanted to pay the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts created in the Indenture and in the exercise and performance of any of the powers and duties set forth in the Indenture or in the Agreement; and

(i) The College has covenanted that it will maintain its existence and not merge or consolidate with any other Person or other entity and shall not transfer or convey all or substantially all of its property, assets and licenses except as provided in the Master Indenture; provided that no such merger, consolidation or sale shall, in the opinion of Bond Counsel, result in the interest on the Series 2012A Bonds becoming includable in the gross income of the owners thereof for federal income tax purposes.

Assignments

The Authority's rights under the Agreement (except for the Authority's rights to payment of fees and expenses, to indemnification and to receive notices), including the right to receive payments required to be made by the College under the Agreement, and to compel or otherwise enforce performance by the College, have been assigned by the Authority to the Trustee under the Indenture. The College has expressly acknowledged and

consented to such assignment and agrees to pay amounts owing under the Agreement directly to the Trustee. The Authority has agreed that it shall not further assign its rights and duties under the Agreement except to a successor Trustee.

The College shall not assign its rights and duties under the Agreement without the written consent of the Authority and the Trustee, which consent shall not be unreasonably withheld; provided, however, no such assignment shall relieve the College from its payment obligations. In no event shall the College assign its rights or duties under the Agreement if such assignment would violate the terms of the Act or cause the interest on the Series 2012A Bonds to be included in the gross income of the Owners thereof for federal income tax purposes.

Sales, Leases and Liens

The College may sell, lease and create liens on all or any part of the Projects in accordance with the Master Indenture without the consent of the Authority, the Trustee or the Owners of the Bonds; provided, however, no such sale, lease or lien shall, in the opinion of Bond Counsel, result in the interest on the Series 2012A Bonds becoming includable in the gross income of the Owners thereof for federal income tax purposes or shall violate the provisions of the Act. No such sale, lease or lien shall relieve the College of its obligations under the Agreement.

Events of Defaults under the Agreement

The occurrence of any of the following events constitutes an “Event of Default” under the Agreement:

(a) failure by the College to pay any amount owing under the Agreement on or before the date on which such payment is due and payable;

(b) failure by the College to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Agreement, other than the failure by the College to pay an amount owing under the Agreement on or before the date on which such payment is due and payable, for a period of 90 days after written notice specifying such failure and requesting that it be remedied, is given to the College by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the College within the applicable period and diligently pursued until such failure is corrected;

(c) the filing by the College of a petition seeking relief for itself under Title 11 of the United States Code, as now constituted or hereafter amended, or the filing by any member of the College of an answer consenting to, admitting the material allegations of or otherwise not controverting, or the failure of any member of the College to timely controvert, a petition filed against it seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or the filing of such petition or answer by the College or the failure of the College to timely controvert such a petition, with respect to relief under the provisions of any other now existing or future applicable bankruptcy, insolvency or other similar law of the United States of America or any state thereof;

(d) the entry of an order for relief, which is not stayed, against the College under Title 11 of the United States Code, as now constituted or hereafter amended, or the entry of an order, judgment or decree by operation of law or by a court having jurisdiction, which is not stayed, adjudging the College a bankrupt or insolvent under, or ordering relief against the College under, or approving as properly filed a petition seeking relief against the College under, the provisions of any other now existing or future applicable bankruptcy or insolvency or other similar law of the United States of America or any state thereof, or appointing a receiver, liquidator, assignee, sequestrator, trustee or custodian of the College or all or any of substantial portion of the property of the College, or ordering the reorganization, winding up or liquidation of the affairs of the College, or the expiration of 60 days after the filing of any involuntary petition against the College seeking any of the relief specified in this paragraph without the petition being dismissed prior to that time;

- (e) an event of default shall occur under the Indenture; or
- (f) an event of default shall occur under the Master Indenture.

The foregoing provision (b) is subject to the following limitation: if by reason of force majeure, the College is unable in whole or in part to carry out the agreements on its part contained in the Agreement, the College shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following to the extent they are beyond the reasonable control of and are unforeseeable to the College: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accident to machinery, transmission pipes or canals.

Remedies on Default

Whenever any event of default shall have occurred and is continuing under the Agreement, the Trustee, or the Authority with the written consent of the Trustee, may take one or any combination of the following remedial steps:

- (a) If the Trustee has declared the Bonds immediately due and payable as permitted by the Indenture, by written notice to the College, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages under the Agreement and not as a penalty, whereupon the same shall become immediately due and payable;
- (b) Have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the College during regular business hours of the College if reasonably necessary in the opinion of the Trustee; or
- (c) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the College under the Agreement.

Any amounts collected pursuant to the above actions shall be paid into the Sinking Fund and applied in accordance with the provisions of the Indenture.

No Remedy Exclusive

Subject to the terms of the Indenture, no remedy conferred by upon or reserved under the Agreement to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in the Agreement, it shall not be necessary to give any notice, other than such notice as may be required by the terms of the Agreement. Such rights and remedies as are given the Authority under the Agreement shall also extend to the Trustee, and the Trustee and the Owners of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements contained within the Agreement.

Attorney's Fees and Expenses

In the event the College should default under any of the provisions of the Agreement and the Authority should employ attorneys or incur other expenses for the collection of payments required by the Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the College contained in

the Agreement, the College has agreed that it will on demand therefor pay to the Authority the reasonable fee of such attorneys and such other expenses so incurred by the Authority.

No Additional Waiver Implied

In the event any agreement contained in the Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Agreement.

Term of Agreement

The Agreement shall remain in full force and effect from the date of its execution to and including November 1, 2043 or until such time as all of the Bonds and the fees and expenses of the Authority and the Trustee shall have been fully paid or provision made for such payments, whichever is later; provided, however, that the Agreement may be terminated prior to such date pursuant to the prepayment, redemption and discharge provisions contained therein, but in no event before all of the obligations and duties of the College under the Agreement have been fully performed, including, without limitation, the payments of all costs and fees mandated under the Agreement.

Amendments to Agreement

The Agreement may not be amended by the Authority and the College, except as provided in the Indenture.

THE SENIOR SECURITY DEED

Granting Clauses

The Senior Security Deed encumbers and creates a security interest in favor of the Trustee in the following:

The College's fee simple interest in and to all those tracts or parcels of land situated in Franklin County, Georgia described in Exhibit A to the Senior Security Deed (the "Land"), (1) together with all buildings, structures, additions, railroad spur tracks and sidings, and other improvements of every kind and description now or hereafter located on the Land or on any part or parcel thereof, and all extensions, betterments, and replacements thereof, with all and singular the tenements, hereditaments, servitudes, appurtenances, rights, powers, benefits, options, privileges, and immunities now or hereafter belonging or in anywise appertaining to the Land, (2) together with all and singular the easements and riparian and littoral rights now or hereafter thereunto belonging or in anywise appertaining, and including all rights of ingress and egress to and from adjoining property (whether such rights now exist or subsequently arise), (3) together with the reversion or reversions and remainder and remainders of the Land, (4) together with the minerals, soil, flowers, shrubs, crops, trees, timber, and other emblements now or hereafter located on, under, or above the Land or any part or parcel thereof, (5) together with all of the water, sanitary, and storm sewer systems that are now or hereafter located by, over, and upon the Land, or any part and parcel thereof, which water system includes all water mains, service laterals, hydrants, valves and appurtenances, and which sewer system includes all sanitary sewer lines, including mains, laterals, manholes, and appurtenances, and (6) together with all highways, roads, streets, alleys, and other public thoroughfares bordering on or adjacent to the property hereinbefore described, all land lying within such highways, roads, streets, alleys, and other public thoroughfares, all heretofore or hereafter vacated highways, roads, streets, alleys, and public thoroughfares and all strips and gores adjoining or within such property, and all paving for streets, roads, walkways, or entrance ways that are now or hereafter located on the Land or any part or parcel thereof, it being the intention of the parties hereto that, so far as may be permitted by law, all property of the character hereinabove described that is affixed or attached or annexed to the Land shall be and remain or become and constitute a portion of the Land and encumbered by and subject to the security title of the Senior Security Deed (the property above described referred to in the Senior Security Deed and throughout this document as the "Mortgaged Property").

Grant of Security Interest

To secure the prompt payment and performance of the Total Obligations, the College has granted to the Master Trustee a continuing security interest in and Lien upon (a) all equipment and other property that are fixtures to, or part of, the Land and Mortgaged Property under the laws of Georgia together with all accessions to, substitutions and replacements for, and products and cash and non-cash proceeds of any or all of the foregoing and (b) any and all documents relating to the construction of the Mortgaged Property, including, but not limited to construction contracts and architects' contracts relating to the Mortgaged Property.

Warranties of Title

The College has agreed, at its own expense, to proceed with reasonable diligence to correct any defect in its title to interest in the Land and Mortgaged Property should any defect be found to exist after the execution and delivery of the Senior Security Deed, and in this connection, should it be found after the execution and delivery of the Senior Security Deed that there exists any lien or encumbrance on its interest in the Land and Mortgaged Property, other than a Permitted Encumbrance, or should any such lien or encumbrance hereafter arise, the College has agreed, at its own expense, to promptly discharge and remove any such lien or encumbrance from the Land and Mortgaged Property.

Releases of Lien

If all or any portion of the Land and Mortgaged Property is disposed of in any manner authorized by the Master Indenture, the lien on that portion of such Mortgaged Property shall be automatically released, and the College and the Master Trustee shall, at the College's expense, execute any and all documents in order to evidence such release.

Subrogation of Master Trustee

Under the Senior Security Deed, the Master Trustee shall be subrogated to all right, title, equity, liens, and claims of all persons to whom the Master Trustee has paid or pays moneys, in settlement of claims, liens, or charges or in acquisition of right or title for the College's benefit under the Senior Security Deed or for the benefit and account of the College.

Remedies Upon Event of Default

If an Event of Default shall occur and is continuing under the Master Indenture, the Master Trustee shall have the right and option to exercise any or all of the following remedies pursuant to the Senior Security Deed, or any or all other remedies then provided by law or in equity:

(a) The Master Trustee may proceed to protect and enforce its rights under the Senior Security Deed by suit in equity, action at law, or other appropriate proceedings, including actions for the specific performance of any covenant or agreement contained in the Senior Security Deed or in aid of the exercise of any power granted in the Senior Security Deed, or may proceed in any other manner to enforce the payment of the Total Obligations and any other legal or equitable right of the Master Trustee.

(b) The Master Trustee may, as provided in and subject to the terms of the Master Indenture, declare all or any portion of the Obligations to be immediately due and payable, without presentment, demand, protest, or notice of any kind, all of which are expressly waived by the College.

(c) The College, upon the demand of the Master Trustee, shall forthwith surrender the actual possession of, and it shall be lawful for the Master Trustee, by such officer or agent as it may appoint, with or without force or process of law, to enter and take possession of, and exclude the College and its agents and servants wholly from, all or any part of the Mortgaged Property together with the books, papers, and accounts of the College pertaining thereto, without the appointment of a receiver, or an application therefor, and to hold, operate, store, use, control, and manage the same and conduct the business thereof and from time to time make all necessary and appropriate repairs, maintenance, renewals, restorations, replacements,

and improvements and procure all necessary and appropriate insurance as desired by the Master Trustee. The Master Trustee may complete the construction of any improvements that have been undertaken but not completed, and the Master Trustee for such purpose may use all available materials and equipment at the Mortgaged Property and may acquire all other necessary materials and equipment and employ contractors and other employees. The authority and agency conferred by the Senior Security Deed upon the Master Trustee shall be deemed to create a power coupled with an interest and shall be irrevocable.

(d) The Master Trustee may sell the Land and Mortgaged Property, or any part thereof or any interest therein separately, at the Master Trustee's discretion, with or without taking possession thereof, at public sale before the courthouse door of the county in which the Land and Mortgaged Property is located, to the highest bidder for cash, after first giving notice of the time, place, and terms of such sale by advertisement published once a week for four consecutive weeks immediately preceding the sale (without regard for the number of days) in a newspaper in which advertisements of sheriff's sales are published in such county. The advertisement so published shall be notice to the College and the Master Trustee, and the College hereby waives all other notices. The Master Trustee may bid and purchase at any such sale, and credit upon all or any part of the Total Obligations shall be deemed cash paid for the purposes of the Senior Security Deed. The Master Trustee may execute and deliver to the purchaser or purchasers at any such sale a sufficient conveyance of the Collateral or any part thereof or interest therein sold. The Master Trustee's conveyance may contain recitals as to the occurrence of an Event of Default under the Senior Security Deed, which recitals shall be presumptive evidence that all preliminary acts prerequisite to such sale and conveyance were duly complied with in all respects. The recitals made by the Master Trustee shall be binding and conclusive upon the College, and the sale and conveyance made by the Master Trustee shall completely divest the College of all right, title, interest, claim, demand, or equity that the College may have had in, to, and under the Collateral, or the part thereof or interest therein sold, and shall vest the same in the purchaser or purchasers at such sale. The Master Trustee may hold one or more sales until the Total Obligations have been satisfied in full. The Land and Mortgaged Property or any part thereof may be sold in such parcels, manner, or order as the Master Trustee desires, and one or more exercises of the power of sale granted by the Senior Security Deed shall not extinguish or exhaust the power of sale unless the entire Land and Mortgaged Property is sold or the Total Obligations are paid or performed in full. The purchaser, upon paying the purchase money to the Master Trustee and receiving its receipt therefor, need not inquire into the authorization, necessity, expediency, or regularity of the sale and need not see to or in any way be responsible for the application by the Master Trustee of any part of the purchase money. The College has irrevocably constituted and appointed the Master Trustee as its agent and attorney-in-fact to give all requisite notices, to make such sale, to execute and deliver such conveyance, and to make such recitals, and the College has ratified and confirmed all of the acts and doings of the Master Trustee as its agent and attorney-in-fact pursuant to the Senior Security Deed. The Master Trustee's agency and power as attorney-in-fact granted by the Senior Security Deed are coupled with an interest, cannot be revoked by the College's bankruptcy, dissolution, reorganization, insolvency, or otherwise, and shall not be terminated until the Total Obligations have been satisfied in full.

(e) The Master Trustee may pay any sum or sums deemed necessary or appropriate by the Master Trustee to protect or preserve the Land and Mortgaged Property or the Master Trustee's interest therein granted by the Senior Security Deed.

(f) The Master Trustee may exercise any or all rights and remedies contained in and conferred by any other instrument, document, agreement, or other writing heretofore, concurrently with those conferred by the Senior Security Deed, or in the future executed by or binding upon the College in connection with any transaction that resulted in any part of the Total Obligations.

(g) With respect to the portion of the Land and Mortgaged Property which are fixtures thereto in which a security interest is granted by the Senior Security Deed, the Master Trustee shall have the right to foreclose the liens and security interests created under the Senior Security Deed by any available judicial procedure or without judicial process; to enter any part of the Mortgaged Property where any of the fixtures may be located for the purpose of taking possession of or removing the same; to sell, assign, lease, or otherwise dispose of such fixtures, either at public or private sale, for cash or on credit or otherwise, with or without representations or warranties, and upon such terms as shall be acceptable to the

Master Trustee, all at the Master Trustee's sole option and as the Master Trustee, in its sole discretion, may deem advisable, and the Master Trustee may bid or become a purchaser at any such sale, free from any right of redemption, which has been expressly waived by the College, and the Master Trustee shall have the right at its option to apply or credit the amount of all or any part of the Total Obligations against the purchase price bid by the Master Trustee at any such sale. If notification to the College of intended disposition by the Master Trustee of any of the Personal Property is required by law, such notification shall be deemed to have been reasonably and properly given if personally delivered to the College or deposited in the United States mail with postage prepaid, duly addressed to the College at the address specified for notices to the College in the Senior Security Deed, at least ten (10) business days prior to such disposition. If any of the fixtures that are part of the Land and Mortgaged Property shall require repairing, maintenance, preparation, or the like, or is in process or other unfinished state, the Master Trustee shall have the right, but shall not be obligated, to do such repairing, maintenance, preparation, processing, or completion of manufacturing for the purpose of putting the same in such saleable form as the Master Trustee shall deem appropriate, but the Master Trustee shall have the right to sell or dispose of such Personal Property without such processing. To facilitate the exercise by the Master Trustee of the rights and remedies set forth in this paragraph, the College hereby constitutes the Master Trustee as attorney-in-fact for the College, at the College's cost and expense, to exercise all or any of the following powers, which appointment, being coupled with an interest, shall be irrevocable, shall continue until the Total Obligations have been paid and satisfied in full, and shall be in addition to any other rights and remedies that the Master Trustee may have: to take or bring in the Master Trustee's name or the name of the College all steps, actions, suits, or proceedings deemed by the Master Trustee necessary and desirable to realize upon the fixtures that are part of the Land and Mortgaged Property. **PURSUANT TO THE SENIOR SECURITY DEED, THE COLLEGE HAS WAIVED ANY AND ALL RIGHTS THE COLLEGE MAY HAVE TO NOTICE OR HEARING PRIOR TO SEIZURE BY THE MASTER TRUSTEE OF THE PERSONAL PROPERTY, WHETHER BY WRIT OF POSSESSION OR OTHERWISE.**

These enumerated remedies do not limit the Master Trustee from exercising any and all other remedies available to it at law or in equity.

Application of Proceeds

The Master Trustee shall pay, distribute, and apply the proceeds of any disposition of the Land, Mortgaged Property and fixtures thereon to the payment of expenses, including reasonable attorney fees, then to the payment of the Total Obligations.

Non-exclusivity and Waiver of Remedies

No lien, right, or remedy conferred by the Senior Security Deed upon or otherwise available to the Master Trustee is intended to be or shall be construed to be exclusive of any other available lien, right, or remedy, but each and every such lien, right, or remedy shall be cumulative and shall be in addition to every other lien, right, or remedy given pursuant to the Senior Security Deed or now or hereafter existing at law or in equity or by statute, including, without limitation, the right of the Master Trustee to take legal action to collect the Total Obligations from the parties obligated to pay same under the Master Indenture without taking action with respect to the Land, Mortgaged Property and fixtures thereto. No delay or omission to exercise any right, power, or remedy accruing upon any default or Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein, but every such right, power, or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default under the Senior Security Deed shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon. The giving, taking, or enforcement of any other or additional security, collateral, or guaranty for the payment of the Total Obligations shall not operate to prejudice, waive, or affect the security of the Senior Security Deed or any rights, powers, or remedies by the Senior Security Deed, nor shall the Master Trustee be required to first look to, enforce, or exhaust such other additional security, collateral, or guarantees. The Master Trustee may, at the Master Trustee's election and at the Master Trustee's discretion, exercise each and every right, power, and remedy granted by the Senior Security Deed concurrently or separately or in any combination.

Abandonment of Sale

If enforcement of the power of sale granted by the Senior Security Deed, as described above under the heading “THE SENIOR SECURITY DEED – Remedies Upon Event of Default” should be commenced by the Master Trustee, the Master Trustee may at any time before the sale abandon the sale, and may at any time or times thereafter again commence enforcement of the power of sale; or, irrespective of whether such enforcement is commenced by the Master Trustee, the Master Trustee may at any time after an Event of Default institute suit for collection of all or any part of the Total Obligations from those persons obligated to pay same or enforcement of the lien, security interest, and security title of the Senior Security Deed or both. If the Master Trustee should institute suit for collection of the Total Obligations and enforcement of the lien, security interest, and security title of the Senior Security Deed, the Master Trustee may at any time before the entry of final judgment dismiss the same and sell the Land and Mortgaged Property in accordance with the provisions of the Senior Security Deed.

In case the Master Trustee shall have proceeded to enforce any right under the Senior Security Deed by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Master Trustee, then and in every such case the College and the Master Trustee shall be restored to their former positions and rights under the Senior Security Deed, and all rights, remedies, and powers of the Master Trustee shall continue unimpaired as if no such proceedings had been taken.

Non-Extinguishment of Lien

No single sale or series of sales by the Master Trustee under the Senior Security Deed and no judicial foreclosure shall extinguish, impair, or affect the lien, security interest, or security title or exhaust the power of sale under the Senior Security Deed except with respect to the items of property sold, but such lien, security interest, and security title and power shall exist for so long as, and may be exercised in any manner by law or in the Senior Security Deed provided as often as, the circumstances require to give the Master Trustee full relief under the terms of the Senior Security Deed.

Waivers

All rights of marshalling of assets or sale in inverse order of alienation in the event of foreclosure of any lien or security title granted by the Senior Security Deed at any time securing the Total Obligations or any part thereof (including, but not limited to, the lien and security title hereby created) have been waived by the College.

The College has agreed, to the full extent permitted by law, that in case of an Event of Default under the Senior Security Deed, neither the College nor anyone claiming through or under it shall set up, claim, or seek to take advantage of any appraisal, valuation, stay, extension, homestead, exemption, or redemption laws, statutory or otherwise, now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of the Senior Security Deed, or the absolute sale of the Land and Mortgaged Property, or the delivery of possession thereof immediately after such sale to the purchaser at such sale, and the College, for itself and all who may at any time claim through or under it, has waived pursuant to the Senior Security Deed, to the full extent that it may lawfully do so, the benefit of all such laws.

To the extent allowed by applicable law, the College has covenanted that it shall not at any time insist upon or plead or in any manner whatever or claim or take the benefit or advantage of any stay or extension law or any law exempting the Land and Mortgaged Property from attachment, levy, or sale on execution now or at any time hereafter in force, and the College has further expressly waived all benefit and advantage of any such law or laws and covenants that the College will not hinder, obstruct, delay, or impede the execution of any power granted within the Senior Security Deed and delegated to the Master Trustee, but that the College will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE COLLEGE HAS WAIVED UNDER THE SENIOR SECURITY DEED ANY RIGHT IT MAY HAVE UNDER THE CONSTITUTION OF THE STATE OF GEORGIA OR THE CONSTITUTION OF THE UNITED STATES OF AMERICA TO NOTICE OR TO A JUDICIAL HEARING PRIOR TO THE EXERCISE OF ANY RIGHT OR

REMEDY PROVIDED TO THE MASTER TRUSTEE BY THE SENIOR SECURITY DEED, AND THE COLLEGE HAS FURTHER WAIVED THE COLLEGE'S RIGHTS, IF ANY, TO SET ASIDE OR INVALIDATE ANY SALE UNDER POWER DULY CONSUMMATED IN ACCORDANCE WITH THE PROVISIONS OF THE SENIOR SECURITY DEED ON THE GROUND (IF SUCH BE THE CASE) THAT THE SALE WAS CONSUMMATED WITHOUT PRIOR NOTICE OR A PRIOR JUDICIAL HEARING. THESE WAIVERS MADE BY THE COLLEGE AND THOSE MADE ELSEWHERE IN THE SENIOR SECURITY DEED HAVE BEEN MADE VOLUNTARILY, INTELLIGENTLY, AND KNOWINGLY ON BEHALF OF THE COLLEGE BY ITS DULY AUTHORIZED REPRESENTATIVES AFTER THEY HAVE READ AND UNDERSTOOD THE SENIOR SECURITY DEED AND HAVE BEEN AFFORDED AN OPPORTUNITY TO BE INFORMED BY COUNSEL OF THE COLLEGE'S POSSIBLE ALTERNATIVE RIGHTS, AND BY EXECUTING THE SENIOR SECURITY DEED THE DULY AUTHORIZED REPRESENTATIVES OF THE COLLEGE HAVE ACKNOWLEDGED SO MAKING SUCH WAIVERS ON BEHALF OF THE COLLEGE.

Amendments to the Senior Security Deed

No amendment or waiver of any provision of the Senior Security Deed, nor consent to any departure by the College therefrom, shall in any event be effective unless the same is in writing and signed by the College and the Master Trustee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Assignment and Binding Effect

The Senior Security Deed shall be binding upon the College and its successors and assigns and shall inure to the benefit of the Master Trustee and its respective successors, transferees, and assigns, and no person other than the Master Trustee and its assigns shall under any circumstances be deemed to be a beneficiary of any provision of the Senior Security Deed. Without limiting the generality of the foregoing, the Master Trustee may assign, grant a security interest in, or otherwise transfer the Senior Security Deed to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Master Trustee in the Senior Security Deed or otherwise.

No Limitation of Total Obligations Secured

It has been expressly agreed by the parties to the Senior Security Deed that any of the Total Obligations at any time secured by the Senior Security Deed may be from time to time extended for any period, rearranged, or renewed, and that any part of the security described within the Senior Security Deed, or any other security for the Total Obligations, may be waived or released without in anywise altering, varying, or diminishing the force, effect, or lien of the Senior Security Deed as to unaffected property; and the lien, security interest, and security title granted by the Senior Security Deed shall continue as a prior lien, security interest, and security title on all of the Land and Mortgaged Property not expressly so released, until all sums with interest and charges secured by the Senior Security Deed are fully paid; and no other security now existing or hereafter taken to secure the payment of the Total Obligations or any part thereof or the performance of any obligation or liability whatever shall in any manner impair or affect the security given by the Senior Security Deed; and all security for the payment of the Total Obligations or any part thereof and the performance of any obligation or liability shall be taken, considered, and held as cumulative.

There is and shall be no limitation of or on the Total Obligations owed to the Master Trustee which are secured by the Senior Security Deed.

Limited Obligation of the Authority

Notwithstanding anything in the Senior Security Deed to the contrary, the College's obligations under the Senior Security Deed are limited to its interest in the Land and Mortgaged Property and the College, not being a party to the Master Indenture, is not liable for payment of all or any part of the Total Obligations except to the extent of its interest in the Land, Mortgaged Property and fixtures thereto.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by Emmanuel College, Inc. (the "College") in connection with the issuance of \$22,685,000 aggregate principal amount of the Franklin County Industrial Building Authority Tax-Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A (the "Series 2012A Bonds") and of \$2,450,000 aggregate principal amount of the Franklin County Industrial Building Authority Taxable Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Bonds"). The Bonds are being issued by the Franklin County Industrial Building Authority (the "Authority"), a public body corporate and politic organized under and existing pursuant to by the laws of the State of Georgia including an Amendment to the Constitution of the State of Georgia (Ga. Laws 1962, p. 1103, et seq.), as amended (the "Act"). The Bonds are being issued under and pursuant to a Trust Indenture, dated as of December 1, 2012 (the "Indenture"), between the Authority and Regions Bank, an Alabama banking corporation, as trustee (the "Trustee"). The Authority will lend the proceeds of the Bonds to the College, pursuant to a Loan Agreement, dated as of December 1, 2012 (the "Agreement"), by and between the Authority and the College.

In consideration of the issuance of the Bonds by the Authority, the loan of the proceeds of the Bonds to the College and the purchase of such Bonds by the owners thereof, the College hereby covenants and agrees as follows:

Section 1. Purpose of this Certificate. This Certificate is executed and delivered by the College as of the date set forth below, for the benefit of the holders and owners (the "Bondholders") of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below). The College represents that it will be the only obligated person (as defined in the Rule) with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriter and that no other person is expected to become an obligated person at any time after the issuance of the Bonds.

Section 2. Definitions. The terms set forth below shall have the following meanings in this Certificate, unless the context clearly otherwise requires.

"Annual Financial Information" means the financial information and operating data described in Exhibit I.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the College's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a certified public accountant, and as described in Exhibit I hereto.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the College and which has filed with the College a written acceptance of such designation, and such agent's successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Georgia.

“*Undertaking*” means the obligations of the College pursuant to Sections 4 and 5.

Section 3. CUSIP Number/Final Limited Offering Memorandum. The base CUSIP Number of the Bonds is 35268N. The final Limited Offering Memorandum relating to the Bonds is dated November 28, 2012 (the “Final Limited Offering Memorandum”).

Section 4. Annual Financial Information Disclosure. Subject to Section 9 of this Certificate, the College hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by delivering such Annual Financial Information and the Audited Financial Statements to the MSRB within 150 days of the completion of the College’s fiscal year.

The College is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the College will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Certificate, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Additional Annual and Quarterly Disclosure Requirements. The College will hold an annual investor call within 30 days of providing the Annual Financial Information disclosure (within 180 days of fiscal year end).

In addition the College will provide its internal budget to actual on a quarterly basis, and certain operating data and financial calculations on a quarterly basis as specifically described herein.

The College will provide updates to the enrollment tables found on pages A-20 and A-21 of Appendix A of the Final Limited Offering Memorandum on a semi-annual basis for the fall and spring semesters, respectively, as part of its next quarterly disclosure after the recording of such enrollment statistics. The charts to be updated include: Head Count Enrollment, FTE Enrollment, Enrollment by Student Type and Applications, Acceptances, and Enrollments for freshman and including transfers, re-enrolls and other.

In addition to complying with the Liquidity Ratio covenant at fiscal year end, the College agrees to calculate the Liquidity Ratio at each December 31 beginning in fiscal year 2014. This calculation will not determine the College's compliance with the Liquidity Ratio covenant but will be required to be disclosed by the College at its next quarterly disclosure following December 31 of each fiscal year.

Section 6. Material Events Disclosure. Subject to Section 10 of this Certificate, the College hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Certificate any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture. From and after the Effective Date, the College is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Certificate.

Section 7. Duty To Update EMMA/MSRB. The College shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 8. Consequences of Failure of the College to Provide Information. The College shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the College to comply with any provision of this Certificate, the Bondholder of any Bond may seek specific performance by court order to cause the College to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture, the Agreement or the Certificate or any other agreement, and the sole remedy under this Certificate in the event of any failure of the College to comply with this Certificate shall be an action to compel performance.

Section 9. Amendments; Waiver. Notwithstanding any other provision of this Certificate, the College may amend this Certificate, and any provision of this Certificate may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the College or type of business conducted;

(ii) This Certificate, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the College or by an approving vote of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or on behalf of the College or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Section 10. Termination of Undertaking. The Undertaking of the College shall be terminated hereunder when the College shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The College shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Section 11. Dissemination Agent. The College may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 12. Additional Information. Nothing in this Certificate shall be deemed to prevent the College from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Certificate. If the College chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Certificate, the College shall not have any obligation under this Certificate to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 13. Beneficiaries. This Certificate has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Certificate shall inure solely to the benefit of the College, the Dissemination Agent, if any, and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 14. Recordkeeping. The College shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 15. Past Compliance. The College represents that it has complied with the requirements of each continuing disclosure certificate entered into by it, if any, pursuant to the Rule in connection with previous financings to which the Rule was applicable.

Section 16. Assignment. The College shall not transfer its obligations under the Agreement unless the transferee agrees to assume all obligations of the College under this Certificate or to execute a continuing disclosure undertaking under the Rule.

Section 17. Governing Law. This Certificate shall be governed by the laws of the State.

EMMANUEL COLLEGE, INC.

By _____
Michael S. Stewart, President

Dated: December 4, 2012

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below of the type appearing or incorporated by reference in Appendix A of the Final Limited Offering Memorandum.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The College shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 150 days after the last day of the College’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the College.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Certificate, including for this purpose a change made to the fiscal year end of the College, the College will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. 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 security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the College*
13. The consummation of a merger, consolidation or acquisition involving the College or the sale of all or substantially all of the assets of the College 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
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the College in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the College, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the College.

APPENDIX E
FORM OF INVESTOR LETTER

December 4, 2012

Franklin County Industrial Building Authority
Lavonia, Georgia

George K. Baum & Company
Denver, Colorado

Emmanuel College, Inc.
Franklin Springs, Georgia

Murray Barnes Finister LLP
Atlanta, Georgia

Kutak Rock LLP
Denver, Colorado

Peck, Shaffer & Williams LLP
Atlanta, Georgia

\$22,460,000
Franklin County Industrial Building Authority
Tax-Exempt Revenue Bonds
(Emmanuel College, Inc. Projects)
Series 2012A

\$2,760,000
Franklin County Industrial Building Authority
Taxable Revenue Bonds
(Emmanuel College, Inc. Projects)
Series 2012B

Ladies and Gentlemen:

In connection with the limited public offering of \$22,460,000 aggregate principal amount of the Franklin County Industrial Building Authority Tax-Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A (the "Series 2012A Bonds") and of \$2,760,000 aggregate principal amount of the Franklin County Industrial Building Authority Taxable Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Bonds"), the undersigned initial purchaser of \$_____ principal amount of the Bonds hereby makes the following representations, warranties and covenants on the express understanding that this letter will be relied upon by you:

1. We have received and read the Preliminary Limited Offering Memorandum dated October 29, 2012, as amended and supplemented by the First Supplement to Preliminary Limited Offering Memorandum dated November 26, 2012 (collectively, the "Preliminary Limited Offering Memorandum") and the final Limited Offering Memorandum dated November 28, 2012 (together with the Preliminary Limited Offering Memorandum, the "Limited Offering Memorandum") and have been afforded the opportunity to ask such questions of representatives of Emmanuel College, Inc. (the "College") as we have deemed necessary in making our investment decisions including the opportunity to request a site visit; and we have based our decision to invest in the Bonds on the Limited Offering Memorandum, our own investigation, including, without limitation, our review of such documents, records, reports, audited financial statements and other information concerning the College and the

December 4, 2012

Page 2

Projects (as defined in the Limited Offering Memorandum) and discussions with representatives of the College and the Underwriter, as we have deemed necessary in making our investment decisions. We understand we will receive the final Limited Offering Memorandum at or near the time of closing of the Bonds, and we agree to read the Limited Offering Memorandum upon receipt.

2. We have the knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Bonds.

3. We acknowledge and understand that repayment of the Bonds is subject to a high degree of investment risk, and represents that we are capable of suffering a loss of its entire investment in the Bonds. We acknowledge and understand that we may have to bear the economic risk of investment in the Bonds for an indefinite period.

4. We are a "Qualified Institutional Buyer" within the meaning of Rule 144A promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended.

5. The Bonds have been purchased for our own account for investment and not with a view to the distribution, transfer or resale thereof in the capacity of a Bond house, broker or other intermediary, nor with the intention to distribute or resell the Bonds, provided, however, that we reserve the right to dispose of all or any part of the Bonds if in the future we decide to do so in our sole discretion; provided, however, such sale is to only a Qualified Institutional Buyer in minimum denominations of \$100,000 or any multiple of \$5,000 in excess thereof, unless the Bonds (without credit enhancement, unless such credit enhancement extends to the maturity or redemption of the Bonds) are rated "A3," "A-," or "A-" or higher by Moody's, S&P or Fitch, respectively, at which time the restrictions on transfer will no longer apply to the Bonds and the Bonds may be in denominations of \$5,000 or any integral multiple thereof. The Purchaser has no obligation to obtain any representation from any entity to which it may sell or transfer the Bonds.

6. We are not relying upon the Underwriter for advice as to the merits and risks of an investment in the Bonds. The undersigned has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

7. The undersigned is duly authorized to make the representations, warranties and covenants set forth in this letter on behalf of the investor, and the foregoing representations, warranties and covenants shall survive the execution and delivery to us of the Bonds and the instruments and documents contemplated thereby.

The foregoing representations shall survive the execution and delivery to us of the Bonds and the instruments and documents contemplated thereby.

Very truly yours,

[INSERT NAME OF INVESTOR]

By _____
Name _____
Title _____

SUMMARY OF INVESTMENT

Principal Amount: \$ _____

CUSIP Number _____

APPENDIX F

FORM OF BOND COUNSEL OPINION

December 4, 2012

Franklin County Industrial Building Authority
Carnesville, Georgia

George K. Baum & Company
Denver, Colorado

Emmanuel College, Inc.
Franklin Springs, Georgia

Regions Bank, as trustee and master trustee
Atlanta, Georgia

Re: \$22,460,000 Franklin County Industrial Building Authority Tax Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A and \$2,760,000 Franklin County Industrial Building Authority Taxable Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B

To the Addressees:

We have acted as Bond Counsel to the Franklin County Industrial Building Authority (the "Authority") in connection with the issuance of \$22,460,000 in aggregate principal amount of its Tax Exempt Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012A (the "Series 2012A Bonds") and \$2,760,000 in aggregate principal amount of its Taxable Revenue Bonds (Emmanuel College, Inc. Projects), Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Bonds"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including a copy of the validation proceeding concluded in the Superior Court of Franklin County, Georgia, with respect to the Bonds. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies, and, as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

The Bonds are being issued pursuant to an amendment to the Constitution of the State of Georgia (Ga. Laws 1962, p. 1103 *et seq.*), as amended (the "Act"), a resolution of the Authority adopted on September 21, 2012, as supplemented on November 28, 2012 and a Trust Indenture, dated as of December 1, 2012 (the "Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee").

The proceeds of the Bonds will be loaned (the "Loan") by the Authority to Emmanuel College, Inc. (the "College") pursuant to a Loan Agreement, dated as of December 1, 2012 (the "Agreement"), and will be used for the purpose of (a) refunding certain debt issued by or for the benefit of the College (the "Refunded Obligations"), (b) financing or refinancing improvements to the facilities owned and operated by the College (the "Projects"), (c) funding a debt service reserve, (d) paying swap termination costs, and (e) paying the costs of issuing the Bonds. In consideration of the Loan, the College has agreed in the Agreement that it will execute and deliver to the Trustee, as assignee of the Authority, its 2012-A Master Note, dated the date of issuance of the Bonds (the "Promissory Note"). The Promissory Note will be issued and secured under the Master Trust Indenture, dated as of December 1, 2012 (the "Original Master Indenture"), between the College and Regions Bank, as master trustee (the "Master Trustee"), as supplemented by the First Supplemental Master Trust Indenture, dated as of

December 1, 2012 (together with the Original Master Indenture, the “Master Indenture”), between the College and the Master Trustee.

All Obligations (as defined in the Master Indenture) issued from time to time under the Master Indenture, including the Promissory Note, are secured by and are payable solely from the trust estate created by the Master Indenture (the “Master Indenture Trust Estate”), which includes (a) the Gross Revenues (as defined in the Master Indenture) of the College and (b) all moneys and securities held by the Master Trustee or any other depositories in any and all of the funds and accounts established under the Master Indenture. All Obligations are also secured by a Deed to Secure Debt and Security Agreement, dated as of December 1, 2012 (the “Security Deed”), executed by the College in favor of the Master Trustee. The Security Deed conveys security title to and gives a security interest in certain portions of the real property owned and operated by the College (the “Mortgaged Property”). The Mortgaged Property does not include all property owned or operated by the College. Under the terms of the Master Indenture, additional Obligations may be issued and secured thereunder, which obligations will rank on a parity as to lien on the Master Indenture Trust Estate with the lien thereon securing the Promissory Note.

The Bonds are limited obligations of the Authority and are secured by and payable solely from the trust estate created by the Indenture (the “Trust Estate”), which includes the Authority’s interest in (a) the Agreement and the Promissory Note and (b) all moneys and securities held from time to time in the funds and accounts created under the Indenture. The Bonds bear interest and mature in the amounts and are subject to registration of transfer and exchange and to optional and mandatory redemption, on the terms specified in the Indenture.

As to questions of fact material to our opinion, we have relied upon (a) representations of the Authority and the College, (b) certified proceedings and other certifications of public officials furnished to us and (c) certifications by the Authority and the College relating to, among other things, the use of the proceeds of the Refunded Obligations and the Bonds, the design, scope, function, cost and economic life of the facilities financed or refinanced with the proceeds of the Series 2012A Bonds, and the relationship of the facilities financed or refinanced with the proceeds of the Series 2012A Bonds to the activities of the College, without undertaking to verify the same by independent investigation.

In rendering our opinion, we have relied solely upon an opinion of the Peck, Shaffer & Williams, LLP counsel to the College, with respect to the status of the College as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

We express no opinion as to (a) the corporate status and good standing of the College, (b) the corporate power of the College to enter into the Agreement, the Master Indenture, the Promissory Note or the Security Deed (collectively, the “College Documents”), (c) the authorization, execution and delivery of the College Documents by the College, (d) the enforceability of the College Documents against the College, (e) the creation of a lien on the Master Indenture Trust Estate, (f) the filing of a UCC Financing Statement covering the Master Indenture Trust Estate or (g) the fact that there are no other properly indexed UCC Financing Statements affecting the Master Indenture Trust Estate. As to such matters, we refer you to an opinion of Peck, Shaffer & Williams, LLP, counsel to the College.

We also express no opinion as to the filing of a UCC Financing Statement covering the Trust Estate. As to such matters, we refer you to an opinion of Grant & Green, LLC, counsel to the Authority. We also express no opinion as to the lien created on the Mortgaged Property or as to the title to the Mortgaged Property or the Projects.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering materials relating to the Bonds, and we express no opinion herein relating thereto. We express no opinion herein as to compliance by the Authority or the Underwriter with any federal or state statute, rule or regulation which may be applicable to the offer or sale of the Bonds.

Based upon our examination, we are of the opinion that, as of the date hereof and under existing law:

1. The Authority is a duly created and validly existing public body corporate and politic of the State of Georgia with full power and authority to (a) issue, execute, deliver and perform its obligations under the Bonds and (b) execute, deliver and perform its obligations under the Indenture and the Agreement.

2. The Indenture and the Agreement have been duly authorized, executed and delivered by the Authority and constitute valid, legal and binding obligations of the Authority. The Indenture creates a valid security interest in and lien on the Trust Estate.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid, legal, binding and limited obligations of the Authority secured by and payable solely from the Trust Estate.

4. The interest on the Series 2012A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding any other federal tax consequences caused by the receipt or accrual of interest on or ownership of the Series 2012A Bonds. In rendering this opinion, we have assumed continuing compliance by the Authority and the College with their covenants regarding certain requirements of the Code that must be satisfied subsequent to the issuance of the Series 2012A Bonds in order that the interest on the Series 2012A Bonds be and continue to be excluded from gross income for federal income tax purposes. Failure to comply with such covenants could cause interest on the Series 2012A Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2012A Bonds.

5. The interest on the Bonds is exempt from all present State of Georgia income taxation.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and principles of equity applicable to the availability of specific performance or other equitable relief.

We are members of the State Bar of Georgia. Our opinions herein are limited to the laws of the State of Georgia and any applicable federal laws of the United States. This opinion is limited to the matters expressly set forth above, and no opinion is implied or may be inferred beyond the matters so stated. This opinion is intended solely for the use of the addressees and their permitted successors and/or assigns and may not be relied upon for any other purpose or by any other person for any purpose without

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out prior written consent. We expressly disclaim any duty to update this opinion in the future for any changes of fact or law that may affect any of the opinions expressed herein.

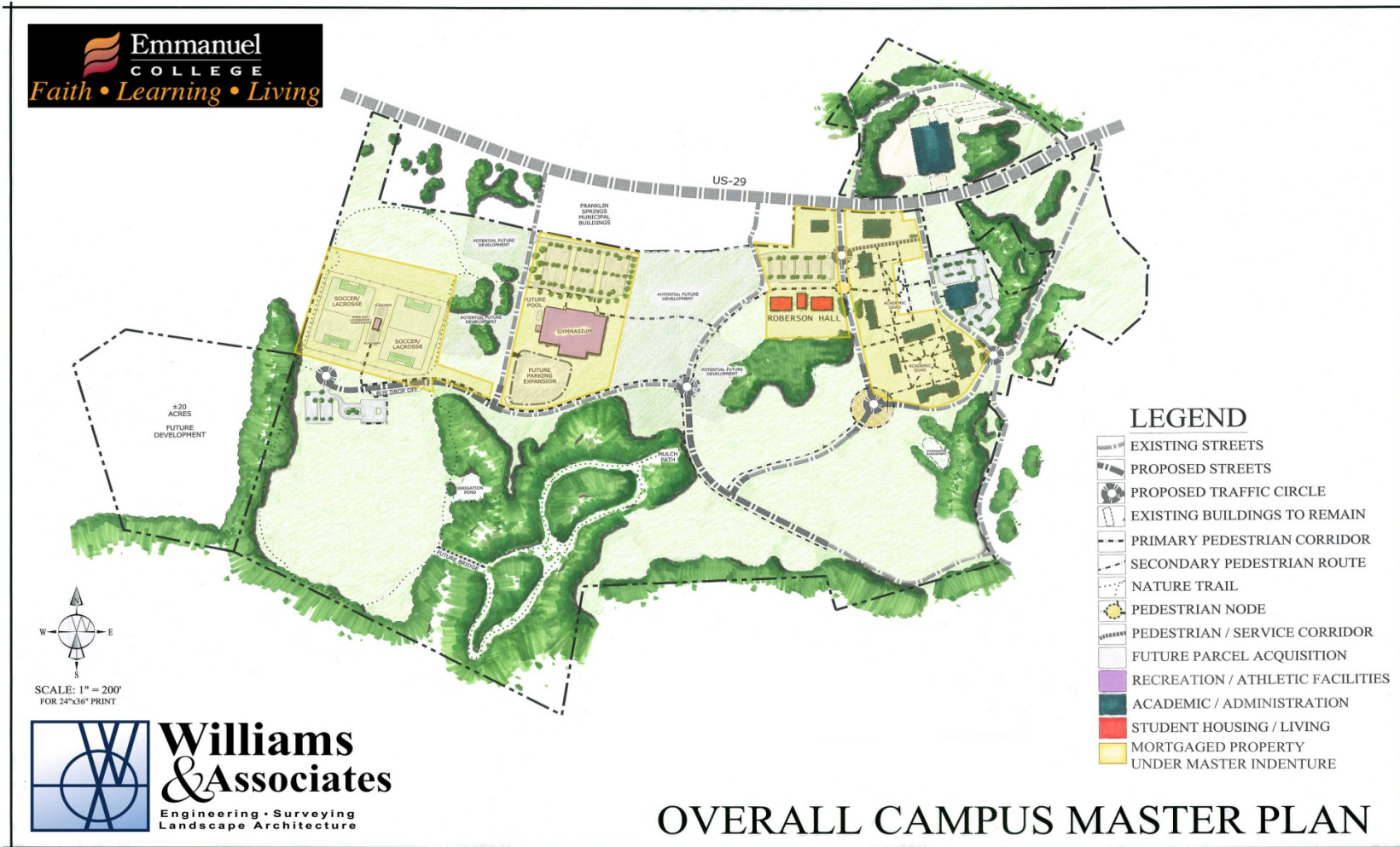
Very truly yours,

MURRAY BARNES FINISTER LLP

By: _____
A Partner

APPENDIX G

MAP OF THE MORTGAGED PROPERTY



APPENDIX H

ROBERSON HALL PHASE II



ROBERSON HALL

EMMANUEL COLLEGE

NEW STUDENT HOUSING

BRADLEY
& BALL
ARCHITECTS

