

In the opinion of Bond Counsel, under current laws, regulations, rulings and judicial decisions, subject to the conditions described under "Tax Matters", and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2017 Bonds (including original issue discount treated as interest) (i) is excludable from gross income of the owners of the Series 2017 Bonds for federal income tax purposes and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest must be included in adjusted current earnings when calculating corporate alternative minimum taxable income as described under "Tax Matters" herein. See "Tax Matters" herein for a description of certain provisions of the Internal Revenue Code of 1986, as amended, that may affect the tax treatment of interest on the Series 2017 Bonds for certain owners of the Series 2017 Bonds. In the opinion of Bond Counsel, under the existing laws of the State of Maryland, the principal amount of the Series 2017 Bonds, the interest payable thereon, their transfer, and any income derived therefrom, including any profit made in the sale or transfer thereof, is and shall remain exempt from taxation by the State of Maryland. No opinion is expressed as to such exemption from estate or inheritance taxes or any other taxes not levied directly on the Series 2017 Bonds, the interest thereon, their transfer or the income derived therefrom. For a more complete description, see "Tax Matters" herein.



\$6,570,000
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
ECONOMIC DEVELOPMENT REFUNDING REVENUE BONDS
(GARRISON FOREST SCHOOL, INCORPORATED FACILITY)
SERIES 2017

Dated: Date of Issuance

Due: November 1, as shown on inside front cover

The Maryland Industrial Development Financing Authority (the "Issuer") is issuing its Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility) Series 2017 (the "Series 2017 Bonds") pursuant to a Trust Indenture dated as of July 1, 2017 (the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Series 2017 Bonds will be loaned to Garrison Forest School, Incorporated (the "School") pursuant to a Loan and Security Agreement dated as of July 1, 2017 (the "Loan Agreement") between the Issuer and the School. In the Loan Agreement, the School will agree to repay the loan in installments in amounts sufficient to pay the principal or redemption price of and interest on the Series 2017 Bonds. Interest on the Series 2017 Bonds will be payable on each May 1 and November 1, commencing November 1, 2017.

The Series 2017 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity, as described herein.

Proceeds of the Series 2017 Bonds will be used (a) to currently refund the Baltimore County, Maryland Variable Rate Economic Development Revenue Bonds (Garrison Forest School, Incorporated Project), Series 2006 and (b) to finance certain costs relating to the issuance of the Series 2017 Bonds and paying other related costs.

The Series 2017 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2017 Bonds. Purchases of beneficial interests in Series 2017 Bonds will be made only in book-entry only form in denominations of \$5,000 and any integral multiple thereof, and no physical delivery of Series 2017 Bonds will be made to Beneficial Owners (as herein defined) except as described herein. The principal of and premium, if any, and interest on the Series 2017 Bonds will be paid by the Trustee to DTC. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2017 Bonds, (a) payments of principal of and premium, if any, and interest on the Series 2017 Bonds will be made to DTC for payment to its participants for subsequent disbursement to the Beneficial Owners, (b) all notices, including any notice of redemption, shall be given only to DTC, and (c) references herein to the bondholders or registered owners of the Series 2017 Bonds shall mean Cede & Co., and shall not mean the Beneficial Owners of the Series 2017 Bonds. See "THE SERIES 2017 BONDS – Book-Entry Only System."

An investment in the Series 2017 Bonds is subject to certain risks. See "CERTAIN BONDHOLDERS' RISKS" herein for certain factors that should be considered by prospective purchasers of the Series 2017 Bonds.

THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER. THE PRINCIPAL OF, THE INTEREST ON, AND THE REDEMPTION PRICE OF THE SERIES 2017 BONDS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES OR OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE NOT DEBTS OR CHARGES AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MARYLAND (THE "STATE"), THE MARYLAND DEPARTMENT OF COMMERCE (THE "DEPARTMENT"), THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND MAY NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY. THE SERIES 2017 BONDS ARE NOT A DEBT TO WHICH THE FAITH AND CREDIT OF THE STATE, THE DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY IS PLEDGED. THE ISSUER HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2017 Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to the approving legal opinion of Whiteford, Taylor & Preston L.L.P., Baltimore, Maryland, Bond Counsel, to be furnished upon delivery of the Series 2017 Bonds. Legal matters will be passed upon for the Issuer by Barbara Curmin Kountz, Esquire, Assistant Attorney General; for the School by its counsel, Miles & Stockbridge P.C., Baltimore, Maryland; and for the Underwriter by its counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania. The Series 2017 Bonds are expected to be available for delivery through the facilities of DTC on or about July 18, 2017.

George K. Baum & Company

The date of this Official Statement is June 28, 2017.

\$6,570,000
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
Economic Development Refunding Revenue Bonds
(Garrison Forest School, Incorporated Facility) Series 2017

Maturity Schedule

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP No.</u> <u>(574221)*</u>
2022	\$ 50,000	2.000%	100.499%	1.900%	LM7
2023	100,000	2.000	99.705	2.050	LN5
2024	125,000	2.000	98.526	2.220	LP0
2025	150,000	2.000	96.935	2.410	LQ8
2026	175,000	2.125	96.262	2.580	LR6
2027	200,000	2.375	96.833	2.730	LS4
2028	225,000	3.000	99.428	3.060	LT2
2029	250,000	3.000	98.679	3.130	LU9
2030	275,000	3.000	98.058	3.180	LV7
2031	300,000	3.000	97.381	3.230	LW5
2032	325,000	3.000	96.769	3.270	LX3
2033	375,000	3.125	97.067	3.360	LY1
2034	385,000	3.125	96.679	3.380	LZ8
2035	400,000	3.250	97.168	3.460	MA2
2036	410,000	3.250	96.921	3.470	MB0
2037	425,000	3.375	97.906	3.520	MC8

\$2,400,000 4.00% Term Bonds due November 1, 2042 Price: 104.024** Yield 3.510% CUSIP No. 574221 MD6*

* The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Issuer, the School, or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Issuer, the School, nor the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

** Priced to the first call date of May 1, 2027

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Underwriter, the School or any other entity described herein to give any information or to make any representations with respect to the Series 2017 Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be a sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Issuer, the School and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness and, except for the information concerning the Issuer, is not to be construed as a representation by the Issuer. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer, the School or any other entity referred to herein since the date hereof or the date as of which particular information contained herein is given, if earlier.

This Official Statement is not to be construed as a contract or agreement between the Issuer or the School and the purchasers or holders of any of the Series 2017 Bonds.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE ISSUER	2
THE SCHOOL	2
PLAN OF FINANCING; SOURCES AND USES OF FUNDS	3
THE SERIES 2017 BONDS	3
DEBT SERVICE REQUIREMENTS	9
SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS	10
CERTAIN BONDHOLDERS’ RISKS	12
CONTINUING DISCLOSURE	14
ABSENCE OF LITIGATION	15
LEGAL MATTERS	15
THE TRUSTEE	15
LIMITED OBLIGATIONS OF ISSUER; STATE NOT LIABLE ON SERIES 2017 BONDS	16
TAX MATTERS	16
RATING	19
FINANCIAL STATEMENTS	20
UNDERWRITING	20
CERTAIN RELATIONSHIPS	20
MISCELLANEOUS	20
APPENDIX A – CERTAIN INFORMATION REGARDING GARRISON FOREST SCHOOL, INCORPORATED	A-1
APPENDIX B – FINANCIAL STATEMENTS OF THE SCHOOL FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015	B-1
APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF DOCUMENTS	C-1
APPENDIX D – FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT	E-1

The Table of Contents does not list all of the subjects in this Official Statement. In all instances, reference should be made to the complete Official Statement to determine the subjects set forth herein.

OFFICIAL STATEMENT

relating to
\$6,570,000 aggregate principal amount of

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY
Economic Development Refunding Revenue Bonds
(Garrison Forest School, Incorporated Facility)
Series 2017

INTRODUCTION

This Official Statement, including the cover page hereof and appendices hereto, is provided to furnish information regarding the \$6,570,000 aggregate principal amount of Maryland Industrial Development Financing Authority Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility) Series 2017 (the “Series 2017 Bonds”). The Issuer will loan the proceeds of the Series 2017 Bonds to Garrison Forest School, Incorporated (the “School”) for the purpose of refunding certain bonds previously issued for the benefit of the School. See “PLAN OF FINANCING; SOURCES AND USES OF FUNDS” herein.

The Series 2017 Bonds are being issued by the Issuer pursuant to (i) the Maryland Industrial Development Financing Authority Act, as amended (the “MIDFA Act”); (ii) the Maryland Economic Development Revenue Bond Act, as amended (the “Revenue Bond Act;” the MIDFA Act and the Revenue Bond Act are herein collectively referred to as the “Act”); (iii) the Resolution of the Issuer pertaining to the Series 2017 Bonds adopted on May 25, 2017; and (iv) the Trust Indenture dated as of July 1, 2017 (the “Indenture”) between the Issuer and U.S. Bank National Association, as Trustee (the “Trustee”).

The Issuer will lend the proceeds of the Series 2017 Bonds to the School, a Maryland nonstock corporation organized for nonprofit purposes, pursuant to the Loan and Security Agreement dated as of July 1, 2017 (the “Loan Agreement”) between the Issuer and the School. The Loan Agreement will require the School to make payments sufficient to pay, among other things, to the Trustee, as assignee of the Issuer under the Indenture, the principal of and redemption premium, if any, and interest on the Series 2017 Bonds when due.

THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER. THE PRINCIPAL OF, THE INTEREST ON, AND THE REDEMPTION PRICE OF THE SERIES 2017 BONDS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES OR OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE NOT DEBTS OR CHARGES AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MARYLAND (THE “STATE”), THE MARYLAND DEPARTMENT OF COMMERCE (THE “DEPARTMENT”), THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND MAY NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY. THE SERIES 2017 BONDS ARE NOT A DEBT TO WHICH THE FAITH AND CREDIT OF THE STATE, THE

DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY IS PLEDGED. THE ISSUER HAS NO TAXING POWER.

To secure the Series 2017 Bonds, the Issuer will assign to the Trustee all of the right, title and interest of the Issuer in and to the Loan Agreement, except for certain rights of the Issuer to notice, consent, payment of fees, reimbursement and indemnification, as described in the Indenture (the “Reserved Rights of the Issuer”). The Loan Agreement will be a general obligation of the School. Under the Loan Agreement, the School will pledge and grant to the Issuer a first lien on and security interest in the Gross Revenues of the School. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS – Pledge of Gross Revenues of the School” herein.

An investment in the Series 2017 Bonds is subject to certain risks. Certain risk factors which prospective investors in the Series 2017 Bonds should consider are set forth herein under “CERTAIN BONDHOLDERS’ RISKS.”

The School will undertake in a Continuing Disclosure Agreement to provide certain annual financial information and material event notices. See “CONTINUING DISCLOSURE” herein.

Appendix A to this Official Statement contains certain information regarding the School. The audited financial statements of the School for the fiscal years ended June 30, 2016 and June 30, 2015 are set forth in Appendix B hereto and have been audited by RSM US LLP, independent auditors, as stated in their report appearing in Appendix B. Definitions of certain terms and summaries of certain documents relating to the Series 2017 Bonds are set forth in Appendix C. The proposed form of opinion of Bond Counsel is attached hereto as Appendix D. The proposed form of the Continuing Disclosure Agreement is attached hereto as Appendix E.

THE ISSUER

The Maryland Industrial Development Financing Authority is a body politic and corporate and an instrumentality of the State of Maryland, created pursuant to the MIDFA Act. The Issuer issues bonds pursuant to the Act, and is authorized to issue the Series 2017 Bonds to refund the 2006 Bonds (as hereinafter defined).

The Series 2017 Bonds constitute limited obligations of the Issuer as described under “LIMITED OBLIGATIONS; STATE NOT LIABLE ON SERIES 2017 BONDS.”

THE SCHOOL

The School, founded in 1910 and located in the Baltimore suburb of Owings Mills, Maryland, is a college preparatory school offering a kindergarten through 12th grade day and boarding school for girls, as well as a co-ed program for two year olds through pre-kindergarten. A regional, national, and international residential program is offered to girls in eighth through twelfth grades. For fall 2016, total enrollment was 576 students across three divisions: the Lower Division (preschool and elementary grades), Middle School (sixth through eighth grades), and Upper School (ninth through twelfth grades). The School averages approximately 60 residential students per year. See Appendix A hereto for additional information regarding the School.

PLAN OF FINANCING; SOURCES AND USES OF FUNDS

Purpose; Plan of Financing

The Issuer will loan the proceeds of the Series 2017 Bonds to the School in order to (i) refund the outstanding principal amount of the Baltimore County, Maryland Variable Rate Economic Development Revenue Bonds (Garrison Forest School, Incorporated Project), Series 2006 (the “2006 Bonds”) and (ii) finance certain costs relating to the issuance of the Series 2017 Bonds and paying other related costs. The 2006 Bonds will be called for redemption in whole on or about October 1, 2017 at a redemption price of 100% of the principal amount thereof plus interest accrued to the redemption date.

Estimated Sources and Uses of Funds

Estimated Sources of Funds:

Principal Amount of Series 2017 Bonds	\$6,570,000.00
Less: Net Original Issue Discount	<u>(7,708.75)</u>
Total Sources of Funds	\$6,562,291.25

Estimated Uses of Funds:

Refunding of 2006 Bonds	\$6,430,512.50
Costs of Issuance ⁽¹⁾	129,058.53
Rounding Amount	<u>2,720.22</u>
Total Uses of Funds	\$6,562,291.25

(1) Includes legal fees and expenses, printing costs, trustee fees, Underwriter’s discount and miscellaneous costs.

THE SERIES 2017 BONDS

Description

The Series 2017 Bonds will be dated their date of issuance, and will bear interest and mature as set forth on the inside front cover page of this Official Statement. Interest is payable on May 1 and November 1 of each year, commencing November 1, 2017, in an amount equal to the interest accrued from (a) the date of the Series 2017 Bonds, if authenticated prior to the first date on which interest on the Series 2017 Bonds is required to be paid as set forth on the cover page of this Official Statement, (b) the date of authentication, if authenticated on a scheduled interest payment date to which interest has been paid or (c) the last preceding scheduled interest payment date to which interest has been paid (or the date of the Series 2017 Bonds, if no interest thereon has been paid) in all other cases.

Interest payable on the Series 2017 Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2017 Bonds are issued only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company. See “THE SERIES 2017 BONDS – Book-Entry Only System.” The principal or redemption price of the Series 2017 Bonds is payable at the

designated corporate trust or corporate trust agency office of the Trustee to the registered owner of each Series 2017 Bond. Interest on each Series 2017 Bond is payable by check or draft mailed, or, upon written request to the Trustee, by wire transfer in the case of holders of Series 2017 Bonds (“Series 2017 Bondholders”) in the aggregate principal amount of \$500,000 or more, to the person in whose name such Series 2017 Bond is registered, at the address of such person appearing on the registration books maintained by or on behalf of the Issuer, at the close of business on the fifteenth day of the month immediately preceding each interest payment date, unless the Issuer shall default in the payment of interest due on such interest payment date. In the event of any such default, such defaulted interest will be payable to the person in whose name such Series 2017 Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed to the registered owners of the Series 2017 Bonds at least ten days, but not more than 30 days, preceding such special record date.

Registration, Transfer and Exchange

The Trustee has been appointed bond registrar and transfer agent for the Issuer and as such will maintain the books of the Issuer for the registration of ownership of each Series 2017 Bond.

Any Series 2017 Bond may be transferred if endorsed for such transfer by the holder thereof and surrendered by such holder or his duly appointed attorney at the designated corporate trust or corporate trust agency office of the Trustee, whereupon the Trustee shall authenticate and deliver to the transferee a new Series 2017 Bond or Series 2017 Bonds of the same maturity and in the same denomination as the Series 2017 Bond surrendered for transfer or in different authorized denominations equal in the aggregate to the principal amount of the surrendered Series 2017 Bond.

Any Series 2017 Bond or Series 2017 Bonds of a particular maturity may be exchanged for one or more Series 2017 Bonds of the same maturity and in the same principal amount, but in a different authorized denomination or denominations. Each Series 2017 Bond so to be exchanged shall be surrendered by the holder thereof or his duly appointed attorney at the designated corporate trust or corporate trust agency office of the Trustee, whereupon a new Series 2017 Bond or Series 2017 Bonds shall be authenticated and delivered to the holder.

In the case of any Series 2017 Bond properly surrendered for partial redemption, the Trustee shall authenticate and deliver a new Series 2017 Bond in exchange therefor, such new Series 2017 Bond to be of the same maturity and in a denomination equal to the unredeemed principal amount of the surrendered Series 2017 Bond; provided that, at its option, the Trustee may certify the amount and date of partial redemption upon the partial redemption certificate, if any, printed on the surrendered Series 2017 Bond and return such surrendered Series 2017 Bond to the holder in lieu of an exchange.

Except as described in the preceding paragraph, the Trustee shall not be required to effect any transfer or exchange during the fifteen days immediately preceding the date of mailing of any notice of redemption or at any time following the mailing of any such notice, if the Series 2017 Bonds to be transferred or exchanged have been called for such redemption. No charge shall be imposed in connection with any transfer or exchange, except for taxes or governmental charges related thereto. No transfers or exchanges shall be valid for any purposes except as described above.

Redemption

Optional Redemption. The Series 2017 Bonds maturing on or after November 1, 2027 are subject to optional redemption at the written direction of the School as a whole or in part at any time on or after May 1, 2027 at par, plus accrued interest to the redemption date.

If less than all of the Series 2017 Bonds are to be called for optional redemption, the Trustee shall select the Series 2017 Bonds for such redemption from such maturities as the School shall direct in writing and within each maturity by lot.

Mandatory Redemption. The Series 2017 Bonds maturing on November 1, 2042 are subject to mandatory sinking fund redemption by the Issuer on the dates and in the amounts specified below, on November 1 of each of the years specified below, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date:

Series 2017 Bonds Maturing November 1, 2042

<u>Year</u>	<u>Principal Amount</u>
2038	\$440,000
2039	460,000
2040	480,000
2041	500,000
2042*	520,000

* Stated Maturity

The principal amount of the Series 2017 Bonds required to be redeemed on any date pursuant to the foregoing shall be reduced by the principal amount of the Series 2017 Bonds of the same maturity which are purchased and cancelled in lieu of redemption in accordance with the Indenture and the Loan Agreement.

If less than all of the then outstanding Series 2017 Bonds of a maturity are to be called for mandatory redemption, the Trustee shall select the Series 2017 Bonds of such maturity for redemption by lot.

Extraordinary Redemption. Under the circumstances described in the Indenture and the Loan Agreement, the Series 2017 Bonds are subject to redemption as a whole or in part at any time, at the written direction of the School, from insurance proceeds, condemnation awards and the proceeds of conveyances in lieu of condemnation deposited with the Trustee for such purpose. Extraordinary redemptions shall be made upon payment of a redemption price equal to the principal amount of the Series 2017 Bonds to be redeemed, plus accrued interest to the redemption date.

If less than all of the Series 2017 Bonds are to be called for extraordinary redemption, the Trustee shall select the Series 2017 Bonds for such redemption from such maturities as the School shall direct in writing and within each maturity by lot.

Redemption Procedures. When required to redeem the Series 2017 Bonds under the Indenture, the Trustee shall cause notice of the redemption to be mailed by first class mail, postage prepaid, to the holders of the Series 2017 Bonds to be redeemed at the registered addresses appearing in the registration books maintained by the Trustee. Each such notice shall (a) be mailed not more than 60 nor less than 30 days prior to the redemption date, (b) identify the Series 2017 Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Series 2017 Bonds), (c) specify the redemption date, the redemption price and, if less than all of any particular Series 2017 Bond is to be redeemed, the principal amount so to be redeemed, (d) state that on the redemption date the Series 2017 Bonds called for redemption will be payable at the office of the Trustee designated in such notice, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Series 2017 Bonds, and (e) provide any other

descriptive information which may be necessary in order to identify the Series 2017 Bonds to be redeemed, including without limitation the original issuance date, maturity date and interest rate applicable to such Series 2017 Bonds. No defect affecting any Series 2017 Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Series 2017 Bonds.

If at the time of the mailing of any notice of optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2017 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and shall be of no effect unless such moneys are so deposited.

Any redemption of less than the entire principal amount of the Series 2017 Bonds shall be made only in denominations of \$5,000 principal amount, or any integral multiple thereof. In such case, the registered owner shall surrender the Series 2017 Bonds in exchange for one or more Series 2017 Bonds in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

So long as DTC or its nominee is the sole registered owner of the Series 2017 Bonds under the book-entry only system, any failure on the part of DTC or a DTC Participant or Indirect Participant to notify the owner of a book-entry interest so affected will not affect the validity of the redemption.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 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 Series 2017 Bond certificate will be issued for each maturity of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 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 Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC 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 Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, redemption premium, if any, and principal and interest payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) at the request of the School. In such event, Series 2017 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE ISSUER, THE SCHOOL, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE SERIES 2017 BONDS (I) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2017 BONDS, OR (II) CONFIRMATION OF OWNERSHIP INTERESTS IN THE SERIES 2017 BONDS, OR (III) REDEMPTION OR OTHER NOTICES, 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 OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE ISSUER, THE SCHOOL, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE SERIES 2017 BONDS WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (II) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OF, OR INTEREST ON, ANY SERIES 2017 BONDS, (III) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2017 BONDS, OR (V) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

DEBT SERVICE REQUIREMENTS

The following table sets forth for each twelve-month period ending June 30 the amounts required to be paid by the School in such period for the payment of principal of and interest on the Series 2017 Bonds.

Period Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	Total Debt <u>Service</u>
2018	-	\$171,873.37	\$171,873.37
2019	-	218,637.50	218,637.50
2020	-	218,637.50	218,637.50
2021	-	218,637.50	218,637.50
2022	-	218,637.50	218,637.50
2023	\$ 50,000.00	218,137.50	268,137.50
2024	100,000.00	216,637.50	316,637.50
2025	125,000.00	214,387.50	339,387.50
2026	150,000.00	211,637.50	361,637.50
2027	175,000.00	208,278.13	383,278.13
2028	200,000.00	204,043.76	404,043.76
2029	225,000.00	198,293.76	423,293.76
2030	250,000.00	191,168.76	441,168.76
2031	275,000.00	183,293.76	458,293.76
2032	300,000.00	174,668.76	474,668.76
2033	325,000.00	165,293.76	490,293.76
2034	375,000.00	154,559.38	529,559.38
2035	385,000.00	142,684.38	527,684.38
2036	400,000.00	130,168.76	530,168.76
2037	410,000.00	117,006.26	527,006.26
2038	425,000.00	103,171.88	528,171.88
2039	440,000.00	87,200.00	527,200.00
2040	460,000.00	69,200.00	529,200.00
2041	480,000.00	50,400.00	530,400.00
2042	500,000.00	30,800.00	530,800.00
2043	<u>520,000.00</u>	<u>10,400.00</u>	<u>530,400.00</u>
TOTAL	\$6,570,000.00	\$4,127,854.72	\$10,697,854.72

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS

Limited Obligations

THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER. THE PRINCIPAL OF, THE INTEREST ON, AND THE REDEMPTION PRICE OF THE SERIES 2017 BONDS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES OR OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE NOT DEBTS OR CHARGES AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE, THE DEPARTMENT, THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND MAY NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY. THE SERIES 2017 BONDS ARE NOT A DEBT TO WHICH THE FAITH AND CREDIT OF THE STATE, THE DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY IS PLEDGED. THE ISSUER HAS NO TAXING POWER.

The Loan Agreement

Under the Loan Agreement, the School will be absolutely and unconditionally obligated to make payments to the Trustee, as the assignee of the Issuer, sufficient to provide for the payment of the principal of the Series 2017 Bonds becoming due on the immediately succeeding principal maturity or mandatory redemption date and interest on the Series 2017 Bonds becoming due on the immediately succeeding interest payment date. Under the Loan Agreement, the School is also required to pay the Trustee, when and as necessary in accordance with the provisions of the Indenture, any amounts which may be required to make up any deficiency which may occur in any of the funds established under the Indenture.

Rate Covenant. The School covenants under the Loan Agreement that it will establish, charge and collect tuition, student fees and charges for services provided by the School such that Income Available for Debt Service (as that term is defined in Appendix C hereto) will equal or exceed, in each Fiscal Year, 100% of the Debt Service Requirement (as that term is defined in Appendix C hereto) for such Fiscal Year.

If, in any Fiscal Year, the School fails to meet the foregoing covenant, it shall immediately retain a Consultant to make a report and recommendation with respect to such tuition, student fees and other charges and with regard to operations of the School. The School further covenants that, upon receipt of such report and recommendation from the Consultant, the School shall cause copies thereof to be filed with the Trustee and the Issuer, and the School shall within sixty days of the receipt of such report and recommendation describe in writing to the Trustee and the Issuer what action, if any, the School intends to take upon the report and recommendation of the Consultant. So long as the School takes the foregoing steps with respect to a Consultant's report, the failure to meet the rate covenant will not be deemed to constitute an Event of Default unless the School's cash and investments as shown on the audited financial statements for such Fiscal Year are less than 150% of the total Long-Term Indebtedness outstanding at the end of such Fiscal Year.

Pledge of Gross Revenues of the School

Under the Loan Agreement, as security for its obligation to make payments required thereunder and to perform its other obligations thereunder, the School will pledge and grant to the Issuer a first lien on and security interest in the Gross Revenues of the School. As defined in the Loan Agreement, “Gross Revenues” means all receipts, revenues, income and other moneys received by or on behalf of the School from the operation, ownership or leasing of its Property and all rights to receive the same whether in the form of accounts receivable, contract rights, chattel paper, instruments, general intangibles, or other rights and the proceeds thereof, including any insurance proceeds and any condemnation awards derived therefrom, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the School in connection with its Property; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated or restricted at the time of making thereof by the donor or maker as being for certain specified purposes inconsistent with the application thereof to the payments due under the Loan Agreement or not subject to pledge, and any income derived therefrom to the extent required by such designation or restriction, are excluded from Gross Revenues.

The Loan Agreement provides that the existence of such pledge of Gross Revenues shall not prevent the expenditure, deposit or commingling thereof by the School so long as there is no Event of Default under the Loan Agreement. The Loan Agreement further provides, however, that if an Event of Default under the Loan Agreement shall have occurred, any Gross Revenues then on hand and not yet commingled with other funds of the School, and any Gross Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred to the Trustee to the extent necessary for the purpose of making any payments or deposits required under the Loan Agreement or under the Indenture.

Limitations on Enforceability

Enforcement of a claim for payment of the principal of or interest on the Series 2017 Bonds and the ability of the Issuer and the Trustee to exercise rights under the Indenture and the Loan Agreement may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles related to or affecting the enforcement of creditors’ rights. In addition, the enforcement of certain rights and remedies under such documents may be limited or impaired under certain circumstances and the lien granted by the School on its Gross Revenues may be limited or impaired under certain circumstances. See “CERTAIN BONDHOLDERS’ RISKS – Potential Effects of Bankruptcy” and “– Limitations on Security Interest” herein.

Additional Bonds and Other Parity Indebtedness

The Issuer may issue additional bonds under the Indenture which may be equally and ratably secured under the Indenture with the Series 2017 Bonds. In addition, under the Loan Agreement, the School is permitted to incur additional indebtedness which may, under certain circumstances, be secured by liens on the Gross Revenues ranking on a parity with the lien granted by the School to secure its obligations in respect of the Series 2017 Bonds.

In order for such additional bonds and other parity indebtedness to be issued, the School must satisfy certain conditions as set forth in the Indenture and the Loan Agreement. See “THE LOAN AGREEMENT – Additional Indebtedness” and “THE INDENTURE – Additional Bonds” in Appendix C hereto.

CERTAIN BONDHOLDERS' RISKS

The Series 2017 Bonds constitute limited obligations of the Issuer and are payable solely from the payments to be made by the School pursuant to the Loan Agreement and, to the extent provided therein, moneys on deposit in certain funds and accounts created under the Indenture. Future revenues and expenses of the School are subject to change and no representation can be made or assurance given that the School will be able to generate sufficient revenues to meet its obligations, including its obligations under the Loan Agreement. The paragraphs below discuss certain Bondholders' risks but are not intended to be a complete enumeration of all of the risks associated with the Series 2017 Bonds and the School. The Issuer has not made any independent investigation of the extent to which any of these risk factors may have an adverse impact on the revenues of the School.

General. There are a number of factors affecting private educational institutions, including the School, that could have an adverse effect on the School's financial position and its ability to make the payments required under the Loan Agreement. These factors include a possible decline in the number of children in pre-school programs or students in grades kindergarten through twelve in the region served by the School, and a possible decline in attendance by that group in independent college preparatory schools; competition with other educational institutions; economic downturns; the failure to increase the funds obtained by the School from other sources, including general donor contributions; increasing costs of compliance with, or changes in, federal or state laws or regulations, including laws and regulations with regard to accommodating individuals with disabilities; and future legislation and regulatory, judicial or administrative decisions affecting educational institutions and their exemption from various taxes, including real estate taxes.

Potential Effects of Bankruptcy. If the School were to file a petition for relief under the United States Bankruptcy Code (or if such a petition were filed against the School), its revenues and certain of its accounts receivable and other property acquired after the filing would not be subject to the security interest granted under the Loan Agreement. The filing would operate as an automatic stay of the commencement or continuation of most judicial or other proceedings against the School and its property, and as an automatic stay of any act or proceeding to enforce a lien on its property. If the bankruptcy court so ordered, the School's property, including its Gross Revenues, could be used for the benefit of the School despite the claims of its creditors (including the Trustee acting on behalf of the Series 2017 Bondholders).

In the event of a bankruptcy proceeding involving the School, the Trustee could be treated under the United States Bankruptcy Code as the holder of a secured claim to the extent provided in the Loan Agreement. Among other things, the potential effects of a bankruptcy of the School could be to delay substantially the enforcement of remedies otherwise available to the Trustee and to allow the bankruptcy court, under certain circumstances, (a) to substitute other assets of the School for Gross Revenues under the Loan Agreement, (b) to sell all or part of the Gross Revenues under the Loan Agreement without application of the proceeds thereof to the payment of the Series 2017 Bonds, (c) to subordinate the rights and liens securing the Series 2017 Bonds to any borrowing approved by the bankruptcy court, (d) to permit the School to cure defaults under the Loan Agreement, (e) to compel termination of the Loan Agreement by payment of an amount determined by the bankruptcy court to be the value of the collateral thereunder (even though less than the principal amount of the Series 2017 Bonds outstanding) or (f) to modify the terms of or payments due under the Loan Agreement.

In a bankruptcy proceeding, the School could file a plan for the adjustment of its debts which modifies, under certain circumstances, the rights of creditors generally or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. Except as

described below, no plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder.

Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds, among other things, that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Such an approved plan could limit recoveries by the Bondholders and/or reduce the collateral pledged as security therefor.

Limitations on Security Interest. The security interest in the Gross Revenues may not be perfected with respect to items comprising Gross Revenues which are in the form of cash and negotiable instruments not in the possession of the Trustee. In addition, certain interests and claims of others may be on a parity with or prior to such security interests, and certain statutes and other provisions may limit the right of the School to grant such security interests. Examples of such claims, interests and provisions include, without limitation, (a) statutory liens, (b) rights arising in favor of the United States of America or any agency thereof, (c) prohibitions against assignment contained in federal statutes, (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) federal bankruptcy laws affecting amounts earned by the School after institution of bankruptcy proceedings by the School, (f) rights of third parties in Gross Revenues not in the possession of the Trustee, including those converted to cash, where a security interest in those Gross Revenues can only be perfected by possession, and (g) the requirement that appropriate continuation statements be filed in accordance with the Maryland Uniform Commercial Code from time to time in effect.

Enforceability of Remedies. The Series 2017 Bonds are secured by the Indenture and the Loan Agreement, which provide for the grant of a first priority security interest in the Gross Revenues of the School, subject to certain permitted encumbrances. The practical realization of value from the Gross Revenues upon any default will depend upon the exercise of various remedies specified by the Indenture and the Loan Agreement. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay. In addition, the rights and the remedies of the owners of the Series 2017 Bonds are subject to various provisions of the United States Bankruptcy Code, as mentioned above.

State and Federal Legislation. Legislation has been proposed in the past, and may be proposed again in the future, to limit the use of tax-exempt bonds to finance educational facilities. Any such limitation could reduce the School's ability to finance its future capital needs. The effect on the School of proposed laws and regulations and of future changes in federal and state laws and policies cannot be fully or accurately determined at this time.

Competition. The School competes for qualified applicants with many other independent college preparatory schools as well as other private and public schools for students in grades pre-kindergarten through twelve. See "Tuition Rates and Competition" in Appendix A hereto.

Covenant to Maintain Exempt Status of the Series 2017 Bonds. The tax-exempt status of the Series 2017 Bonds is based on the continued compliance by the Issuer and the School with certain covenants contained in the Indenture, the Loan Agreement and the tax certificate executed by the Issuer and the School. These covenants relate generally to restrictions on the use of facilities financed or refinanced with proceeds of the Series 2017 Bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with the proceeds of the Series 2017 Bonds and maintenance of the School's tax exemption under Section

501(c)(3) of the Code. Failure to comply with such covenants could cause interest on the Series 2017 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds or as of some later date.

Other Risk Factors. In the future, the following factors, among others, may adversely affect the operations of the School to an extent that cannot be determined at this time: (a) employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs, (b) increased costs and decreased availability of public liability insurance, (c) changes in the demand for education at an independent college preparatory school, (d) cost and availability of energy, (e) high interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures, (f) the occurrence of natural disasters, including floods and hurricanes, which might damage the facilities of the School, interrupt service to such facilities or otherwise impair the operation and ability of such facilities to produce revenue, (g) loss of academic accreditation and membership status of the School, (h) a decrease in funds or other aid that permits many students the opportunity to pursue an education at an independent college preparatory school, (i) an increase in the cost of health benefits, retirement plans and other benefit packages offered by the School to its employees, or (j) changes in management, personnel or the administration of the School, or in the School's strategic focus, that result in a reduction in enrollment demand or negative effects on operating costs and service delivery, increased competition from other institutions which may offer similar academic programs or may recruit similar students, and that may result in reduced enrollments and reduced School revenues.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Series 2017 Bonds, and the Issuer will not provide any such information. The School has undertaken all responsibilities for any continuing disclosure to Series 2017 Bondholders as described below, and the Issuer shall have no liability to Series 2017 Bondholders or any other person with respect to such disclosures.

The School will undertake in a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") between the School and U.S. Bank National Association, as dissemination agent, to comply with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), by providing certain annual financial information and operating data and event notices required by the Rule. Such information is to be filed with the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board. Such undertaking requires the School to provide only limited information at specified times.

In the event of any failure of the School to provide the required continuing disclosure, any bondholder may bring an action seeking specific performance of the School's obligations to provide continuing disclosure. No assurance can be given as to the outcome of any such proceeding.

Failure by the School to comply with the continuing disclosure obligations in the Continuing Disclosure Agreement will not be an "Event of Default" under the Loan Agreement, the Indenture or under any other document related to the issuance of the Series 2017 Bonds, and the sole and exclusive remedy for such failure shall be an action brought by or on behalf of the holders of the Series 2017 Bonds to compel specific performance of the School's continuing disclosure obligations, as described above.

The proposed form of Continuing Disclosure Agreement is attached hereto as Appendix E.

The School entered into a similar continuing disclosure agreement in the past (the "Prior Disclosure Agreement") in connection with the 2006 Bonds. While the School made annual filings of

financial and operating information in accordance with the Rule and the Prior Disclosure Agreement during the five years preceding the date of this Official Statement, the report for the Fiscal Year ended June 30, 2012 was filed approximately eight months after the filing deadline and the School did not timely file a notice in regard to such late filing. In addition, the reports filed during each of the last five years omitted a management discussion with respect to the School's financial performance as required under the Prior Disclosure Agreement. The School has updated its EMMA filings to include a management discussion with regard to the Fiscal Year Ended June 30, 2016.

The School will update their internal procedures to help ensure that all future filings are completed on a timely basis in accordance with the Rule.

ABSENCE OF LITIGATION

There is no litigation of any nature pending or threatened against the Issuer at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the Series 2017 Bonds, or in any way contesting or affecting the validity of the Series 2017 Bonds, any proceedings of the Issuer taken with respect to the issuance or sale thereof, the pledge or application of any money or the security provided for the payment of the Series 2017 Bonds, or the existence or powers of the Issuer.

There is no litigation of any nature pending or, to the knowledge of the School, threatened against the School at the date of this Official Statement which, if decided against the School, would materially adversely affect the validity of the Loan Agreement or the financial condition or operations of the School.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2017 Bonds will be approved by Whiteford, Taylor & Preston L.L.P., Baltimore, Maryland, Bond Counsel. A signed copy of the opinion of Bond Counsel, dated the date of original delivery of the Series 2017 Bonds, substantially in the form set forth in Appendix D hereto, will be delivered at the time of original delivery of the Series 2017 Bonds. Certain legal matters will be passed upon for the Issuer by Barbara Curdin Kountz, Esquire, Assistant Attorney General; for the School by its counsel, Miles & Stockbridge P.C., Baltimore, Maryland; and for the Underwriter by its counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania.

THE TRUSTEE

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties which are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the Series 2017 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the tax-exempt status of the interest on the Series 2017 Bonds. The Trustee has relied upon the opinion of Bond Counsel for the validity and tax-exempt status of the interest on the Series 2017 Bonds. The Indenture expressly provides that the Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith in reliance upon an opinion of counsel.

Under the terms of the Indenture, the Trustee is liable only for those damages caused by its gross negligence or willful misconduct. Under the Indenture, the Trustee shall not be deemed to have notice of an Event of Default described in items (d), (e) or (f) under the heading "THE INDENTURE — Events of Default and Remedies" in Appendix C hereto unless the Trustee has been notified of such Event of Default by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Series 2017 Bonds then Outstanding. All notices or other instruments required by the Indenture to be delivered to the Trustee must be delivered to the designated corporate trust agency office of the Trustee. The

summary of the Trustee's rights, duties, obligations and immunities contained herein is not intended to be a complete summary, and reference must be made to the Indenture for a complete statement of the Trustee's rights, duties, obligations and immunities.

Except for this Section entitled "THE TRUSTEE", the Trustee has neither reviewed nor participated in the preparation of this Official Statement.

LIMITED OBLIGATIONS OF ISSUER; STATE NOT LIABLE ON SERIES 2017 BONDS

THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE LIMITED OBLIGATIONS OF THE ISSUER. THE PRINCIPAL OF, THE INTEREST ON, AND THE REDEMPTION PRICE OF THE SERIES 2017 BONDS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES OR OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. THE SERIES 2017 BONDS, THE INTEREST THEREON AND THE REDEMPTION PRICE THEREOF ARE NOT DEBTS OR CHARGES AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE, THE DEPARTMENT, THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND MAY NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE STATE, THE DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY. THE SERIES 2017 BONDS ARE NOT A DEBT TO WHICH THE FAITH AND CREDIT OF THE STATE, THE DEPARTMENT, THE ISSUER, OR ANY OTHER PUBLIC BODY IS PLEDGED. THE ISSUER HAS NO TAXING POWER.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Whiteford, Taylor & Preston L.L.P., as Bond Counsel to the Issuer, will render an opinion when the Series 2017 Bonds are delivered to the effect that, under current law, interest on the Series 2017 Bonds is excludable from gross income for purposes of federal income taxation and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Furthermore, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Internal Revenue Code of 1986, as amended (the "Code")), interest on the Series 2017 Bonds must be included in computing adjusted current earnings.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Series 2017 Bonds.

Bond Counsel's opinion speaks as of its date, is based on the Code and other current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Series 2017 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Issuer or the School or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The Issuer and the School have covenanted, however, to comply with the requirements of the Code.

In delivering its opinion regarding the Series 2017 Bonds, Bond Counsel is relying upon (i) certifications of representatives of the Issuer, the School and other parties as to facts material to the

opinion, which Bond Counsel has not independently verified, and (ii) the opinion of counsel to the School that the School is an organization described in Section 501(c)(3) of the Code and is not a “private foundation” as defined in Section 509(a) of the Code.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the Issuer and the School. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2017 Bonds in order for interest on the Series 2017 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, the requirement that the School maintain its status as an organization described in Section 501(c)(3) of the Code, restrictions on the use, expenditure and investment of the proceeds of the Series 2017 Bonds and the use of the property financed or refinanced by the Series 2017 Bonds, limitations on the source of the payment of and the security for the Series 2017 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2017 Bonds to the United States Treasury. The Indenture, the Loan Agreement, and the Tax Certificate and Compliance Agreement relating to the Series 2017 Bonds, dated as of the date of issuance of the Series 2017 Bonds (the “Tax Agreement”), between the Issuer and the School, contain substantially identical covenants for the benefit of the owners of the Series 2017 Bonds (the “Covenants”) under which the Issuer and the School have agreed to comply with such requirements. Failure by the Issuer or the School to comply with their respective Covenants could cause interest on the Series 2017 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2017 Bonds from becoming includable in gross income for federal income tax purposes. Compliance by the Issuer with its respective Covenants does not require the Issuer to make any financial contribution for which it does not receive funds from the School.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2017 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Indenture, the Loan Agreement, and the Tax Agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2017 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Series 2017 Bonds over the initial public offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such maturity is sold constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Series 2017 Bonds for federal income tax purposes. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that a holder’s adjustable basis for purposes of determining a holder’s gain or loss on disposition of the Series 2017 Bonds with original issue discount (the “OID Series 2017 Bonds”) will be increased by such amount. In addition, original issue discount that accrues in each year to an owner of an OID Series 2017 Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed below. Consequently, owners of any OID Series 2017 Bond should be aware

that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner of such OID Series 2017 Bond has not received cash attributable to such original issue discount in such year.

Owners of OID Series 2017 Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such OID Series 2017 Bonds, other tax consequences of owning OID Series 2017 Bonds and other state and local tax consequences of holding such OID Series 2017 Bonds.

Original Issue Premium

The excess, if any, of the tax basis of any maturity of the Series 2017 Bonds to a purchaser (other than a purchaser who holds such Series 2017 Bonds as inventory, stock in trade or for the sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” Bond premium is amortized over the term of the Series 2017 Bonds for federal income tax purposes (or in the case of a Bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such obligation). Owners of such Series 2017 Bonds are required to decrease their adjusted basis in such Series 2017 Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2017 Bonds are held. The amortizable bond premium on such Series 2017 Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Series 2017 Bonds.

Owners of the Series 2017 Bonds with bond premium should consult their personal tax advisors with respect to all matters relating to such premium.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2017 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Series 2017 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2017 Bonds.

Prospective purchasers of the Series 2017 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2017 Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Series 2017 Bonds, the IRS will, under its current procedures, treat the Issuer as the taxpayer. As such, the beneficial owners of the Series 2017 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including, but not limited to, the selection of the Series 2017 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2017 Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2017 Bonds, regulatory interpretation of the Code or actions by a court involving either the Series 2017 Bonds or other tax-exempt obligations will not have an adverse effect on (1) the federal or state tax status of the Series 2017 Bonds, (2) the marketability or market price of the Series 2017 Bonds or (3) the economic value of the tax-exempt status of the interest on the Series 2017 Bonds.

Prospective purchasers of the Series 2017 Bonds should consult their personal tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – Maryland Income Tax Consequences

In the opinion of Bond Counsel, by the terms of the Act, the principal amount of the Series 2017 Bonds, the interest payable thereon, their transfer, and any income derived therefrom, including any profit realized from the sale or exchange thereof, is and shall remain exempt from taxation by the State of Maryland, and by its several counties and municipalities under existing law, but the terms of the Act do not expressly refer to estate or inheritance taxes or any other taxes not levied directly on the Series 2017 Bonds, the interest thereon, their transfer, or the income therefrom and no opinion is expressed with respect thereto.

Interest on the Series 2017 Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. All purchasers of the Series 2017 Bonds should consult their tax advisors regarding the taxable status of the Series 2017 Bonds in a particular state or local jurisdiction other than the State of Maryland.

The proposed form of Bond Counsel's approving opinion is attached hereto as Appendix D.

RATING

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned the Series 2017 Bonds a rating of "A-" with a stable outlook. The rating and outlook reflect only

the views of such organization and an explanation of the significance of such rating and outlook may be obtained from S&P. There is no assurance that the rating or the outlook will continue for any given period of time or raised, lowered or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the price at which the Series 2017 Bonds may be resold. Neither the Issuer nor the Underwriter has assumed any responsibility to advise the holders of the Series 2017 Bonds of any change in any rating on the Series 2017 Bonds or to maintain any particular rating on the Series 2017 Bonds.

FINANCIAL STATEMENTS

The financial statements of the School for the fiscal years ended June 30, 2016 and June 30, 2015 included in Appendix B to this Official Statement have been audited by RSM US LLP, independent auditors, as stated in their report appearing in Appendix B.

UNDERWRITING

The Series 2017 Bonds are being purchased at an aggregate price of \$6,529,441.25 by George K. Baum & Company (the “Underwriter”), for reoffering to the public. Such purchase price reflects net original issue discount of \$7,708.75 and an underwriter’s discount of \$32,850.00. The School has agreed to indemnify the Underwriter against certain liabilities under the federal securities laws in connection with the offering and sale of the Series 2017 Bonds. The initial public offering prices set forth on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Series 2017 Bonds to the public, and the Series 2017 Bonds may be offered and sold to other dealers (including for purposes of deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the inside front cover page of this Official Statement.

CERTAIN RELATIONSHIPS

Miles & Stockbridge P.C., which is acting as counsel to the School in connection with the issuance of the Series 2017 Bonds, has previously acted as bond counsel to the Issuer in connection with the issuance of unrelated issues of revenue bonds.

MISCELLANEOUS

The foregoing summaries of the provisions of the Series 2017 Bonds, the Indenture and the Loan Agreement, summaries of documents as set forth in Appendix C to this Official Statement, and all other summaries and references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents relating to such matters, copies of which will be furnished by the School upon request. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

The Issuer assumes no responsibility for the accuracy or completeness of information in this Official Statement other than in the section “THE ISSUER” and information with respect to the Issuer under the heading “ABSENCE OF LITIGATION.”

Except for the Section entitled “THE TRUSTEE”, the Trustee has neither reviewed nor participated in the preparation of this Official Statement.

Appendices A, B, C, D and E attached to this Official Statement are hereby expressly incorporated herein as a part hereof.

This Official Statement has been duly approved by the Issuer and the School, and the Issuer and the School have authorized its distribution in connection with the offering and sale of the Series 2017 Bonds. This Official Statement is not to be construed as a contract or agreement between the Issuer or the School and the purchasers or holders of any of the Series 2017 Bonds.

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APPENDIX A

CERTAIN INFORMATION REGARDING GARRISON FOREST SCHOOL, INCORPORATED

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APPENDIX A

CERTAIN INFORMATION REGARDING GARRISON FOREST SCHOOL, INCORPORATED

GENERAL DESCRIPTION

Garrison Forest School (“GFS” or the “School”) is a college preparatory school, located in Owings Mills, Maryland, a suburb of Baltimore. The School is primarily a day school serving girls. It offers Kindergarten through Twelfth Grade for girls, as well as a co-ed program for two-year olds through pre-kindergarten. The regional, national, and international residential program is offered to girls in Eighth through Twelfth Grades. For the 2016-17 school year, total enrollment was 576 students across three divisions: the Lower Division (preschool and elementary grades), Middle School (Sixth through Eighth Grades), and Upper School (Ninth through Twelfth Grades). The School averages approximately 70+ residential students per year.

GFS was founded in 1910 and Mary Moncrieffe Livingston was the first Head of School. Ms. Livingston adopted the motto “*Esse Quam Videri*” - “To Be Rather Than To Seem”. Over 100 years later, the School feels that those words continue to encourage students to be who they are, not who they think others want them to be.



Hathaway Fine and Performing Arts Center

ACCREDITATIONS

GFS is jointly accredited by:

- The Middle States Association of Colleges and Secondary Schools, and
- The Association of Independent Maryland Schools.

This joint accreditation was most recently provided on May 1, 2008 for a period ending May 1, 2018 when the School expects it to be renewed.

GFS also holds a Certificate of Approval from the Maryland State Department of Education.

MISSION AND CORE VALUES

Mission Statement – The School prepares its students in and out of the classroom to thrive in a complex, changing world by challenging them to strive for academic excellence and to grow into informed, independent, and creative thinkers; cultivating an authentic and resilient sense of self, grounded in respect and integrity; creating a diverse and inclusive community built on a spirit of caring; inspiring young women to lead and to serve with passion, purpose, and joy.

Statement of Respect - The GFS community is deeply committed to equity, honesty, kindness, and respect as part of the educational experience. To this end, GFS celebrates diversity both within the community and the curriculum; is concerned for the well-being of all people; seeks to build the self-esteem of all people; and aspires to promote the understanding of all people.

LOCATION AND FACILITIES

The diagram below provides a view of campus. During the past 15 years, the Athletic Center, Fine & Performing Arts Center, Middle School and Equestrian Center have all undergone renovation or new construction.



Located on 110 acres in the affluent suburb of Owings Mills, Maryland, outside Baltimore, the School's park-like campus offers collegiate-quality academic, athletic, arts, residential, and student facilities. There are 32 buildings on the GFS campus totaling 357,000 square feet. The number of buildings and their use are listed below:

- Academic (9)
- Administrative (1)
- Athletic (3)
- Chapel (1)
- Daycare (1)
- Equestrian (3)
- Facilities (3)
- Faculty Residences (6)
- Libraries (2), and
- Student Dormitories (3)

Two campus libraries serve the entire School community. Access to School-wide online databases is available from the library and remotely from student homes. The Elizabeth B. Searle '74 Athletic Center houses three full-sized basketball courts that are used for a variety of sports including basketball, badminton, and field hockey; an elevated two-lane running track; a fitness center; a dance studio; locker rooms and a training room.



Robinswood - Faculty Housing



Walkway between Library and Upper School



Preschool Building



Equestrian Paddock

GOVERNANCE

Garrison Forest School, Incorporated is governed by a Board of Trustees consisting of no more than 32 members. Trustees serve a term of four years and no Trustee who has served two consecutive terms of four years each may be eligible for re-election until at least one year has elapsed from the end of the second term. Terms of trustees are staggered into four classes so that only one class of Trustees will be elected every year at the annual meeting of Trustees.

BOARD OF TRUSTEES

TRUSTEE	AREA OF EXPERTISE	PRIMARY RESIDENCE
Catherine Y. Jackson '83 <i>President</i>	Financial Services	New York
Carroll Dawbarn '64 <i>Vice President</i>	Law	Virginia
Helen Zinreich Shafer '93 <i>Vice President</i>	Education	Maryland
Amabel Boyce James '70 <i>Treasurer</i>	Financial Services	New York
Robert S. Brennen <i>Secretary</i>	Law	Maryland
Emily Gardner Baratta '88	Fundraising	Maryland
Cassandra Naylor Brooks '85	Fundraising	Maryland
Kimberly Hubbard Cashman '85	Fundraising	Maryland
August J. Chiasera	Financial Services	Maryland
Diana Warfield Daly '74	Fundraising	Maryland
David M. DiPietro	Financial Services	Maryland
Kimberly W. Gordon	Law	Maryland
Molly Mundy Hathaway '61	Fundraising	Maryland
Timothy W. Hathaway	Financial Services	Maryland
Elisabeth Owen Hayes '81	Fundraising/Marketing	Maryland
Sarah LeBrun Ingram '84	Athletics/Equestrian	Tennessee
Lila Boyce Lohr '63	Education	Maryland
Peter D. Maller	Financial Services	Maryland
Robyne O. McCullough '07	TV/Journalism	Maryland
Jeffrey F. Musgrove	Financial Services	Maryland
C. Ashton Newhall	Financial Services	Maryland
William M. Parrish	Healthcare/Doctor	Pennsylvania
Karan H. Powell	Education (online)	West Virginia
Frances Russell Rockwell '68	Fundraising	Maryland
Elizabeth B. Searle '74	Fundraising	Colorado
William B. Spire	Financial Services	Pennsylvania
William L. Yerman	Real Estate Law	Maryland
Jianguang Zhao	Financial Services	China

CONFLICT OF INTEREST POLICY

The School has a conflict of interest policy pursuant to the Bylaws which requires that no Trustee may cast a vote on any issue that may directly or indirectly benefit that individual. In addition, a Trustee must fully disclose any direct or indirect benefit that may result from an action of the Board.

ADMINISTRATION

On February 22, 2017, GFS announced that Dr. Kim Roberts, Head of School, would resign at the end of the 2016-17 school year. Lila Boyce Lohr '63 (brief biography provided below), an experienced independent school interim head, begins her tenure as Interim Head of School on July 1, 2017.

The Board has begun its search for GFS' 11th Head of School under the direction of a Search Committee. To help guide the recruitment process, the Board also hired Carney, Sandoe & Associates, a national educational search firm.

Lila Boyce Lohr '63, Interim Head of School for 2017-18, is one of the country's most respected independent school leaders and has been a highly-sought-after interim head for independent schools, having served in this capacity for schools which include Friends Schools of Baltimore (MD), Princeton Day School (NJ), Indian Creek School (MD), St. Paul's School for Girls (MD) and San Francisco's Katherine Delmar Burke School and Town School for Boys (CA). Ms. Lohr is a graduate of Vassar College (NY) who holds a M.Ed. from Goucher College (MD). She was a member of the faculty of the Bryn Mawr School for 15 years before becoming Head of School for St. Paul's School for Girls (MD) and then Princeton Day School (NJ). She has published widely and is the past president of the Association of Independent Maryland Schools and former vice president of the National Association of Principals of Schools for Girls.

William S. Hodgetts, Assistant Head of School for Finance and Operations, has been employed by GFS for over 27 years. He began as the Business Manager, became the Assistant Head in 1996, and has been responsible for the School's financial management and the construction and operation of facilities. Prior to joining GFS, Mr. Hodgetts was a partner in a construction company that renovated residential units in several historic areas of Baltimore and was also employed by the Rouse Company. He is a founding member of the National Business Officers Association and is active in a number of local, state, and national organizations focusing on the business of independent education. Mr. Hodgetts has a B.A. from SUNY, Buffalo, and an A.M. from the University of Chicago. Mr. Hodgetts announced in January 2017 that he had accepted a new position geographically near his new residence and would conclude his 27 years of service to GFS at the end of the 2016-2017 school year on June 30, 2017. The Board has commissioned a search for his replacement which is expected to conclude in the near future.

Stacy A. Mohn joined GFS in 2002 as **Controller**. For the past 15 years, she has been responsible for overseeing the day-to-day operations of the School's Business Office. Prior to joining GFS, she was a Controller of a regional investment banking firm in Silver Spring, MD. Ms. Mohn is a graduate of the University of Maryland University College and is a licensed CPA in the State of Maryland. On June 30, 2017, for school year 2017-18, she will move into the role of **Interim Director of Finance and Operations**.

Alison Greer is the **Director of Admissions**. She has spent 25 years in education. A graduate of Wellesley College (MA) with a master's degree from Johns Hopkins University (MD), Alison has held admissions and administrative positions at GFS, Harvard Business School (MA), Wellesley College and York Country Day School (PA). She served as Assistant and Associate Director of Admission at GFS from 1992-2000 and then returned in 2014 as the Director of Admissions. Ms. Greer resides on the GFS campus and serves as a Residential Life Faculty member.

Deanna Gamber Urner '85, a graduate of GFS, returned as **Director of Advancement** after 12 years in the development field. She became Director of Advancement for the 2016-17 academic year, with overall responsibility for the Admission and Development offices. She was previously employed by St. Paul's School (MD) in Alumni Relations and Special Events and served as Director of Major Gifts for Gilman School (MD). She also held a position as Director of Development for The Maryland Zoo in Baltimore. She holds a B.A. in International Relations and Political Science from Simmons College (MA).

Janet R. Havlik is currently the **Dean of Students**. She joined the GFS faculty in 1974 and taught Latin in the Middle and Upper Schools until 1983. She has also been a member of the faculty at St. Timothy's School (MD), and Old Mill High School in Anne Arundel County Public Schools (MD). After earning her B.A. in Ancient Studies with a concentration in Latin and minor in Education, she earned an M.A. in Education, with a concentration in English as a Second Language. She returned to GFS in 1996 as both a Latin and ESL teacher. Ms. Havlik became Dean of Students in 2007. Ms. Havlik will be retiring after the 2016-17 school year as of June 30, 2017.

Nina R. Candia has been appointed incoming **Dean of Students** for the 2017-2018 school year. Ms. Candia brings a wealth of experience from the Madeira School (VA) where she has been a member of the faculty since 2010 and had also served as the Lead Diversity Practitioner and Lead Advisor. Ms. Candia also served as a Judiciary Committee Member, Club Sponsor and Dorm Faculty. Her prior experience includes Computer Lab Director at The Literary Council of Prince Georges County; and President and Founder of a children's book buying service. Ms. Candia has taught English at the University of Maryland, College Park and the Academic Achievement Programs, College Park. She a Bachelor of Arts from Barnard College, Columbia University (NY), and MA in Literature from Georgetown University (DC).

Gail Hutton is **Head of Lower School**. She joined the GFS community in 2004. She was appointed Director of Lower School Curriculum in 2014. In 2015 she became Interim Head of Lower School, and was subsequently appointed Head of Lower School in the same year. She received her B.A. from Ohio Wesleyan University, a M.A. from Middlebury College (VT), and a M.Ed. from Loyola University of Maryland. She received her certificate of advanced study in Independent School Leadership from Johns Hopkins University (MD) in 2017. She has over 25 years of teaching experience and maintains her certification as a Reading Specialist and Clinician.

Elizabeth B. Andrews joined GFS in 2000 as Head of the Lower Division. She is currently the **Head of Preschool**. In that role, she oversees the programs of the youngest students on campus. In addition, Ms. Andrews is responsible for the School's on-campus Faculty Daycare, which includes infants through three-year-olds. After majoring in Sociology and Education at Hollins College, Ms. Andrews received Masters degrees in Reading and Counseling from The Johns Hopkins University and in Early Childhood Education from Towson University. She began her teaching career at Southern High School in Baltimore and was later a member of Towson University faculty. Her prior experience also includes editor of a newsletter for Baltimore City's Gifted and Talented Program, tutor and administrator for a reading clinic, Pre-First classroom teacher and teacher at Villa Julie College (now Stevenson University) (MD). Before coming to GFS, she spent nine years as Director of Good Shepherd Preschool in Ruxton, Baltimore County, Maryland. Ms. Andrews will be retiring at the end of the 2016-17 school year.

Jamie B. Roeder has been the Executive Director of Fallston Community Prekindergarten since 2012, and is replacing Ms. Andrews as **Head of Preschool**. In her prior role, Ms. Roeder provided leadership and direction in executing all activities for the development, implementation and evaluation of prekindergarten educational programs. She oversaw teachers and created and maintained positive relationships between the preschool and the community. Prior to Fallston, she was the Vacation Bible School Camp Director at Porcupine Presbyterian Church. She has over 9 years of teaching experience, and has taught at Fullerton Elementary School (MD), The Calvert School (MD), Salem Lutheran Children's Center (MD) and The Montessori School (MD). Ms. Roeder received her Masters of Education from Towson University (MD) and her Bachelor of Science from Villa Julie College (now Stevenson University) (MD).

Felicia Wilks has been **Head of Upper School** since 2015. From 2010 to 2015, she was the Director of Diversity and a member of the leadership team at Friends School of Baltimore. She chaired the Upper School English Department at the school from 2007 to 2010 and directed its Middle Grades Partnership Project from 2006 to 2010. While at Friends, Ms. Wilks spoke nationally on topics related to diversity in education and served on committees for the National Association of Independent Schools and the Association of Independent Maryland and DC Schools. Earlier, she taught at Catonsville Educational Center and Baltimore City Community College in Maryland, and at Paul Robeson High School in Brooklyn, NY. Ms. Wilks holds a bachelor's degree in African American Studies from Columbia University and a master's degree in writing from Johns Hopkins University. Ms. Wilks will be leaving at the end of 2016 – 17 to become Head of the Upper School at Lakeside School in Seattle.

Reema P. Khanchandani has been appointed the 2017-18 **Interim Head of the Upper School**. She has been with GFS since 2011 as a Science Teacher and Department Chair for Science in the Upper School. Ms. Khanchandani has a Bachelor of Arts, in Biology with a minor in Chemistry from Goucher College (MD) and attended lectures on microbiology at Massey University in Palmerston North, New Zealand. She was a Chemistry Workshop Facilitator, Organic Chemistry I Supplemental Instructor for the Academic Center for Excellence and Chemistry Department, Goucher College.

FACULTY AND STAFF

The School employs 71 full-time faculty members, 76 percent of which have graduate degrees. The student to teacher ratio is 7.1 students for every full-time teacher.

EMPLOYEE BENEFITS

A Preferred Provider Organization (PPO) and a High Deductible Health plan are available through United Healthcare Medical Insurance. Dental and Vision plans are also available. The school pays 90 percent of the individual employee's premium, 50 percent of the employee's portion of the employee/children premium, or 50 percent of a family or employee/partner premium for each eligible employee who purchases his/her insurance through the School's plan. Life Insurance and Accidental Death and Dismemberment Insurance are provided to eligible employees at no cost to employees after 90 days.

The School operates a defined contribution pension plan. All employees can begin contributing a portion of their salary to a tax-deferred annuity plan on a pre-tax basis upon the commencement of their service.

THE ACADEMIC PROGRAM

Preschool (Parent-Toddler through Pre-Kindergarten, Co-educational)

Beginning with two- and three-year-olds, GFS provides young children with an introduction to school that is designed to nurture their innate curiosity and stimulates their social, emotional, and cognitive development.

The lead teachers have an average tenure of over 10 years and an average of over 20 years teaching young children. The average student-to-faculty ratio at the Preschool is 6:1. Beginning with three-year-olds, science classes in a Science lab, music classes in a Performing Arts Center, and art classes in an art studio, with experts in their fields are available. Wireless projectors are provided in the classrooms, enabling teachers to bring outside resources to supplement and enrich the curriculum. A Lower Division counselor provides assistance to teachers, parents, and students to respond to questions relating to the development of young children.

Lower School (Kindergarten through Fifth Grades)

A spirit of inquiry, enthusiasm for learning, and cooperative spirit are evident in Kindergarten through Fifth grades at GFS. The girls are encouraged and challenged to advance in areas of maturity, interests, and ability enhancing their critical thinking, creativity, and self-expression. Approximately 97 percent of the lead teachers in Kindergarten through Fifth grades have advanced degrees in education, educational technology, reading specialist training, or a related field. With an average class size of 14 and student-to-faculty ratio of 14:1, GFS believes that the Lower School gives students an opportunity to experience personalized learning.

Middle School (Sixth through Eighth Grades)

The needs of adolescent learners guide the School's curriculum and practice, including its use of a 7-day cycle schedule to lesson plans and activities that cultivate cooperation, allow for creative expression, providing structure and clear limits.

With an average class size of 16 and a student-to-faculty ratio of 6:1, teachers are able to interact with students on an individual basis daily. The curriculum in the Middle School is exploratory with a focus on the core academic disciplines of Science, Math, English, and History.

The School offers immersion-based foreign language instruction in French, Spanish, and Latin in Seventh and Eighth Grades, technology classes in programming, media literacy, digital filmmaking, web design, and electronic portfolios and a wide array of arts classes including Music, Dance, Drama, and Fine Art.



G. Peter O'Neill Middle School

Upper School (Ninth through Twelfth Grades)

The Upper School has an average class size of 14. Thorough, individualized preparation for college and for a successful, rewarding, and meaningful life beyond is the hallmark of the Upper School experience at GFS. Special programs like the WISE Program and the Jenkins Fellowship encourage students to develop their passions, and extensive co-curricular, arts, and athletics programs bring students together to cooperate, collaborate, and compete.

The Upper School consists of an academic program that includes eleven Advanced Placement courses, including Art History and Studio Art, Calculus AB and BC, English Literature, U.S. History, Foreign Languages, and Sciences. For Juniors and Seniors, the WISE Program serves as an innovative, semester-long research and mentoring program at The Johns Hopkins University. Approximately 95 percent of Upper School students take four years of Math and 30 percent of the Seniors take AP Calculus (AB or BC) each year. Further, 94 percent of Upper School students take four years of Science, including Advanced Placement courses in Biology, Chemistry, and Environmental Science. French, Latin, and Spanish classes are available at Advanced Placement Levels and 40 percent of Upper School students advance to the highest level of a Foreign Language. In addition to higher level core and Advanced Placement curriculum, the School offers electives in Ethics, World Religions, Economics, and Peace Studies; and Computer studies electives, including Robotics, Game Design, and Advanced Computer Science.

19 Advanced Placement tests are offered at the School: Art History, Biology, Calculus AB, Calculus AB Subscore, Calculus BC, Chemistry, English Language, English Literature, Environmental Science, French Language, Latin Literature, Computer Science, Microeconomics, Physics B, Spanish Language, Studio Art (2D), Studio Art (3D), Studio Art (Drawing) and US History.

The Board of Trustees and the Administration have engaged in a generative planning process that is expected to continue to emphasize opportunities for innovative programming by expanding the School's partnership with The John Hopkins University ('Hopkins'), seeking other experiential educational opportunities for all students, broadening its focus on global education through making greater use of its international network and considering a requirement that all students have involvement in the WISE Program, and the Elsie Foster Jenkins '53 Service Program (the "Jenkins Program") and have significant involvement in community outreach through The James Center.

Special Programs

WISE program: The Women in Science and Engineering (WISE) program supports young women in pursuing an education and career in STEAM (science, technology, engineering, art/design and math) fields in which women are significantly underrepresented. GFS places talented GFS students in Hopkins labs two afternoons a week for 15 weeks of a semester. WISE students are carefully matched with a Hopkins mentor (professor or graduate student) for a semester and participate fully in the research focus of a Hopkins lab.

Jenkins Fellows: The program funds five to six GFS students to do summer community service projects around the country and globe. Since 2005 when the program began, about 70 GFS students have contributed to international and U.S. communities, with activities ranging from volunteering in orphanages to constructing buildings to chopping invasive bamboo in the Amazon rain forest and working with tribal elders in Montana.

The James Center: The goal of the James Center is to unify and support programs and experiences that prepare students to be issue-literate citizens, generative problem solvers, and action-oriented leaders. Founded in 2008, The James Center has four programmatic areas: Science, Engineering and Public Health; Civic Engagement and Service Learning; Financial Literacy, Entrepreneurship, and Philanthropy; and Pathways to Leadership. The James Center collaborates with universities and schools, non-profit agencies and community organizations throughout Baltimore and the United States to create and enhance programs.

COLLEGE ACCEPTANCES

During the last several years, GFS students have been accepted for admission at 121 different colleges and universities. The following is a list of these institutions:

Adrian College	American University	Arizona State University
Auburn University	Belmont University	Boston College
Boston University	Bridgewater College	Brown University
Bucknell University	Carnegie Mellon University	Case Western Reserve University
Chapman University	Clemson University	College of Charleston
Connecticut College	Denison University	DePaul University
Dickinson College	Drew University	East Carolina University
Eckerd College	Elizabethtown College	Elon University
Emory University	Fairleigh Dickinson University	Finlandia University
Florida Atlantic University	Florida State University	Fordham University
Furman University	George Mason University	Georgetown University
Gettysburg College	Gordon College	Goucher College
Hampton University	Haverford College	High Point University
Hobart and William Smith Colleges	Hofstra University	Howard University
Indiana University at Bloomington	Ithaca College	James Madison University
Johns Hopkins University	Lafayette College	Lake Forest College
Loyola University Maryland	Loyola University New Orleans	Lynchburg College
Macalester College	Marymount University	Massachusetts Institute of Technology
McDaniel College	Miami University, Oxford	Michigan State University
Mount St. Mary's University	New York University	North Carolina State University
Ohio Wesleyan University	Otterbein University	Pennsylvania State University
Princeton University	Queens University of Charlotte	Rhodes College
Roanoke College	Rochester Institute of Technology	Rollins College
Saint Michael's College	Salisbury University	Seton Hall University
Sewanee: The University of the South	Skidmore College	St. John's University - Queens Campus
Stevenson University	Swarthmore College	Syracuse University
Temple University	Texas A&M University	The American University of Paris
The Catholic University of America	The College of Wooster	The University of Alabama
The University of North Carolina at Chapel Hill	The University of Tampa	The University of Texas, Austin
Towson University	Trinity College	Tufts University
Tulane University	United States Naval Academy	University of California, Berkeley
University of California, Los Angeles	University of California, San Diego	University of California, Santa Barbara
University of Delaware	University of Illinois at Urbana-Champaign	University of Kentucky
University of Maine	University of Mary Washington	University of Maryland, Baltimore County
University of Maryland, College Park	University of Miami	University of Mississippi
University of New Hampshire at Durham	University of Pennsylvania	University of Pittsburgh
University of South Carolina	University of Southern California	University of Virginia
University of Wisconsin, Madison	Ursinus College	Vanderbilt University
Vassar College	Villanova University	Virginia Tech
Wake Forest University	Washington College	Washington University in St. Louis
Wesleyan University		

ADMISSIONS AND ENROLLMENT

The following table lists the aggregate number of applicants, admitted students, and matriculations for the academic years shown for all grades combined:

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018*
Applicants	282	271	280	341	228	236
Accepted	205	197	190	206	193	157
Matriculated	127	125	137	118	98	84
Total Enrollment	651	627	628	615	576	545

**2017 -2018 numbers are estimates at this time.*

The following table lists the aggregate number of enrolled students for the academic years shown for each division of the School:

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018*
Preschool	57	54	55	57	44	42
Lower School	152	148	145	143	132	114
Middle School	143	135	147	134	137	126
Upper School	299	290	281	281	263	263
Boarding	69	70	77	70	75	71
Total	651	627	628	615	576	545

**2017 – 2018 numbers are estimates at this time.*

In addition, the following table outlines the acceptance and matriculation percentages of candidates accepted, during the same period:

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018*
Acceptance Rate	73%	73%	68%	60%	85%	66%
Matriculation Rate	62%	63%	72%	57%	51%	54%

**2017 – 2018 numbers are estimates at this time.*

TUITION AND FINANCIAL AID

The tuition is set and approved annually by the Board of Trustees. Careful consideration is made to remain competitive with local and national schools and to pay for the costs established in an annual budget.

Financial Aid

The following reflects the financial aid awarded and the number of students receiving aid for the past five academic years:

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Amount Awarded	\$3,094,680	\$3,113,110	\$3,390,160	\$3,861,530	\$4,055,610
Recipients	209	209	212	241	242

Tuition Rates and Competition

The School prides itself on competitive tuition, staying affordable in comparison to other area independent schools. The following chart compares tuition rates for selected major Baltimore area independent schools for the 2016-17 school year.

School	Type	Grade 1	Grade 6	Grade 9	Grade 12
Boys' Latin School of Maryland	Boys	\$24,200	\$25,900	\$27,375	\$27,375
Bryn Mawr School	Girls	\$27,790	\$28,950	\$29,530	\$29,530
Calvert School	Co-Ed	\$22,900	\$24,500	n/a	n/a
Friends School of Baltimore	Co-Ed	\$25,480	\$27,985	\$28,650	\$28,650
Garrison Forest School	Girls	\$26,935	\$28,040	\$28,790	\$28,790
Gilman School	Boys	\$24,690	\$27,340	\$28,880	\$28,880
McDonogh School	Co-Ed	\$26,030	\$27,630	\$28,960	\$28,960
Park School	Co-Ed	\$26,070	\$27,900	\$29,620	\$29,620
Roland Park Country School	Girls	\$26,995	\$28,290	\$28,290	\$28,290
St. Paul's School	Boys	\$24,050	\$26,550	\$27,700	\$27,700
St. Paul's School for Girls	Girls	n/a	\$26,160	\$27,635	\$27,635

INVESTMENT POLICY

The Investment Committee of the Board of Trustees of the School has created an Investment Policy Statement in order to assist the Board in effectively supervising, monitoring and evaluating the investment of the School's Endowment assets. The Investment Committee establishes and regularly reviews the portfolio objectives and guidelines, reviews target asset allocation structures, implements necessary changes, hires and removes the external investment advisor, monitors investment performance and undertakes special studies as required.

The assets of the Endowment are held by a custodian and management is provided by a management fiduciary. The following asset classes were selected by the Investment Committee: domestic large capitalization equities, domestic mid-capitalization equities, domestic small capitalization equities, international equities, domestic fixed income, high yield fixed income, global fixed income, cash, hedge funds, private equity, real estate and commodities.

The annual draw for operations from the Endowment is four percent and is based on a three year rolling average as of June 30 for the prior three years.

FOUNDATION/CORPORATE GIFTS

The majority of the School's support is received through family foundations of alumnae or parents. In the case of GFS, corporative giving is exclusively for matching gift purposes. Below is an overview of gifts and pledges of non-family foundation support for the period from 2007 to 2017.

Edward C. Johnson Fund	\$3,000,000
Samuel Ready Foundation	\$1,331,967
Sheridan Foundation	\$505,000
Baltimore Educational Scholarship Trust	\$424,000
Talcott-Gran Charitable Trust	\$417,500
Edward E. Ford Foundation	\$350,000
Middendorf Foundation	\$260,000
Rollins-Luetkemeyer Foundation	\$100,000
W.P. Carey Foundation	\$65,000
Seraph Foundation	\$50,000
Thomas Wilson Foundation	\$38,500

FUNDRAISING ACTIVITIES

The last Capital Campaign, The Centennial Campaign, went from 2004-2012 and successfully achieved the goal of raising \$25 million. The campus improvements made possible through this campaign were: a Silver LEED certified Middle School, two synthetic turf fields, two faculty housing units, the expansion of the faculty daycare center, the Centennial Courtyard and renovations to several other buildings. The endowment also had a successful \$3 million challenge, three named endowed scholarships were created and an endowment was established for the James Center.

Capital and Endowment (Cash Receipts only)

Year	Total Amount
2006-07	\$3,495,649
2007-08	\$3,892,371
2008-09	\$1,628,861
2009-10	\$2,961,683
2010-11	\$2,451,098
2011-12	\$1,130,292
2012-13	\$1,737,606
2013-14	\$1,611,520
2014-15	\$1,709,402
2015-16	<u>\$1,467,968</u>
Grand Total	\$22,086,450

The Fund for Garrison (Cash Receipts only)

The Fund for Garrison (the School's annual fund) has raised over \$1 million each year since 2000.

Year	Total Amount	Overall Average Gift	Alumnae Percentage of Participation	Alumnae Average Gift	Current Parents Percentage of Participation	Parent Average Gift
2006-07	\$1,289,435	\$723	40%	\$529	82%	\$866
2007-08	\$1,375,247	\$864	40%	\$565	82%	\$756
2008-09	\$1,280,809	\$749	38%	\$545	76%	\$910
2009-10	\$1,333,940	\$853	35%	\$679	73%	\$858
2010-11	\$1,361,117	\$840	34%	\$637	76%	\$1,036
2011-12	\$1,376,400	\$864	31%	\$655	78%	\$929
2012-13	\$1,424,771	\$961	32%	\$740	70%	\$1,268
2013-14	\$1,306,060	\$876	31%	\$636	73%	\$823
2014-15	\$1,258,887	\$812	30%	\$689	73%	\$832
2015-16	<u>\$1,277,001</u>	\$879	28%	\$724	78%	\$843
Grand Total	\$13,283,667					

OUTSTANDING INDEBTEDNESS

As of June 1, 2017, the School's long-term debt had an outstanding principal balance of \$6,365,000.

See "ANNUAL DEBT SERVICE REQUIREMENTS FOR THE BONDS" in this Official Statement for the debt service schedule providing estimated interest expense and principal payments associated with the Series 2017 Bonds.

INSURANCE

The School maintains comprehensive insurance coverage. Coverage includes property, general liability, automobile, worker's compensation, excess liability, cyber risk, umbrella, educator legal liability, criminal liability, fiduciary liability, kidnap and extortion, international health, and storage tank.

LITIGATION

It is the opinion of the School that there is no litigation that is currently pending or of which the School has knowledge that will result in any material adverse impact on the School's financial condition.

FINANCIAL MATTERS

The financial information provided below has been derived from the audited financial statements of the School for the fiscal years indicated.

Garrison Forest School, Inc. Statements of Financial Position For Years Ended June 30, 2012-2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
ASSETS					
Cash and cash equivalents	\$ 3,795,843	\$ 4,609,683	\$ 5,823,312	\$ 2,346,375	\$ 3,613,705
Restricted cash (Board designated)	-	-	-	1,651,954	851,954
Promises to give, net	2,992,119	2,123,228	2,848,046	2,031,456	1,399,322
Accounts receivable, net	473,839	535,739	316,285	633,617	687,569
Beneficial interest in assets held by others	-	-	-	-	3,895,271
Remainder trusts	202,935	204,975	239,913	237,288	229,965
Investments	32,978,715	36,447,259	41,417,537	39,908,420	37,903,007
Investments restricted for long-lived assets	1,045,567	1,566,705	2,476,601	4,483,772	4,575,155
Construction-in-progress	284,966	675,281	167,445	30,316	235,352
Land, buildings, and equipment, net	28,312,335	27,253,227	27,014,320	26,421,069	25,722,545
Other assets	661,967	730,918	440,415	604,225	481,716
TO TAL ASSETS	<u>\$ 70,748,286</u>	<u>\$ 74,147,015</u>	<u>\$ 80,743,874</u>	<u>\$ 78,348,492</u>	<u>\$ 79,595,561</u>
LIABILITIES					
Line of credit	\$ 409,194	\$ 409,193	\$ 409,193	\$ 409,193	\$ 409,193
Accounts payable and accrued expenses	1,423,044	1,388,691	954,729	1,006,271	935,950
Registration fee deposits and tuition paid in advance	3,746,680	4,187,198	4,842,993	3,898,828	4,931,618
Long-term debt	9,202,265	9,191,803	9,181,341	9,057,897	8,997,710
TO TAL LIABILITIES	<u>\$ 14,781,183</u>	<u>\$ 15,176,885</u>	<u>\$ 15,388,256</u>	<u>\$ 14,372,189</u>	<u>\$ 15,274,471</u>
NET ASSETS					
Unrestricted	\$ 19,960,283	\$ 19,908,259	\$ 19,535,897	\$ 19,352,024	\$ 17,956,573
Temporarily Restricted	8,312,680	10,674,123	16,636,330	15,115,414	15,699,444
Permanently Restricted	27,694,140	28,387,748	29,183,391	29,508,865	30,665,073
TO TAL NET ASSETS	<u>\$ 55,967,103</u>	<u>\$ 58,970,130</u>	<u>\$ 65,355,618</u>	<u>\$ 63,976,303</u>	<u>\$ 64,321,090</u>
TO TAL LIABILITIES AND NET ASSETS	<u>\$ 70,748,286</u>	<u>\$ 74,147,015</u>	<u>\$ 80,743,874</u>	<u>\$ 78,348,492</u>	<u>\$ 79,595,561</u>

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Garrison Forest School, Inc.
Statements of Activities
For Years Ended June 30, 2012-2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT					
Net tuition and fees	12,846,798	13,272,219	13,374,732	13,862,849	13,348,420
Investment gain (loss), net	(5,376)	159,069	74,397	(10,111)	(27,193)
Annual giving	1,105,040	1,205,251	1,128,618	1,092,969	1,068,356
Scholarships	201,157	190,949	129,447	116,300	131,590
Auxiliary activities	1,882,206	2,092,523	2,288,747	2,260,113	2,036,799
Net assets released from restrictions	7,220,091	2,010,542	2,112,762	2,160,282	2,378,516
Change in donor intent	-	-	-	-	(353,461)
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>23,249,916</u>	<u>18,930,553</u>	<u>19,108,703</u>	<u>19,482,402</u>	<u>18,583,027</u>
UNRESTRICTED EXPENSES AND OTHER DEDUCTIONS					
Educational:					
Instruction and fees	6,351,699	6,514,371	6,535,798	6,579,280	6,950,576
Management and general	4,670,247	4,946,067	5,111,214	5,226,787	5,420,959
Plant operations and maintenance	4,348,149	3,422,825	3,586,754	3,418,677	3,441,585
Auxiliary activities	3,184,181	3,213,693	3,338,873	3,543,228	3,218,611
Fundraising	891,631	885,621	908,426	898,303	946,747
TOTAL OPERATING EXPENSES	<u>19,445,907</u>	<u>18,982,577</u>	<u>19,481,065</u>	<u>19,666,275</u>	<u>19,978,478</u>
CHANGES IN UNRESTRICTED NET ASSETS	3,804,009	(52,024)	(372,362)	(183,873)	(1,395,451)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	(6,387,152)	2,361,443	5,962,207	(1,520,916)	584,030
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	328,766	693,608	795,643	325,474	1,156,208
NET ASSETS, BEGINNING	<u>58,221,480</u>	<u>55,967,103</u>	<u>58,970,130</u>	<u>65,355,618</u>	<u>63,976,303</u>
NET ASSETS, ENDING	<u>\$ 55,967,103</u>	<u>\$ 58,970,130</u>	<u>\$ 65,355,618</u>	<u>\$ 63,976,303</u>	<u>\$ 64,321,090</u>

FY 2017: The School's Board of Trustees and Administration have begun to plan for the financial consequences resulting from lower enrollment levels and necessary future adjustments to the School's operating budgets. It is expected that fiscal year 2017 results will include a full accrual operating loss

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APPENDIX B

FINANCIAL STATEMENTS OF THE SCHOOL
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

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Garrison Forest School, Incorporated

Financial Report
June 30, 2016

Contents

Independent auditor's report	1
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Financial statements	
Statements of financial position	2
Statements of activities	3-6
Statements of cash flows	7-8
Notes to financial statements	9-23

Independent auditor's report on the supplementary information	24
---	----

Supplementary information	
Schedules of unrestricted operating expenses:	
Instruction and fees	25
Management and general	25
Plant operations and maintenance	26
Auxiliary activities	26
Schedule of changes in special school funds	27-28
Schedule of changes in endowment funds	29-30



RSM US LLP

Independent Auditor's Report

To the Board of Trustees
Garrison Forest School, Incorporated
Owings Mills, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Garrison Forest School, Incorporated (the School) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Garrison Forest School, Incorporated as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Baltimore, Maryland
October 7, 2016

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Garrison Forest School, Incorporated

**Statements of Financial Position
June 30, 2016 and 2015**

	2016	2015
Assets		
Cash and cash equivalents	\$ 3,613,705	\$ 2,346,375
Restricted cash (Board designated)	851,954	1,651,954
Promises to give, less allowance and discounts (2016 – \$166,126; 2015 – \$250,960) (Note 2)	1,399,322	2,031,456
Accounts receivable, less allowance for doubtful accounts (2016 – \$107,500; 2015 – \$107,500)	687,569	633,617
Beneficial interest in assets held in trust by others (Notes 13 and 14)	3,895,271	-
Remainder trusts (Notes 12 and 14)	229,965	237,288
Investments (Notes 6 and 14)	37,903,007	39,908,420
Investments restricted for long-lived assets (Notes 6 and 14)	4,575,155	4,483,772
Construction-in-progress	235,352	30,316
Land, buildings and equipment, net (Note 5)	25,722,545	26,421,069
Other assets	481,716	604,225
Total assets	\$ 79,595,561	\$ 78,348,492
Liabilities and Net Assets		
Liabilities:		
Line of credit (Note 8)	\$ 409,193	\$ 409,193
Accounts payable and accrued expenses (Notes 9 and 11)	935,950	1,006,271
Registration fee deposits and tuition paid in advance	4,931,618	3,898,828
Long-term debt, net (Note 7)	8,997,710	9,057,897
Total liabilities	15,274,471	14,372,189
Commitments (Notes 7, 9, 10 and 12)		
Net assets:		
Unrestricted:		
Operating	290,758	289,061
Net investment in plant	17,348,063	18,364,106
Long-term investment	317,752	698,857
Total unrestricted net assets	17,956,573	19,352,024
Temporarily restricted (Note 3)	15,699,444	15,115,414
Permanently restricted (Note 3)	30,665,073	29,508,865
Total net assets	64,321,090	63,976,303
Total liabilities and net assets	\$ 79,595,561	\$ 78,348,492

See notes to financial statements.

Garrison Forest School, Incorporated

**Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	Unrestricted			Total Unrestricted
	Operating	Net Investment in Plant	Long-Term Investment	
Revenue:				
Tuition and fees, net of student aid of \$3,905,529	\$ 13,348,420	\$ -	\$ -	\$ 13,348,420
Investment loss, net of fees (Note 6)	-	-	(27,193)	(27,193)
Annual giving	1,068,356	-	-	1,068,356
Gifts	-	-	-	-
Scholarships	131,590	-	-	131,590
Auxiliary activities	2,036,799	-	-	2,036,799
Net assets released from restrictions (Note 4)	2,344,840	33,676	-	2,378,516
Change in donor intent	-	-	(353,461)	(353,461)
Total revenue	18,930,005	33,676	(380,654)	18,583,027
Expenses:				
Educational:				
Instruction and fees	6,950,576	-	-	6,950,576
Management and general	5,420,959	-	-	5,420,959
Plant operations and maintenance	2,114,347	1,326,787	451	3,441,585
Auxiliary activities	3,218,611	-	-	3,218,611
Fundraising	946,747	-	-	946,747
Total expenses	18,651,240	1,326,787	451	19,978,478
Change in net assets before transfers	278,765	(1,293,111)	(381,105)	(1,395,451)
Transfers among funds	(277,068)	277,068	-	-
Change in net assets	1,697	(1,016,043)	(381,105)	(1,395,451)
Net assets:				
Beginning	289,061	18,364,106	698,857	19,352,024
Ending	\$ 290,758	\$ 17,348,063	\$ 317,752	\$ 17,956,573

See notes to financial statements.

Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
\$ -	\$ -	\$ 13,348,420	\$ 13,862,849
(1,405,219)	-	(1,432,412)	(253,546)
-	-	1,068,356	1,092,969
4,823,548	346,964	5,170,512	1,208,275
-	-	131,590	116,300
-	-	2,036,799	2,260,113
(2,378,516)	-	-	-
(455,783)	809,244	-	-
584,030	1,156,208	20,323,265	18,286,960
-	-	6,950,576	6,579,280
-	-	5,420,959	5,226,787
-	-	3,441,585	3,418,677
-	-	3,218,611	3,543,228
-	-	946,747	898,303
-	-	19,978,478	19,666,275
584,030	1,156,208	344,787	(1,379,315)
-	-	-	-
584,030	1,156,208	344,787	(1,379,315)
15,115,414	29,508,865	63,976,303	65,355,618
\$ 15,699,444	\$ 30,665,073	\$ 64,321,090	\$ 63,976,303

Garrison Forest School, Incorporated

**Statement of Activities
Year Ended June 30, 2015**

	Unrestricted			Total Unrestricted
	Operating	Net Investment in Plant	Long-Term Investment	
Revenue:				
Tuition and fees, net of student aid of \$3,390,159	\$ 13,862,849	\$ -	\$ -	\$ 13,862,849
Investment income, net of fees (Note 6)	-	-	(10,111)	(10,111)
Annual giving	1,092,969	-	-	1,092,969
Gifts	-	-	-	-
Scholarships	116,300	-	-	116,300
Auxiliary activities	2,260,113	-	-	2,260,113
Net assets released from restrictions (Note 4)	1,781,861	378,421	-	2,160,282
Total revenue	19,114,092	378,421	(10,111)	19,482,402
Expenses:				
Educational:				
Instruction and fees	6,579,280	-	-	6,579,280
Management and general	5,226,787	-	-	5,226,787
Plant operations and maintenance	2,115,472	1,302,803	402	3,418,677
Auxiliary activities	3,543,228	-	-	3,543,228
Fundraising	898,303	-	-	898,303
Total expenses	18,363,070	1,302,803	402	19,666,275
Change in net assets before transfers	751,022	(924,382)	(10,513)	(183,873)
Transfers among funds	(710,000)	380,000	330,000	-
Change in net assets	41,022	(544,382)	319,487	(183,873)
Net assets:				
Beginning	248,039	18,908,488	379,370	19,535,897
Ending	\$ 289,061	\$ 18,364,106	\$ 698,857	\$ 19,352,024

See notes to financial statements.

Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ -	\$ 13,862,849
(243,435)	-	(253,546)
-	-	1,092,969
882,801	325,474	1,208,275
-	-	116,300
-	-	2,260,113
(2,160,282)	-	-
<u>(1,520,916)</u>	<u>325,474</u>	<u>18,286,960</u>
-	-	6,579,280
-	-	5,226,787
-	-	3,418,677
-	-	3,543,228
-	-	898,303
<u>-</u>	<u>-</u>	<u>19,666,275</u>
(1,520,916)	325,474	(1,379,315)
<u>-</u>	<u>-</u>	<u>-</u>
(1,520,916)	325,474	(1,379,315)
<u>16,636,330</u>	<u>29,183,391</u>	<u>65,355,618</u>
<u>\$ 15,115,414</u>	<u>\$ 29,508,865</u>	<u>\$ 63,976,303</u>

Garrison Forest School, Incorporated

**Statements of Cash Flows
Years Ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 344,787	\$ (1,379,315)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,321,600	1,302,804
Realized gain on sale of investments, re-invested	(2,434,058)	(3,450,520)
Unrealized depreciation on investments	4,383,010	4,163,026
Change in beneficial interest in assets held in trust by others	(3,895,271)	-
Change in remainder trusts	7,323	2,625
Contributions restricted for building fund	(324,990)	(290,000)
Contributions restricted for endowment	(426,112)	(519,757)
Change in aggregate discount and allowance for doubtful promises to give	(84,834)	(88,055)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(53,952)	(317,332)
Other assets	122,509	(282,068)
Increase (decrease) in:		
Accounts payable and accrued expenses	(70,321)	51,542
Registration fee deposits and tuition paid in advance	1,032,790	(944,165)
Net cash used in operating activities	(77,519)	(1,751,215)
Cash flows from investing activities:		
Purchases of property and equipment and construction-in-progress	(833,299)	(577,610)
Purchases of investments	(1,786,952)	(1,307,114)
Proceeds from sale of investments	1,843,413	1,723,725
Investments restricted for long-lived assets:		
Purchases of investments	(532,357)	(2,800,199)
Proceeds from sale of investments	440,974	1,173,028
Net cash used in investing activities	(868,221)	(1,788,170)
Cash flows from financing activities:		
Proceeds from contributions restricted for building fund	515,974	650,501
Proceeds from contributions restricted for endowment	952,096	1,063,901
Payment on long term debt	(55,000)	-
Net cash provided by financing activities	1,413,070	1,714,402

(Continued)

Garrison Forest School, Incorporated

**Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015**

	2016	2015
Net increase (decrease) in cash and cash equivalents	\$ 467,330	\$ (1,824,983)
Cash and cash equivalents:		
Beginning	<u>3,998,329</u>	5,823,312
Ending	<u>\$ 4,465,659</u>	<u>\$ 3,998,329</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 215,720</u>	<u>\$ 217,169</u>

See notes to financial statements.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Garrison Forest School, Incorporated (the School) is a day/boarding school for girls located in Owings Mills, Maryland. The School offers classes from a co-ed pre-school through the upper school level.

A summary of the School's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. Revenue received, which relates to future periods, is recorded as deferred revenue. Expenses paid, which relate to future periods, are recorded as prepaid expenses.

Basis of presentation: The financial statement presentation reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets consist of the following:

Operating: Represents resources available for support of operations

Net investment in plant: Represents net assets expended for plant

Long-term investment: Represents all other unrestricted resources and is directed by the Board of Trustees

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the School.

Cash and cash equivalents: For purposes of reporting cash flows, the School considers money market funds and investments with original maturities of less than three months to be cash equivalents. Cash and cash equivalents held temporarily in the investment portfolio until suitable investments have been identified are excluded from cash and cash equivalents and included in investments.

Promises to give: Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as unrestricted.

Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. The School's promises to give are discounted at a rate of 3%. The School uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Remainder interests – charitable remainder trusts receivable: The School has been named a beneficiary of four charitable remainder trusts. A qualifying charitable remainder trust provides lifetime income to the donor and/or the donor's family members, with the remaining trust assets passing to the School when the trust ends. These trusts are created by donors independently of the School and are neither in the possession nor under the control of the School. The trusts are administered by outside fiscal agents as designated by the donors. The School recorded the present value of the remainder interest discounted at a rate of 5% for 2016 and 2015. Charitable remainder trusts are recognized as revenue when the School is notified that it has been named as a beneficiary.

Beneficial interest in assets held in trust by others: The School has been named sole beneficiary of a charitable trust. The trust was created by a donor independently of the School and is neither in the possession nor under the control of the School. The trust is administered by an outside fiscal agent as designated by the donor. Charitable trusts are recognized as revenue when the School is notified that it has been named as a beneficiary.

Tuition receivables: Tuition receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual student receivables and considering a student's financial condition, credit history and current economic conditions. Tuition receivables are written off when deemed uncollectible. Recoveries of tuition receivables previously written off are recorded when received.

Financial risk: The School maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to any significant credit risk on cash.

The School invests in a professionally managed portfolio that contains mutual funds, alternative investments and money market funds. Such investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations.

Alternative investments: Alternative investments may include private equity, real estate and hedge and absolute return funds, for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

Land, buildings and equipment: Land, buildings and equipment, including construction-in-progress, are recorded at their original cost or at fair value at the time of receipt or donation. Depreciation is calculated based on the straight-line method over the estimated useful lives of the related assets.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The School requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Revenue recognition: Tuition and enrollment revenue is recognized ratably over the academic year. Deposits or tuition prepayments for subsequent academic years received prior to the applicable academic year are deferred and recorded as a liability. Auxiliary activities revenue consists of school store, equestrian program, rental income and other student services income, and is recognized at revenue in the period earned.

The School operates a charitable gift annuity agreement program, whereby donors contribute a specific sum of money to the program in exchange for specified payments to be made to a designated beneficiary. Upon death of the beneficiary, the amount of the original gift reverts to the School and can be released for general operations. An actuarially determined present value of expected future annuity payments is recorded as a liability. This amount is discounted at an expected rate of return over the remaining expected life of the beneficiary. The excess of the gift amount over the liability is recorded as revenue by the School. Each subsequent year, the School records revenue for the passing of a year, as the liability is incrementally decreased.

Recognition of salary expense: Salary expense is recognized in the period the service is rendered, which coincides with an academic year. Salaries unpaid at year-end are recognized as expense and accrued.

Self-insurance: The School is self-insured for unemployment compensation. A letter of credit for approximately \$106,145, expiring in September 2017, secures the School's required contribution to the Unemployment Insurance Trust Fund.

Income taxes: The School is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the School qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The School had no net unrelated business income for the years ended June 30, 2016 and 2015.

The School has adopted the accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the School may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the School's tax positions and has concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance. Generally, the School is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for years before June 30, 2013.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from those estimates.

Fair value of financial instruments: The carrying amounts reported on the statements of financial position for cash and cash equivalents, promises to give, accounts receivable and accounts payable approximate their fair values due to the short-term nature of these accounts or discounting of values. The fair value of the School's line of credit and long-term debt approximate the carrying amounts because the interest rates on these instruments fluctuate with market interest rates. Investments and remainder trusts are carried at fair value.

Accounting for conditional asset retirement obligations: The School follows the accounting guidance for when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered this guidance, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. At June 30, 2016, there were isolated cases of asbestos at the School. To the best of management's knowledge, with the exception of a small area in the boiler room, most friable asbestos has been removed. There are existing plans to remove the friable asbestos identified. All other areas of asbestos have been encapsulated and nonfriable. The School engages a licensed asbestos remediation company prior to renovations made to the areas containing asbestos. Management of the School believes that there is an indeterminate settlement date for the asset retirement obligations, because the range of time over which the School may settle the obligation is unknown, and it does not believe that the estimate of the liability related to these asset retirement activities is a material amount as of June 30, 2016.

Bond premiums and issuance costs: Deferred issuance costs relate to the 2006 Series 2006 bonds, which were remarketed in December 2011, and are being amortized using the effective interest method over the life of the related debt. Bond premiums are reflected as an increase and issuance costs are reflected as a reduction of the obligation on the balance sheets as of June 30, 2016 and 2015. The amortization for deferred issuance costs was \$5,275 for each of the years ended June 30, 2016 and 2015. Amortization expense related to the bond premium was \$5,187 for each of the years ended June 30, 2016 and 2015. These amounts are recorded as interest expense included in management and general expense in the statements of activities.

Recently adopted accounting pronouncements: In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Assets Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient, however, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the financial statements.

The standard also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. The ASU was adopted by the School for the year ended June 30, 2016.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The ASU was adopted by the School for the year ending June 30, 2016. The adoption of this standard resulted in a reclassification of debt issuance costs from an asset to contra-liability balance on the School's statements of financial position as of June 30, 2016 and 2015. In addition, the adoption of the standard resulted in amortization of the debt issuance costs being reported as interest expense on the School's statements of operations for the years ended June 30, 2016 and 2015.

Recently issued accounting pronouncements: In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018. The impact of adopting ASU 2014-09 on the School's financial statements for subsequent periods has not yet been determined.

In August, 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

Reclassification: Certain amounts were reclassified to conform to the current year presentation. These reclassifications had no effect on previously stated net assets.

Subsequent events: Subsequent events have been evaluated through October 7, 2016, which is the date the financial statements were available to be issued.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 2. Unconditional Promises to Give

As of June 30, 2016 and 2015, contributors have made written unconditional promises to give totaling \$1,565,448 and \$2,282,416, on which management has set-up an allowance for uncollectible promises to give of \$78,015 and \$113,863, respectively, and a discount of \$88,111 and \$137,097, respectively.

Promises to give are restricted by donors as follows:

	2016	2015
Permanently restricted:		
Centennial Endowment	\$ 862,229	\$ 357,984
James Center for Public Purpose	25,000	165,000
Scholarship funds	141,716	222,600
	<u>1,028,945</u>	<u>745,584</u>
Temporarily restricted:		
Capital Campaign Phase III	536,503	1,536,832
	<u>\$ 1,565,448</u>	<u>\$ 2,282,416</u>

Anticipated receipts of promises to give are as follows at June 30, 2016:

Years ending June 30:	
2017	\$ 314,199
2018-2021	1,094,853
Thereafter	156,396
	<u>\$ 1,565,448</u>

Note 3. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Unappropriated endowment earnings	\$ 4,699,361	\$ 7,869,876
Young Memorial Scholarship Charitable Trust	3,895,271	-
Peter O'Neill Fund	1,553,378	1,553,478
Capital Campaign Phase III	1,618,735	2,315,474
Loan fund	1,354,469	1,423,780
Gift annuity	457,647	507,057
Other	559,619	305,100
Special school funds	384,335	371,491
Remainder trusts	229,965	237,288
Lower school	280,000	260,000
Outdoor classroom	264,990	-
Makerspace	251,010	250,000
Middle school	120,579	21,785
Sheridan Foundation	30,085	85
	<u>\$ 15,699,444</u>	<u>\$ 15,115,414</u>

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 3. Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net assets are restricted for the following purposes:

	2016	2015
Faculty support	\$ 11,887,962	\$ 11,885,712
General endowment	7,977,153	7,759,241
Centennial Campaign	4,392,326	3,642,229
Scholarship funds	3,137,537	3,101,737
James Center for Public Purpose	1,817,073	1,817,073
Equestrian	714,168	714,168
Community service	374,895	374,895
Elkin Goddard Alston '58 Scholarship Fund	100,889	-
Faculty development	80,318	79,318
Anita & Tad Montgomery Fund for Students	42,810	-
Beautification Garden Memorial	33,909	33,909
Deering Library Fund	32,388	31,388
Polo	28,690	28,690
Other	26,870	22,420
Wagner Lecture Fund	18,085	18,085
	<u>\$ 30,665,073</u>	<u>\$ 29,508,865</u>

Interpretation of relevant law: The Board of Trustees of the School has interpreted the Maryland-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the School and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the School
- The investment policies of the School

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 3. Temporarily and Permanently Restricted Net Assets (Continued)

Return objectives and risk parameters: The objectives of the School have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are as follows:

1. To maintain the purchasing power of the current assets and all future contributions. The long-term objective is to maintain the level of services and programs in relation to the average cost increases.
2. To apply a smoothing rule to mitigate the effects of short-term market volatility on spending.
3. To maximize return within reasonable and prudent levels of risk.
4. To maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns.
5. To control costs of administering the Fund and managing the investments.

Investment results are the critical element in achieving the investment objectives. Investment earnings and future contributions are expected to be used to support new programs.

Spending policy: The School's Finance Committee will establish the specific dollar amount that the fund will be expected to generate to contribute to the School's operating fund for the next fiscal year. The draw from the endowment, or spending rate, is 4% plus an additional 1% for plant fund expenditures. The calculation of endowment income for the Operating and Plant Budgets is developed each January for the next fiscal year and is based on a three-year rolling average as of June 30 for the prior three years, not including temporarily restricted funds currently invested in the endowment.

Changes in endowment net assets are as follows for the years ended June 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	\$ -	\$ 9,819,287	\$ 29,183,391	\$ 39,002,678
Investment loss	-	(225,686)	-	(225,686)
Contributions	-	-	325,474	325,474
Appropriation of endowment assets for expenditure	-	(1,723,725)	-	(1,723,725)
Endowment net assets, June 30, 2015	-	7,869,876	29,508,865	37,378,741
Investment loss	-	(1,327,102)	-	(1,327,102)
Contributions	-	-	346,964	346,964
Appropriation of endowment assets for expenditure	-	(1,843,413)	-	(1,843,413)
Change in donor intent	-	-	809,244	809,244
Endowment net assets, June 30, 2016	\$ -	\$ 4,699,361	\$ 30,665,073	\$ 35,364,434

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 4. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	2016	2015
Program restrictions accomplished:		
Endowment appropriation	\$ 1,843,413	\$ 1,723,725
Other	198,346	205,274
Special schools fund	243,081	137,607
Sheridan Foundation	60,000	60,000
Gift annuity	33,676	33,676
	<u>\$ 2,378,516</u>	<u>\$ 2,160,282</u>

Note 5. Land, Buildings and Equipment

At June 30, 2016 and 2015, land, buildings and equipment consist of the following:

	Useful Lives	2016	2015
Land and improvements	N/A	\$ 614,655	\$ 614,655
Buildings and improvements	15-40	46,752,671	46,382,310
Furniture, fixtures and equipment	3-10	4,195,260	3,937,358
		<u>51,562,586</u>	<u>50,934,323</u>
Less accumulated depreciation		<u>(25,840,041)</u>	<u>(24,513,254)</u>
		<u>\$ 25,722,545</u>	<u>\$ 26,421,069</u>

Depreciation is provided on a straight-line basis over the estimated useful lives of the related property. Depreciation expense was \$1,326,787 and \$1,302,804 for the years ended June 30, 2016 and 2015, respectively.

Note 6. Investments

At June 30, 2016 and 2015, investments are as follows:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	\$ 3,041,911	\$ 3,041,911	\$ 6,171,122	\$ 6,171,122
Fixed income mutual funds	7,789,159	7,810,104	4,870,281	4,811,629
Mutual funds	24,644,980	26,205,653	25,734,667	23,827,400
Alternative investments	7,002,112	5,632,985	7,616,122	5,982,985
	<u>\$ 42,478,162</u>	<u>\$ 42,690,653</u>	<u>\$ 44,392,192</u>	<u>\$ 40,793,136</u>

Investments restricted for long-lived assets include board-designated amounts for renewals and replacements of \$4,988 and \$385,438, board-designated amounts for capital campaign and temporarily restricted amounts for gift annuity agreements of \$533,865 and \$594,386 as of June 30, 2016 and 2015, respectively.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 6. Investments (Continued)

Earnings on investments for the years ended June 30, 2016 and 2015, are as follows:

	2016	2015
Realized gains on sale	\$ 2,434,058	\$ 3,450,520
Unrealized depreciation	(4,383,010)	(4,163,026)
Interest and dividends, net of fees	516,540	458,960
	<u>\$ (1,432,412)</u>	<u>\$ (253,546)</u>

Investment income is net of fees of \$206,301 and \$236,942 for the years ended June 30, 2016 and 2015, respectively.

Note 7. Long-Term Debt

In October 2006, the School secured \$16,972,615 (\$17,000,000 net of fees) in Baltimore County, Maryland Variable Rate Economic Development Bonds (Series 2006 bonds). The proceeds from the bonds were used for construction at the School and to pay down the balance on the previous bond payable. The bonds were subject to certain financial and non-financial covenants. The bonds were to mature on October 1, 2031, and were collateralized by an irrevocable letter of credit.

On December 7, 2011, the School paid down its existing debt by approximately \$3,000,000, and the outstanding balance of the Series 2006 bonds, amounting to \$9,000,000, was remarketed by M&T Education Group into four Subseries bonds, as follows: Subseries A (\$2,000,000), B (\$2,000,000), C (\$2,500,000), and D (\$2,500,000) bonds. Each of the subseries of bonds have fixed interest rates which are subject to reset at periodic intervals as defined in the underlying agreements. Semiannual interest payments began on April 1, 2012. Principal payments began on October 1, 2015, through the maturity date on October 1, 2031, when all remaining principal and interest become due. The four Subseries bonds are collateralized by a security interest in the School's gross revenue and are subject to certain financial and non-financial covenants. Bond closing costs related to the bonds are being amortized using the effective interest method. The current interest rates on each subseries of the bonds and the next interest rate reset date are as follows:

	Interest Rate at June 30, 2016	Next Interest Rate Reset Date
Subseries A	1.8%	October 1, 2017
Subseries B	1.1%	October 1, 2017
Subseries C (repaid in full on October 1, 2016)	3.0%	October 1, 2016
Subseries D	3.0%	October 1, 2017

The remarketed bonds were issued at a premium of \$209,240, which is being amortized over the life of the bonds. Accumulated amortization of the premium was \$48,823 and \$38,361 as of June 30, 2016 and 2015, respectively.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

Principal payments relating to the above obligations at June 30, 2016, are due in future years as follows:

Years ending June 30:	
2017	\$ 125,000
2018	205,000
2019	285,000
2020	355,000
2021	435,000
Thereafter	<u>7,540,000</u>
	8,945,000
Add unamortized premium	160,417
Less unamortized issuance costs	<u>(107,707)</u>
	<u><u>\$ 8,997,710</u></u>

Interest expense for the years ended June 30, 2016 and 2015, was \$215,720 and \$217,169, respectively. Accrued interest expense for the years ended June 30, 2016 and 2015, was \$52,781 and \$53,000, respectively.

Note 8. Line of Credit

The School has an unsecured \$1,300,000 line of credit due on demand with interest at the one-month London InterBank Offered Rate (LIBOR) plus 2.00% (2.47% at June 30, 2016). The line expires on January 31, 2017, and the outstanding balance was \$409,193 at June 30, 2016 and 2015.

Note 9. Retirement Programs

The School participates in retirement annuity programs sponsored by the TIAA/CREF and Lincoln National, under which all eligible faculty members and staff employees may participate after one year of service. Under the program, a participant may elect to change the Elective Contributions to be made on his/her behalf pursuant to his/her Salary Reduction Agreement by entering into a new Salary Reduction Agreement with the School. The minimum Elective Contribution that can be elected in a Salary Reduction Agreement is 3% of the employee's salary, in order to be eligible for the School matching contribution of 3%. For those employees with service greater than three years and less than five years, the School will provide a matching contribution of 6%. For those employees with service greater than five years, the School will provide a matching contribution of 7.5%. Contributions under the program are fully vested in the employee and retirement payments are limited to the amount of the annuities. Total matching contributions made by the School under this program was \$556,843 and \$558,820 for the years ended June 30, 2016 and 2015, respectively.

Beginning in September 2007, the School also participates in a 457 Plan. Any management or highly paid executives selected for participation by the Board of Directors is eligible to participate in this plan. The School may make a discretionary contribution on the participant's behalf. The maximum that may be contributed is limited to the maximum amount allowed per Internal Revenue Service (IRS) regulations. Total contributions made by the School under this plan were \$40,000 and \$38,500 for the years ended June 30, 2016 and 2015, respectively.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 10. Commitments

As of July 1, 2014, the School entered into an employment agreement with a senior administrator with a term of two years and an expiration date of June 30, 2016. The employment agreement automatically extended for an additional one-year period as of July 1, 2016, and will expire on June 30, 2017.

During 2016, the School entered into several construction agreements to construct an outdoor classroom and restore athletic fields. As of June 30, 2016, the remaining commitment related to these agreements is approximately \$142,000.

Note 11. Gift Annuities Payable

Under agreements with certain donors, the School receives gifts from supporters and is subsequently required to pay benefits to designated beneficiaries under the respective gift annuity agreements. After the beneficiary expires, the School will receive an amount equal to the gift to be used for operations. The liability associated with the remaining benefit payments was \$76,218 and \$87,332, and the School held investments of \$533,865 and \$594,386 related to the gift annuities at June 30, 2016 and 2015, respectively. The gift annuity liability was calculated using mortality tables and applying a present value discount of 3% to future benefit payments.

Note 12. Remainder Trusts

The School is the beneficiary of an irrevocable, charitable remainder annuity trust. Under the terms of the trust, the donor receives annual returns of 7% of the fair market value of the trust's assets. Upon death of the donor, the remaining balance of the trust will be remitted to the School for unrestricted use.

The School is the beneficiary of another irrevocable, charitable remainder annuity trust. Under the terms of the trust, the donor receives annual returns of 8% of the fair market value of the trust's assets. Upon death of the donor, the remaining balance of the trust (16.67% of the account total) will be remitted to the School for unrestricted use.

The School is the beneficiary of a third irrevocable, charitable remainder annuity trust. Under the terms of the trust, the donor receives annual returns of 5% of the fair market value of the trust's assets. Upon death of the donor, the remaining balance of the trust will be remitted to the School for unrestricted use.

The School is the beneficiary of a fourth irrevocable, charitable remainder annuity trust. Under the terms of the trust, the donor receives annual returns of 7% of the fair market value of the trust's assets. Upon death of the donor, the remaining balance of the trust (26% of the account total) will be remitted to the School for unrestricted use.

Remainder trusts at June 30, 2016 and 2015, are as follows:

	2016	2015
Trust 1	\$ 182,935	\$ 206,800
Trust 2	61,990	73,562
Trust 3	94,755	91,199
Trust 4	52,220	50,403
	391,900	421,964
Less discount on remainder trusts (5%)	(161,935)	(184,676)
	<u>\$ 229,965</u>	<u>\$ 237,288</u>

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 13. Beneficial Interest in Assets Held in Trust by Others

In December 2015, the School was named beneficiary of a charitable trust. Under the terms of the trust, annual earnings, at the discretion of the outside fiscal agent, are to be used to establish, fund and award scholarships. The trust has a 50-year term. At the conclusion of the trust all previously undistributed income and original corpus are to be distributed to the School. As of June 30, 2016, the value of the charitable trust is \$3,895,271.

Note 14. Fair Value Measurements

The School defines fair value as 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 and within a fair value hierarchy. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The following section describes the valuation techniques used by the School:

Level 1: Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

Level 2: Alternative investments are valued at NAV per share and can be redeemed with short notice (less than 90 days).

Level 3: Level 3 investments are not readily marketable and include limited partnership private equity funds, multi-series limited partnerships and hedge funds. Remainder trusts are considered Level 3 items, as the trusts, in their entirety, have no market.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 14. Fair Value Measurements (Continued)

The following tables present the School's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015:

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 3,041,911	\$ 3,041,911	\$ -	\$ -
Fixed income mutual funds	7,789,159	7,789,159	-	-
Mutual funds:				
Emerging markets	3,920,010	3,920,010	-	-
International	8,901,152	8,901,152	-	-
Growth	4,840,429	4,840,429	-	-
Commodities	3,206,068	3,206,068	-	-
Value	2,820,658	2,820,658	-	-
Other	956,663	956,663	-	-
Charitable trust	3,895,271	3,895,271	-	-
Remainder trusts	229,965	-	-	229,965
	<u>39,601,286</u>	<u>\$ 39,371,321</u>	<u>\$ -</u>	<u>\$ 229,965</u>
Investments measured at NAV (a)	7,002,112			
Investments at fair value	<u>\$ 46,603,398</u>			
	June 30, 2015 (as revised)			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 6,171,122	\$ 6,171,122	\$ -	\$ -
Fixed income mutual funds	4,870,281	4,870,281	-	-
Mutual funds:				
Emerging markets	3,937,278	3,937,278	-	-
International	10,207,380	10,207,380	-	-
Growth	4,899,329	4,899,329	-	-
Commodities	3,556,791	3,556,791	-	-
Value	2,810,073	2,810,073	-	-
Other	323,816	323,816	-	-
Remainder trusts	237,288	-	-	237,288
	<u>37,013,358</u>	<u>\$ 36,776,070</u>	<u>\$ -</u>	<u>\$ 237,288</u>
Investments measured at NAV (a)	7,616,122			
Investments at fair value	<u>\$ 44,629,480</u>			

(a) In accordance with Subtopic 820-10 as amended by ASU No. 2015-07, certain investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

Garrison Forest School, Incorporated

Notes to Financial Statements

Note 14. Fair Value Measurements (Continued)

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	<u>Amount</u>
Balance, June 30, 2014	\$ 239,913
Net unrealized loss on charitable remainder trusts	(2,625)
Balance, June 30, 2015	<u>237,288</u>
Net unrealized loss on charitable remainder trusts	(7,323)
Balance, June 30, 2016	<u><u>\$ 229,965</u></u>

The School invests in certain entities for which the fair value measurement is assessed using net asset value per share or its equivalents. Information pertaining to these investments is as follows as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Private equity limited partnerships (a)	\$ 2,440,833	\$ 2,937,639
Multi-series limited partnerships (b)	89,212	89,350
Hedge funds (c)	4,472,067	4,589,133
	<u><u>\$ 7,002,112</u></u>	<u><u>\$ 7,616,122</u></u>

- (a) This category includes two limited partnerships that invest in private equity funds. The fair value of the investment in this category has been estimated using the net asset value per share of the investments. These investments can only be redeemed through the liquidation of the underlying assets of the funds. The fair value of the underlying assets of the investments in this category has been estimated at fair value by the fund managers using recent observable transaction information from potential buyers of similar investments. Remaining unfunded commitments for these two limited partnerships total \$135,000 at June 30, 2016.
- (b) This category invests in a multi-series limited partnership. The fair value of the investments in this category has been estimated using the net asset value per share of the investments. The Fund may be redeemed within 45 days of the redemption date, which the Fund can suspend or delay under certain circumstances. In the case where the School wants to redeem over 90% of its investment, the Fund will have the right to hold 10% of the investment until the Fund receives audited financial statements for the year when the redemption occurs. When the Fund receives its audited financial statements, redemption will occur within 30 days. As of June 30, 2016, the Fund is not redeeming investments until cash becomes available.
- (c) This category includes partnerships that pursue multiple strategies to diversify risk and reduce volatility. There were two partnerships owned at June 30, 2016 and 2015. The fair value of the investments in this category has been estimated using the NAV per share of the investments. The two investments in this category may be redeemed within 60 days at least once annually, as long as the School has been invested in this investment for one year. The School has classified the amounts as Level 2 (the one-year period expired for both funds prior to June 30, 2016).

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF DOCUMENTS

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**DEFINITIONS OF CERTAIN TERMS
AND
SUMMARIES OF DOCUMENTS**

The following are definitions of certain terms used in the Indenture and the Loan Agreement, and summaries of certain provisions of such documents. The summaries set forth below should not be regarded as full statements of the documents themselves, or of the portions summarized. Reference is made to the documents in their entireties for the complete statements of the provisions thereof. Copies of the Indenture and the Loan Agreement are on file at the principal corporate trust office of the Trustee.

DEFINITIONS

“Accounts Receivable” shall mean any and all right to payment for services rendered or for goods sold or leased which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

“Act” shall mean collectively, the MIDFA Act and the Revenue Bond Act.

“Additional Bonds” shall mean any Bonds or series of Bonds, other than the Series 2017 Bonds, authenticated and delivered under the Indenture.

“Additional Indebtedness” shall mean any Indebtedness incurred by the School subsequent to the issuance of the Series 2017 Bonds.

“Additional Parity Indebtedness” shall mean any Indebtedness of the School secured by a pledge of Gross Revenues of the School on a parity basis with the Series 2017 Bonds.

“Administrative Expenses” shall mean the reasonable fees and expenses of the Issuer (including the Issuer’s Fee) and the Trustee, including legal fees and expenses, in connection with any Bonds or the administration of the Indenture or the Loan Agreement.

“Agency Obligations” shall mean bonds, debentures, notes or other evidences of indebtedness issued by Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (including participation certificates), Federal National Mortgage Association, Resolution Funding Corporation or Federal Farm Credit System.

“Annual Debt Service” shall mean the Debt Service Requirement for the Fiscal Year in question.

“Architect” shall mean an architect, engineer or construction manager or firm thereof or other Person who is Independent and qualified to pass on questions relating to the design and construction of the School’s facilities, has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature, and who has been appointed as such by the School.

“Balloon Indebtedness” shall mean (i) Long-Term Indebtedness, or Short-Term Indebtedness which is intended to be refinanced upon or prior to its maturity (and which Short-Term Indebtedness is subject to a commercially reasonable binding commitment for such refinancing) so that such Short-Term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in

a School Certificate, 25% or more of the initial principal amount of which matures (or is payable at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period, or (ii) any balloon maturity or maturity payable prior to maturity at the option of the holder, constituting a portion of an issue of Long-Term Indebtedness which portion, if treated as a separate issue of Indebtedness, would meet the test set forth in clause (i) of this definition and which portion of Indebtedness is designated as Balloon Indebtedness in a School Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

“Bond Counsel” shall mean Whiteford, Taylor & Preston L.L.P. or any other Independent Counsel approved by the Issuer and whose opinions are generally accepted in the field of municipal finance.

“Bondholder”, “holder” or “owner” shall mean, when used with respect to Bonds, the Person in whose name any Bond is registered pursuant to the Indenture.

“Bonds” shall mean the Series 2017 Bonds and any additional series of bonds authenticated and delivered under the Indenture.

“Bond Index” shall mean the index or interest rate as may be submitted in writing to the Trustee by a firm of investment bankers or a financial advisory firm selected by the School, as the index or interest rate reasonably reflecting the terms and provisions of the Indebtedness in question.

“Bond Year” shall mean, with respect to each series of Bonds, the period from the date of initial issuance of such series of Bonds through the next succeeding June 30, and thereafter, the one-year period from each July 1 through and including the next succeeding June 30 until such series of Bonds are retired.

“Business Day” shall mean any day on which the designated corporate trust office of the Trustee, is open for business.

“Capital Additions” shall mean any and all additions, improvements or extraordinary repairs to or replacements of all or any part of the Property, Plant and Equipment of the School, the cost of which is properly chargeable to a plant or property account under generally accepted accounting principles and the cost of which is financed in whole or in part from the proceeds of Bonds issued under the Indenture.

“Capitalized Interest” shall mean that portion of the proceeds of any Indebtedness or any other funds (other than the Debt Service Fund or any other bond fund or debt service reserve fund securing Indebtedness) that are held in trust and are restricted to be used to pay interest due or to become due on Indebtedness, including funds held in connection with an advance refunding or a cross-over refunding.

“Certificate” shall mean a certificate or report, in form and substance satisfactory to the Trustee, executed: (a) in the case of an Issuer Certificate, by an Issuer Representative; (b) in the case of a School Certificate, by a School Representative; and (c) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person.

“Certified Resolution” shall mean, as the context requires: (a) one or more resolutions or ordinances of the governing body of the Issuer, certified by the Chairman or Vice Chairman of the Issuer, under its seal, to have been duly adopted or enacted and to be in full force and effect as of the date of

certification; or (b) one or more resolutions of the governing body of the School or a duly authorized committee thereof, certified by the Secretary or Assistant Secretary of the School or other officer serving in a similar capacity, under its corporate seal, to have been duly adopted and to be in full force and effect as of the date of certification.

“Chairman” shall mean the Chairman of the Issuer or such other person or office to which the principal functions of the Chairman may be transferred.

“Claim” shall mean any liability, suit, action, claim, demand, loss, expense or cost of any kind or nature whatsoever.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury regulations thereunder, as the same may be amended from time to time. Reference herein to any specific provision of the Code shall be deemed to refer to any successor provision of the Code.

“Completion Indebtedness” shall mean any Indebtedness incurred by the School for the purpose of financing the completion of the constructing or equipping of facilities for which Indebtedness has theretofore been incurred in accordance with the provisions of the Loan Agreement, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time of the initial financing of the facilities.

“Condemnation” shall mean any taking of title, of use or of any other property interest under the exercise of eminent domain by any governmental authority or by any person acting under governmental authority.

“Consultant” shall mean an Independent, nationally recognized consulting firm which is appointed by the School for the purpose of passing on questions relating to its financial affairs, management or operations and has a favorable reputation for skill and experience in performing similar services in respect of entities of a comparable size and nature.

“Counsel” shall mean an attorney or law firm (which may be counsel to the Issuer and/or the School) satisfactory to the Trustee.

“Credit Facility” shall mean any irrevocable transferable letter of credit, confirming letter of credit, insurance policy, guaranty or other agreement constituting a credit enhancement or liquidity facility which is in a commercially reasonable form, or any combination thereof.

“Damage” shall mean (a) any damage, destruction or other injury (in whole or in part) by fire or other casualty, and (b) any Condemnation.

“Debt Service Coverage Ratio” shall mean, for any Fiscal Year, the ratio of Income Available for Debt Service for such Fiscal Year to Annual Debt Service.

“Debt Service Requirement” shall mean, for any period of time, the aggregate of the scheduled payments to be made (other than from amounts irrevocably deposited with the Trustee or otherwise held for the benefit of a lender for purposes of such payments, including funds held in connection with an advance refunding or a cross-over refunding) in respect of principal of and interest on Long-Term Indebtedness of the School during such period, also taking into account (i) with respect to Balloon Indebtedness, the provisions of the Loan Agreement pertaining to debt service on Balloon Indebtedness, (ii) with respect to Variable Rate Indebtedness, the provisions of the Loan Agreement pertaining to debt service on Variable Rate Indebtedness, (iii) with respect to Capitalized Interest, the provisions of the Loan Agreement pertaining to credit for Capitalized Interest, and (iv) with respect to

Indebtedness represented by a Guaranty of obligations of a Person, the provisions of the Loan Agreement pertaining to restrictions on Guaranties.

“Documents” shall mean and include, without limitation, the Bonds, the Loan Agreement, the Indenture and any and all other documents which the Issuer, the School or any other party or parties or their representatives have executed and delivered, or may hereafter execute and deliver, to evidence or secure the Issuer’s obligations, the School’s obligations or any part thereof or in connection therewith, together with all Supplements thereto.

“Event of Default” means any of the events described as an event of default under the headings “THE INDENTURE - Events of Default and Remedies” and “THE LOAN AGREEMENT - Events of Default” in this Appendix C.

“Excess Investment Earnings” are determinable as of the end of each Bond Year on the basis of the period from the date of original delivery and payment for the Bonds through the last day of the most recently completed Bond Year, and are the excess of:

(a) the aggregate amount earned on investments held under the Indenture (including unrealized gains and losses upon the retirement of the last Bond, but excluding investments in evidences of indebtedness on which the interest is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Code and which is not “investment property” as defined in Section 148(b)(2) of the Code and excluding investments of amounts held in the Rebate Fund) over

(b) the amount that would have been earned on such investments if they had a yield equal to the yield of the Bonds (determined on a present value basis from the date of original delivery and payment for the Bonds, without adjustment for costs of issuance) plus any income attributable to the excess described above.

“Executive Director” shall mean the Executive Director of the Issuer or such other person or officer to which the principal functions of the Executive Director may be transferred.

“Favorable Opinion” shall mean an opinion of Bond Counsel addressed to the Issuer and the Trustee to the effect that (a) the action proposed to be taken is authorized or permitted by the Act and the Indenture and complies with their respective terms; and (b) such action will not adversely affect (i) the exclusion from gross income of the interest on the Bonds for purposes of federal income taxation or (ii) the validity of the Bonds.

“Fiscal Year” shall mean the annual accounting year of the School, which currently begins on July 1 of each year.

“Funds” and “Accounts” means, unless the context otherwise requires, the funds and accounts established and maintained under the Indenture for the Series 2017 Bonds.

“Government Obligations” shall mean (a) direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, (b) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations the timely payment of the principal of and the interest on which is unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (c) obligations which are issued by any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision and which are fully secured as to principal and interest by obligations described in clause (a) or (b) above.

“Gross Revenues” shall mean all receipts, revenues, income and other moneys received by or on behalf of the School from the operation, ownership or leasing of its Property and all rights to receive the same whether in the form of Accounts Receivable, contract rights, chattel paper, instruments, general intangibles or other rights and the proceeds thereof, including any insurance proceeds and any condemnation awards derived therefrom, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the School in connection with its Property; provided, however, that there shall be excluded from Gross Revenues gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated or restricted at the time of making thereof by the donor or maker as being for certain specified purposes inconsistent with the application thereof to the payments due under the Loan Agreement or not subject to pledge, and any income derived therefrom to the extent required by such designation or restriction.

“Guaranty” shall mean all obligations of the School directly guaranteeing any obligation of any other Person which would, if such other Person were the School, constitute Indebtedness, unless the obligation of such other Person is other than for the payment of a sum certain. Nothing in this definition or otherwise shall be construed to count a Guaranty more than once.

“Historic Test Period” shall mean, at any particular time, the most recent Fiscal Year of the School.

“Income Available for Debt Service” shall mean, for any period, the sum, as included in the School’s audited financial statements, of (i) unrestricted revenues, gains and other support, less unrestricted expenses, exclusive of unrealized and realized gains and losses on investments, (ii) all interest expense of the School for such period with respect to Long-Term Indebtedness, (iii) all depreciation expense for such period and (iv) all other funds of the School which are legally available to be used for the payment of debt service; provided that no determination of Income Available for Debt Service shall take into account any disposition of capital assets not in the ordinary course of business to the extent otherwise included in the foregoing calculations of revenue and expenses, any other gains or losses resulting from changes in accounting principles not involving the receipt or expenditure of cash, or any other non-operating, non-cash expenses.

“Indebtedness” shall mean all obligations for payment of principal and interest with respect to money borrowed, incurred or assumed by the School, and all purchase money mortgages, financing or capital leases, installment purchase contracts, or other similar instruments in the nature of a borrowing by which the School will be unconditionally obligated to pay. Nothing in this definition or otherwise shall be construed to count Indebtedness more than once, and Indebtedness incurred pursuant to paragraph (g) under the heading “THE LOAN AGREEMENT - Additional Indebtedness” in this Appendix C shall be counted only to the extent the reimbursement obligation on amounts drawn or, in the reasonable judgment of the School, likely to be drawn on the Credit Facility exceeds the obligation on the Indebtedness for which liquidity or credit support is provided.

“Indenture” shall mean the Trust Indenture dated as of July 1, 2017 by and between the Issuer and the Trustee, as amended or supplemented from time to time.

“Independent” shall mean (a) in the case of an individual, one who is not a member of the governing body of the Issuer or the School or an officer or employee of the Issuer or the School, and (b) in the case of a partnership, corporation or association, one which does not have a partner, director, officer, member or substantial stockholder who is a member of the governing body of the Issuer or the School or an officer or employee of the Issuer or the School; provided, however, the fact that a Person is retained regularly by or transacts business with the Issuer or the School shall not make such Person an employee within the meaning of this definition.

“Independent Public Accountant” shall mean RSM US LLP or any other Independent accounting firm which is appointed by the School for the purpose of examining and reporting on or passing on questions relating to its financial statements, has all certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of entities of a comparable size and nature.

“Insurance Consultant” shall mean Riggs Councilman Michaels & Downes or any other Independent firm of insurance agents, brokers or consultants which is appointed by the School for the purpose of reviewing and recommending insurance coverages for the facilities and operations of the School and has a favorable reputation for skill and experience in performing such services in respect of facilities and operations of a comparable size and nature.

“Issuer Representative” shall mean the Chairman, Vice Chairman or Executive Director of the Issuer, or such other person or persons as may be designated to act on behalf of the Issuer in accordance with the provisions of the Loan Agreement.

“Issuer’s Fee” shall mean the annual fee equal to 1/8 of 1% of the face amount of the Bonds less any principal payments (by redemption or otherwise) payable by the School to the Issuer pursuant to the Loan Agreement.

“Lien” shall mean any mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any Property or Gross Revenues of the School which secures any Indebtedness or any other obligation of the School, or which secures any obligation of any Person other than an obligation to the School, excluding liens applicable to Property in which the School has only a leasehold interest unless the lien secures Indebtedness of the School or an obligation of any Person other than an obligation to the School.

“Loan Agreement” means the Loan and Security Agreement dated as of July 1, 2017 by and between the Issuer and the School, as amended or supplemented from time to time.

“Long-Term Indebtedness” shall mean all Indebtedness, other than Short-Term Indebtedness, including the following:

(a) Indebtedness with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(b) Indebtedness with respect to leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; and

(c) Indebtedness with respect to installment purchase contracts having an original term in excess of one year.

“MIDFA Act” shall mean the Maryland Industrial Development Financing Authority Act and all future acts supplemental thereto or amendatory thereof.

“Moody’s” shall mean Moody’s Investors Service or any successor organization providing securities rating services.

“Non-Recourse Indebtedness” shall mean any Indebtedness secured by a Lien on any real property, fixtures or tangible property or the rents, issues and profits therefrom, which Indebtedness is not a general obligation of the School, and the liability for which Indebtedness is effectively limited to the property subject to such Lien with no recourse, directly or indirectly, to any other property of the School.

“Other Assets” shall mean all Property of the School other than Property, Plant and Equipment.

“Outstanding” shall mean:

(a) with respect to the Bonds, all such Bonds authenticated and delivered under the Indenture as of the time in question, except (i) all Bonds theretofore cancelled or required to be cancelled under the provisions of the Indenture, (ii) Bonds for the payment or redemption of which provision has been made in accordance with Article XII of the Indenture, provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor, and if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof, and (iii) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II of the Indenture; and

(b) with respect to other Indebtedness, all such Indebtedness incurred as of the time in question except (i) Indebtedness theretofore cancelled or required to be cancelled in accordance with the applicable financing documents, (ii) Indebtedness for the payment or redemption of which provision has been made in accordance with the applicable financing documents if, upon the making of such provision, all material payment obligations, covenants and agreements of the School under the applicable financing documents shall cease to be binding upon the School and all Liens securing the Indebtedness (other than Liens upon moneys and securities deposited in escrow to provide for the payment or redemption of the Indebtedness) shall be discharged, and (iii) Indebtedness evidenced by any bond, note or other similar instrument in substitution for which a replacement bond, note or other instrument has been issued in accordance with the applicable financing documents.

“Permitted Encumbrances” shall have the meaning set forth under the heading “THE LOAN AGREEMENT - Permitted Encumbrances” in this Appendix C.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a limited liability company, a trust, any unincorporated organization, a governmental body or a political subdivision, a municipality, a municipal authority or any other group or organization of individuals.

“Pledged Revenues” shall mean the loan payments received or receivable by the Issuer from the School under the Loan Agreement, any and all other amounts payable to the Trustee as specified in the Indenture, and all income and receipts on the funds held by the Trustee under the Indenture.

“Property” shall mean any and all rights, titles and interests of the School in and to any and all property, whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” shall mean all Property of the School which is plant, property and equipment under generally accepted accounting principles.

“Qualified Investments” shall mean and include any of the following securities, if and to the extent the same are permitted under applicable law:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons which have been stripped from Government Obligations, or receipts or certificates evidencing an undivided proportionate interest in payments from a pool of such Government Obligations or stripped interest coupons which are held in a custody or trust account by a commercial bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$20,000,000;

(c) Agency Obligations;

(d) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, the interest on which, in the opinion of Bond Counsel, is exempt from federal income tax provided that such obligations are rated, at the time of purchase thereof, in one of the highest two credit rating categories by S&P or Moody's;

(e) deposits, federal funds or banker's acceptances of any bank, including the Trustee and any of its affiliates and a branch office of a bank which branch office is located outside the bank's home country provided any such bank (i) has an unsecured, uninsured and unguaranteed obligation rated, at the time of purchase thereof, in one of the two highest rating categories by S&P or Moody's or (ii) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in clause (i) above;

(f) deposits with any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$20,000,000, provided such deposits are fully insured by the Federal Deposit Insurance Corporation;

(g) repurchase agreements collateralized by securities described in subsection (a), (b) or (d) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, including the Trustee and any of its affiliates, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated, at the time of purchase thereof, in one of the two highest rating categories by S&P or Moody's, provided: (i) a master repurchase agreement or specific written repurchase agreement governs the transaction, (ii) the securities are held, free and clear of liens or claims by third parties, by the Trustee or an independent party acting solely as agent for the Trustee, and such agent is (A) a Federal Reserve Bank or (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities as agent for the Trustee, free of liens or claims by third parties, (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. in such securities is created for the benefit of the Trustee, (iv) the repurchase agreement has a term of thirty days or less, or the Trustee or an independent party acting solely as agent of the Trustee will value the collateral securities at the current market value thereof no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation, (v) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date on which the invested funds are required to be available under the Indenture, and (vi) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%;

(h) investment agreements with, or which are guaranteed by, a financial institution, including the Trustee and any of its affiliates, which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the two highest rating categories by S&P or Moody's, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided (i) interest is paid at

least semi-annually at a fixed rate during the entire term of the agreement, consistent with interest payment dates for the Bonds, (ii) moneys invested thereunder may be withdrawn for the purposes for which the funds were established without any penalty, premium or charge upon not more than seven days' notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date), except with regard to an investment agreement relating to capitalized interest held in the Debt Service Fund, which may provide that moneys may be withdrawn only on the interest payment dates for the Bonds on which such capitalized interest is to be paid, (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Trustee receives an opinion of Counsel that such agreement is an enforceable obligation of such financial institution;

(i) shares or certificates in any short-term investment fund which invests solely in obligations described in subparagraph (a) above provided such obligations are rated, at the time of purchase thereof, in one of the two highest rating categories by S&P or Moody's, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates; and

(j) shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which (i) invests its assets exclusively in obligations of or guaranteed by the United States of America or any instrumentality or agency thereof having in each instance a final maturity date of not more than one year from the date of purchase; (ii) seeks to maintain a constant net asset value per share; and (iii) has aggregate net assets of not less than \$50,000,000 on the date of purchase of such shares (including without limitation any mutual fund for which the Trustee or any affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent and/or custodian or subcustodian, notwithstanding that (x) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (y) the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (z) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates).

“Redemption Price” shall mean the principal amount of any Bond to be redeemed pursuant hereto, plus the applicable premium, if any, payable upon redemption.

“Regulatory Body” shall mean any federal, state or local government, department, agency, authority or instrumentality (other than the Issuer acting in its capacity as lender pursuant to the Loan Agreement) and any other public body having regulatory jurisdiction and authority over the School, its Property, Plant and Equipment or its operations.

“Reimbursement Rights” shall mean (a) the rights of the Issuer to receive reimbursement and indemnification pursuant to the Documents and (b) all enforcement remedies with respect to the foregoing.

“Reserved Rights of the Issuer” shall mean (a) Reimbursement Rights of the Issuer; (b) the right of the Issuer to receive the Issuer's Fee; (c) the right of the Issuer to receive notices and to make any determination and to grant any approval or consent to anything in the Documents requiring the determination, consent or approval of the Issuer or to conduct inspections under the Documents; (d) all rights of the Issuer set forth in the Documents regarding the use of Bond proceeds and the Facility; (e) any and all rights, remedies and limitations of liability of the Issuer set forth in the Documents regarding

(i) the negotiability, registration and transfer of the Bonds, (ii) the loss or destruction of the Bonds, (iii) the limited liability of the Issuer as provided in the Act and in the Documents, (iv) the maintenance of insurance by the School, (v) no liability of the Issuer to third parties, and (vi) no warranties of suitability or merchantability by the Issuer; and (f) all rights of the Issuer in connection with any amendment to or modification of the Documents.

“Revenue Bond Act” shall mean the Maryland Economic Development Revenue Bond Act and all future acts supplemental thereto and amendatory thereof.

“S&P” shall mean S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, or any successor organization providing securities rating services.

“School Representative” shall mean the President or a Vice President of the Board of Trustees of the School, or any other person or persons at the time designated to act on behalf of the School, either generally or with respect to the execution of any particular document or other specific matter, as set forth in the Bylaws of the School or a Certified Resolution of its governing body, copies of which shall be on file with the Issuer and the Trustee.

“Series 2006 Bonds” shall mean the Baltimore County, Maryland Variable Rate Economic Development Revenue Bonds (Garrison Forest School, Incorporated Project), Series 2006 issued and delivered on October 11, 2006, together with all Supplements thereto.

“Series 2017 Bonds” shall mean the Issuer’s Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility), Series 2017 issued and delivered on the closing date, together with all Supplements thereto.

“Short-Term Indebtedness” shall mean all Indebtedness, other than Long-Term Indebtedness, which meets one or more of the following criteria:

(a) Indebtedness with respect to money borrowed payable on demand or for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(b) Indebtedness with respect to leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(c) Indebtedness with respect to installment purchase contracts having an original term of one year or less (other than contracts entered into in the ordinary course of business).

“State” shall mean the State of Maryland.

“Subordinated Indebtedness” shall mean any Indebtedness incurred or assumed by the School, the payment of which is by its terms specifically subordinated to payments on the Bonds and any Additional Parity Indebtedness, or the principal of and interest on which would not be paid (whether by the terms of such obligation or agreement of the obligee) when the Bonds or Additional Parity Indebtedness are in default or while bankruptcy, insolvency, receivership or other similar proceedings are instituted and implemented by or against the School.

“Supplemental Indenture” shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

“Supplements” shall mean any and all extensions, renewals, modifications, amendments, supplements and substitutions.

“Total Operating Revenues” shall mean the gross operating revenues of the School less applicable deductions from operating revenues as determined in accordance with generally accepted accounting principles consistently applied.

“Trustee” shall mean U.S. Bank National Association, a national banking association, as trustee under the Indenture, and its successors as trustee thereunder.

“Value” shall mean, when used in connection with Property, Plant and Equipment, Property, Other Assets or Accounts Receivable of the School, the cost basis of such property, net of accumulated depreciation, as it is carried on the books of the School and in conformity with generally accepted accounting principles consistently applied.

“Variable Rate Indebtedness” shall mean Indebtedness that bears interest at a variable, adjustable or floating rate.

“Vice Chairman” shall mean the Vice Chairman of the Issuer or such other person or office to which the principal functions of the Vice Chairman may be transferred.

THE INDENTURE

Pledge and Assignment

Under the Indenture, the Issuer will pledge to the Trustee all of its right, title and interest in and to the Pledged Revenues and the Loan Agreement (except for the Reserved Rights of the Issuer), all Funds established and held in trust under the Indenture (other than the Rebate Fund) and all of the rights and interest of the Issuer in and to any additional property at any time thereafter acquired and expressly granted or pledged as security for the obligations of the School under the Loan Agreement. Except as otherwise provided in the Indenture, the foregoing shall be held by the Trustee for the equal and ratable benefit and security of all present and future holders of the Bonds issued and to be issued under the Indenture, without preference, priority or distinction (except as otherwise specifically provided in the Indenture) of any one Bond over any other Bond.

Issuance of 2017 Bonds

Upon the issuance of the Series 2017 Bonds, the Trustee shall apply the proceeds of the Series 2017 Bonds, together with other available funds, as follows: (a) a portion of the proceeds of the Series 2017 Bonds shall be deposited in the Debt Service Fund established under the Indenture; (b) a portion of the proceeds of the Series 2017 Bonds shall be deposited into the Special Clearing Fund to be established by the Trustee and will be applied to the payment of certain costs of issuance of the Series 2017 Bonds; and (c) a portion of the proceeds of the Series 2017 Bonds shall be transferred to U.S. Bank National Association, as trustee for the Series 2006 Bonds, and applied to pay the redemption price of and accrued interest on the Series 2006 Bonds to and including October 1, 2017, the redemption date for the Series 2006 Bonds.

Additional Bonds

The Issuer may issue one or more series of Additional Bonds from time to time and lend the proceeds thereof to the School pursuant to the Loan Agreement to provide funds for the cost of undertaking or completing a Capital Addition or the cost of refunding or refinancing all or a portion of the

Outstanding Bonds of any one or more series or of any Indebtedness other than Bonds. Such Additional Bonds may be issued upon compliance with certain specified requirements under the Indenture, including the delivery to the Trustee of appropriate certificates demonstrating that the School's payment obligations under the Loan Agreement in respect of the Additional Bonds have been properly incurred in accordance with the applicable provisions described under the heading "THE LOAN AGREEMENT - Additional Indebtedness" in this Appendix C.

Revenue Fund

The Trustee shall establish a Revenue Fund into which it will deposit loan repayments made by the School as described under the heading "THE LOAN AGREEMENT - Repayment of Loan" in this Appendix C, and certain other moneys required or permitted to be deposited therein under the Indenture. On the last Business Day preceding any required or permitted payment from the Debt Service Fund pursuant to the Indenture, an amount equal to such payment shall be transferred from the Revenue Fund to the Debt Service Fund.

Debt Service Fund

The Trustee shall establish and maintain a Debt Service Fund for the payment of the principal or Redemption Price (upon Mandatory Redemption) of and interest on all Outstanding Bonds. Subject to certain conditions specified in the Indenture, moneys in the Debt Service Fund will also be available for purchases of Bonds for cancellation.

Special Clearing Fund

The Trustee shall establish a Special Clearing Fund in connection with the issuance of the Series 2017 Bonds into which it shall deposit the amount specified in the Indenture and any additional amounts required to be deposited therein by the School pursuant to the Loan Agreement. Moneys in the Special Clearing Fund shall be used to pay costs incurred by the Issuer and the School in connection with the issuance of the Series 2017 Bonds. All such payments shall be made in accordance with written instructions given to the Trustee by a School Representative and approved by an Issuer Representative, which instructions shall specify the Person to whom the payment is to be made and the nature of the cost to be paid. Any moneys remaining in the Special Clearing Fund as of July 1, 2018 shall be transferred to the Revenue Fund.

Facility Funds

The Trustee shall establish such Facility Funds as may be appropriate in connection with any Capital Additions to be paid from the proceeds of Additional Bonds or from insurance proceeds or condemnation awards (or other similar sums) in accordance with the Loan Agreement (see "THE LOAN AGREEMENT - Insurance Proceeds and Condemnation Awards" in this Appendix C). Any such Facility Fund shall consist of the amounts required or permitted to be deposited therein pursuant to any provision of the Indenture or the Loan Agreement. Separate Facility Funds or accounts within a given Facility Fund shall be maintained by the Trustee if the Issuer or the School determines that separate Facility Funds or accounts are desirable with respect to particular Capital Additions or designated portions of Capital Additions. Payments from any Facility Fund so established shall be made by the Trustee as follows: (a) except as provided in subsection (b) below, all payments from any Facility Fund shall be made only upon receipt by the Trustee of a requisition signed by a School Representative in form satisfactory to the Trustee; (b) upon completion of any Capital Addition for which a Facility Fund is established, as evidenced by a School Certificate delivered pursuant to the Loan Agreement, the Trustee shall apply any moneys remaining in such Fund and not reserved for the payment of unpaid costs to the Revenue Fund or,

if so directed by the School, to the Redemption Fund or for any additional permitted use if a Favorable Opinion is delivered to the Trustee.

Redemption Fund

The Trustee shall establish a Redemption Fund into which it shall deposit such amounts as are required or permitted to be deposited therein pursuant to the provisions of the Loan Agreement or the Indenture. Moneys in the Redemption Fund shall be applied to the Optional or Extraordinary Redemption of Bonds pursuant to the Indenture.

Rebate Fund

Upon the written request of the Issuer and the School, the Trustee will establish a Rebate Fund (and within such Rebate Fund, separate Rebate Fund Accounts for each series of Bonds issued under this Indenture) which shall be held separate and apart from all other Funds and Accounts established under this Indenture. Promptly after each Bond Year for each series of Bonds (and not later than sixty days after the redemption, payment at maturity or other retirement of the last Bond of each series), the School shall instruct the Trustee in writing to transfer from the Revenue Fund, the Debt Service Fund or a Facility Fund to the appropriate Rebate Fund Account, or shall otherwise pay to the Trustee for deposit into the appropriate Rebate Fund Account, such amounts as shall be necessary to cause the aggregate amount transferred to or otherwise deposited in such Rebate Fund Account to equal the Excess Investment Earnings as of the end of such Bond Year and as of the redemption, payment at maturity or other retirement of the last Bond of such series; provided that no such transfers or deposits shall be necessary with respect to Excess Investment Earnings on a Facility Fund if a spending exception is available under the Code. Withdrawals from a Rebate Fund Account may be made and deposited at the direction of the School on account of negative arbitrage in other Funds, but not on account of negative arbitrage in the Rebate Fund. All amounts in the Rebate Fund, including income earned from investment of the Rebate Fund, shall be held by the Trustee free and clear of the lien of the Indenture, and the Trustee shall pay said amounts over to the United States from time to time as the Trustee shall be instructed in writing by the School.

Investment or Deposit of Funds

All moneys received by the Trustee under the Indenture for deposit in any Fund established under the Indenture, except the Rebate Fund, shall be considered trust funds, shall not be subject to lien or attachment and shall, except as hereinafter provided, be deposited in the commercial department of the Trustee or its affiliate, until or unless invested or deposited as provided in the Indenture. All deposits in the commercial department of the Trustee or its affiliate shall, to the extent required or permitted under applicable law and to the extent not insured, be fully secured as to principal by Government Obligations having an aggregate market value at least equal to the amount of such deposits.

All investments shall constitute Qualified Investments and shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes under the Indenture.

All investments shall be made at the direction of the School. No investments shall be made which would cause the Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code.

The principal of the Qualified Investments and the interest, income and gains received in respect thereof shall be applied as follows: (i) during the construction period for the acquisition,

improvement, renovation and repair components of any Capital Addition for which a Facility Fund is established, unless otherwise provided in an applicable Supplemental Indenture, all interest, income and profits received in respect of the Qualified Investments or upon the sale or other disposition thereof shall (after deduction of any losses) be retained in or transferred to the applicable Facility Fund and, after the completion of such construction, shall be retained in or transferred to the Revenue Fund and credited against subsequent deposit requirements as provided in the Indenture; and (ii) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purpose.

Neither the Issuer nor the Trustee shall be accountable for any depreciation in the value of the Qualified Investments or any losses incurred upon any authorized disposition thereof.

The Trustee shall determine the value of the assets in each of the Funds established under the Indenture as of each March 31 and September 30. As soon as practicable after each such valuation date, the Trustee shall furnish to the Issuer and the School a report of the status of each Fund as of such date. The Trustee shall also advise the School at such time of the amount then available in the Revenue Fund as a credit against future deposits prior to the next valuation date in direct order of the due dates of such deposits. In computing the value of assets in any Fund or Account, investments shall be valued at the lower of the cost or market value thereof, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such Funds and Accounts. In addition, the Trustee shall provide the Issuer and the School with monthly statements showing amounts deposited into and withdrawn from each Fund, the investments made with amounts in each Fund and the investment income received from such investments.

Covenants of the Issuer

The Issuer covenants, among other things, to promptly pay or cause to be paid, but only from Pledged Revenues, the principal of its Bonds and interest thereon. The Issuer shall honor all of its obligations under the Loan Agreement and shall require the School to perform all of its contractual obligations and covenants under the Loan Agreement. The Issuer shall not, without the consent of the Trustee, amend the Loan Agreement so as to affect adversely the Issuer's ability to perform its covenants under the Indenture.

Events of Default and Remedies

Each of the following is an Event of Default under the Indenture:

- (a) If the principal or Redemption Price of any Bond is not paid when the same shall become due and payable at maturity, upon redemption or otherwise; or
- (b) If an installment of interest on any Bond is not paid when the same shall become due and payable; or
- (c) If the School shall fail to pay, when due and payable, any sum due pursuant to the provisions of the Loan Agreement with respect to the principal or Redemption Price of or interest on the Bonds and such failure continues to exist as of the expiration of any grace period provided in the Loan Agreement; or
- (d) If any other Event of Default under the Loan Agreement shall occur and be continuing; or

(e) If the Issuer fails to comply with any provision of the Act which renders it incapable of fulfilling its obligations under the Indenture or thereunder; or

(f) If the Issuer fails to perform any of its covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture (other than as specified in subsections (a) and (b) above);

provided, however, that no default under paragraph (d), (e) or (f) above shall constitute an Event of Default until notice of such default by registered or certified mail shall be given to the Issuer and the School by the Trustee or by the holders of not less than a majority in aggregate principal amount of all Bonds Outstanding and until the Issuer and the School shall have had thirty days after receipt of such notice to correct such default and shall not have corrected it; provided, however, if said default be such that it cannot be corrected within such thirty day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the School within such thirty day period and is diligently pursued to completion by the Issuer or the School.

Should any Event of Default occur and be continuing, then the Trustee shall, if requested in writing to do so by the holders of at least a majority in aggregate principal amount of all Outstanding Bonds, by notice in writing delivered to the Issuer, the School and the Bondholders, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived; provided, however, that no such declaration shall be made if the School cures such Event of Default prior to the date of the declaration.

The above provisions, however, are subject to the condition that if, after the principal of the Bonds shall have been so declared to be due and payable, all arrears of interest upon the Bonds, and all other sums payable under the Indenture (except the principal of, and interest on, the Bonds which by such declaration shall have become due and payable) shall have been paid by or on behalf of the Issuer, and the Issuer also shall have performed or caused to be performed all other things in respect of which it may have been in default under the Indenture, and shall have paid or caused to be paid the reasonable charges of the Trustee, its counsel and the Bondholders, including reasonable attorneys' fees and expenses paid or incurred, then and in every such case, the Trustee shall, if requested in writing to do so by the holders of at least 25% in aggregate principal amount of all Outstanding Bonds, annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all holders of Bonds issued under the Indenture; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee shall, upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding under the Indenture and the provision of security and indemnity as provided in the Indenture, proceed to protect and enforce its rights and the rights of the Bondholders under the laws of the State and under the Loan Agreement and the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant, condition or agreement contained in the Indenture or in aid of execution of any power in the Indenture granted or for the enforcement of any proper legal or equitable remedy, as the Trustee may be directed in writing by the holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, or, being advised by counsel, shall deem most effectual to protect and enforce such rights; in such event, the rights and obligations of the Trustee shall include the filing of a proof of claim or other similar documentation on behalf of the Bondholders as shall be required to protect their claims in the event of a bankruptcy or other insolvency proceeding involving the Issuer or the School.

The Indenture provides that, upon the occurrence of an Event of Default under paragraph (a), (b) or (c) above and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers with respect to the School, its Property and the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

The Trustee may maintain any proceedings without the possession of any of the Bonds or the production thereof in connection with said proceeding.

If any proceeding taken by the Trustee on account of any Event of Default is discontinued or abandoned for any reason, or determined adversely to the Trustee, then and in every case the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Actions by Bondholders

The holders of a majority in aggregate principal amount of the Outstanding Bonds under the Indenture 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 under the Indenture. No Bondholder 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 any other remedy under the Indenture or on the Bonds, unless: (a) the Trustee shall have been given written notice of an Event of Default, (b) the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers granted in the Indenture or to pursue such remedy in its or their name or names, (c) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and (d) the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Application of Moneys Upon Default

Upon the occurrence and during the continuance of an Event of Default, any moneys on deposit in any Fund or Account (other than the Rebate Fund) established under the Indenture and any moneys received by the Trustee upon the exercise of remedies under the Indenture shall be applied:

First: to the payment of the reasonable costs of the Trustee and the Issuer, including counsel fees and expenses, any disbursements of the Trustee with interest thereon and its reasonable compensation;

Second: subject to the provisions of the Indenture, to the payment of all interest then due or overdue on Outstanding Bonds or, if the amount available for the payment of interest is insufficient for such purpose, to the payment of interest ratably in accordance with the amount due in respect of each Bond; and

Third: subject to the provisions of the Indenture, to the payment of the outstanding principal amount due or overdue, by acceleration or otherwise, with respect to all Bonds or, if the amount available for the payment of principal is insufficient for such purpose, to the payment of principal ratably in accordance with the amount due in respect of each Bond.

Amendments to Indenture

The Indenture may be amended or supplemented from time to time, without the consent of the Bondholders, by a Supplemental Indenture for one or more of the following purposes: (a) in connection with the issuance of Additional Bonds, to set forth matters which are specifically required or permitted by the Indenture or other matters which will not adversely affect the holders of the Bonds then Outstanding; (b) to add additional covenants of the Issuer or to surrender any right or power conferred upon the Issuer under the Indenture; (c) to make conforming changes in connection with any amendment of the Loan Agreement; (d) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provision of the Indenture or otherwise) provision of the Indenture or make any other amendments, provided that, in either case, the amendment in question does not impair the security of the Indenture or adversely affect the Bondholders; and (e) in connection with obtaining, maintaining or improving a rating on any series of Bonds from either Moody's or S&P; provided that the amendments do not impair the security thereof or adversely affect the Bondholders.

The Indenture may be amended or supplemented from time to time by a Supplemental Indenture with the consent of the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, provided that (a) no amendment shall be made which adversely affects one or more but less than all series of Bonds without the consent of the holders of at least a majority of the then Outstanding Bonds of each series so affected, (b) no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds of any one series without the consent of the holders of a majority of the Bonds so affected and (c) no amendment which alters the interest rates on any Bonds, the maturities, interest payment dates or redemption provisions of any Bonds, the amendment provisions of the Indenture or the security provisions of the Indenture may be made without the consent of the holders of all Outstanding Bonds adversely affected thereby.

Amendments to Loan Agreement

The Loan Agreement may be amended without the consent of the Bondholders (a) to correct any ambiguity, inconsistency or formal defect or omission therein (whether because of any inconsistency with any other provision thereof or otherwise), (b) in connection with the issuance of Additional Bonds, to set forth such matters as are permitted or required under the Indenture in connection with such issuance or to set forth such other matters as will not adversely affect the holders of the Bonds then Outstanding, or (c) to make any other change in the Loan Agreement which, in the judgment of the Trustee (based on an opinion of Counsel), does not materially adversely affect the rights of the holders of any Bonds. No prior notice to the Bondholders of any proposed changes described in this paragraph shall be required.

Except for amendments, changes or modifications described in the paragraph above, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement or waive any obligation or duty of the School under the Loan Agreement without the written consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds affected thereby; provided, however, that no such waiver, amendment, change or modification shall permit termination or cancellation of the Loan Agreement, reduce the amounts payable by the School under the provisions described under the heading "THE LOAN AGREEMENT – Repayment of Loan" in this Appendix C or change the date when such payments are due without the consent of the holders of all the Bonds then Outstanding.

Conditions to Supplements and Amendments

Before the Issuer and the Trustee shall enter into any supplemental indenture, or before the Issuer, the School and the Trustee shall enter into any amendment or supplement of the Loan

Agreement, there shall have been delivered to the Trustee and the Issuer (a) a Favorable Opinion, including an opinion that upon execution thereof such supplemental indenture or other amendment or supplement is permitted under the Indenture and the Loan Agreement and will be valid and binding upon each of the Issuer and the School, as applicable and (b) any required consents, in writing, of the Bondholders.

Defeasance

When interest on, and principal or Redemption Price (as the case may be) of, all Bonds issued under the Indenture have been paid, or there shall have been deposited with the Trustee an amount, evidenced by moneys or non-callable direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of Treasury of the United States of America, the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the maturity date or date fixed for redemption thereof, as well as all other sums payable under the Indenture by the Issuer, the right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Issuer, shall release the Indenture, shall execute such documents to evidence such release as may be reasonably required by the Issuer and shall turn over to the School or to such other Person as may be entitled to receive the same all balances remaining in any funds under the Indenture.

Unclaimed Moneys

Moneys deposited with the Trustee pursuant to the Indenture which remain unclaimed two (2) years after the date payment thereof becomes due shall, upon written request of the Issuer (to be given at the written direction of the School), if the Issuer is not at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture or the Bonds, and subject to the effect of any applicable unclaimed property or escheat laws, be paid to the School; and the holders of the Bonds for which the deposit was made shall thereafter be limited to a claim against the School; provided, however, that before making any such payment to the School, the Trustee shall mail to the holders of all Bonds for which unclaimed moneys are being held a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty days after the date of such notice, the balance of such moneys then unclaimed will be paid to the School. In the absence of any such written request from the Issuer, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. Any moneys held by the Trustee pursuant to this paragraph shall be held uninvested and without any liability for interest.

THE LOAN AGREEMENT

The Loan; Term of Loan Agreement

Upon the issuance of the Series 2017 Bonds, the Issuer shall lend the proceeds thereof to the School to be applied to the refunding of the Series 2006 Bonds and the payment of costs of issuance of the Series 2017 Bonds and other related costs. The Issuer and the School hereby agree that the aforesaid loan of the Series 2017 Bond proceeds shall be made and applied by depositing the same with the Trustee in the manner and for the purposes set forth in the Indenture.

The Loan Agreement shall terminate on such date as the principal of and premium, if any, and interest on all Bonds and all other expenses payable by the School under the Loan Agreement shall have been paid (or provision for such payment shall have been made as provided in the Indenture) and all other conditions of the Loan Agreement and the Indenture shall have been fully satisfied.

Repayment of Loan

Under the Loan Agreement, the School agrees to pay to the Trustee, as the assignee of the Issuer, the following sums at the following times:

(a) on or before the fifteenth day of October, 2018 and the fifteenth day of each October thereafter, the amount which is necessary for the payment of the principal of the Series 2017 Bonds becoming due on the immediately succeeding principal maturity or mandatory redemption date, subject to credit for other available funds in the manner provided in the Indenture.

(b) on or before the fifteenth day of April, 2018 and the fifteenth day of each April and October thereafter, the amount which is necessary for the payment of the interest on the Series 2017 Bonds becoming due on the immediately succeeding scheduled interest payment date, subject to credit for other available funds in the manner provided in the Indenture; and

(c) at the times required under the Indenture, such additional amounts as are required to make up any deficiency which may occur in any of the funds established under the Indenture, including the Rebate Fund.

Additional Payments

The School will be required to pay the following additional amounts, when due: (a) upon submission of invoices therefor, all Administrative Expenses of the Issuer and all other expenses of the Issuer incurred in connection with the Bonds or the Loan Agreement; (b) upon submission of invoices therefor, all Administrative Expenses of the Trustee; and (c) the Issuer's Fee.

Capital Additions

If any Capital Addition shall include new construction at a cost in excess of 20% of Total Operating Revenues for the Historic Test Period, the School covenants that it will enter into an agreement with an Architect providing for the preparation of plans and specifications for such construction and the supervision thereof.

The School shall enforce any construction contracts and purchase orders relating to a Capital Addition and will cause such Capital Addition to be completed substantially in accordance with the plans and specifications which may have been prepared therefor, subject, however, to the provisions of the Loan Agreement and provided that the School may issue change orders, provided that each such change order is in writing, promptly verified by the Architect, if any, approved by the School Representative, and if so requested by the Issuer or the Trustee, filed with the Issuer and the Trustee. Copies of construction contracts and plans and specifications therefor shall be provided to the Trustee and the Issuer promptly upon written request therefor.

The School shall direct to the Trustee requisitions for payment of proper costs of a Capital Addition incurred or requested for payment by the School to effect payments out of the Facility Fund in accordance with the procedure established in the Indenture; provided, however, that the School shall not submit any requisition which, if paid, would result in the proceeds of the Bonds being used other than to pay the costs of a Capital Addition for which such Bonds were issued. In connection with its requests for such requisitions, the School shall provide the Trustee with such Certificates of the School and the Architect and such other documents and information as are required under the Indenture.

The School may amend the plans and specifications for a Capital Addition at any time prior to the completion date of a Capital Addition, including amendments which change the proposed

allocation of moneys in a particular Facility Fund among components of such Capital Addition or which delete components of the Capital Addition, if, because of unanticipated circumstances, in the judgment of the School, moneys allocated to the School in the Facility Fund will not be sufficient to complete all components of the Capital Addition or it would be uneconomical or otherwise undesirable to proceed with any component of a Capital Addition.

The School agrees to obtain, or cause to be obtained, in connection with any Capital Addition involving the construction of new facilities under a construction contract for a cost in excess of 20% of Total Operating Revenues for the Historic Test Period, a surety bond or bonds covering (a) performance of contracts, including coverage for correction of defects developing within one year after completion and acceptance, and (b) payment for labor and materials.

Nature of Obligations; Pledge of Gross Revenues

The obligations of the School under the Loan Agreement are general obligations of the School. As security for its obligations under the Loan Agreement, the School hereby pledges and grants to the Issuer a first priority lien on and security interest in its Gross Revenues. If an Event of Default occurs under the Loan Agreement, and for so long as it continues to exist, the School shall transfer to the Trustee all Gross Revenues then on hand and not yet commingled with other funds of the School to the extent necessary for the purpose of making any payments or deposits required under the Loan Agreement or under the Indenture, and the School shall take such actions as may be reasonably necessary in order for Gross Revenues thereafter paid or payable to the School to be deposited with or transferred to the Trustee for such purpose without commingling with other funds of the School. Notwithstanding the foregoing, if no Event of Default has occurred or is continuing, the School shall be permitted (subject to any applicable limitations contained in the Loan Agreement) to commingle, deposit or make expenditures from its Gross Revenues.

The School shall join with the Issuer and the Trustee in the execution and filing of all financing statements, continuation statements and other documents as may be necessary from time to time to perfect or continue the perfection of the security interest granted under the Loan Agreement.

Tuition, Fees and Charges Covenant

The School covenants that it will establish, charge and collect tuition, student fees and charges for services provided by the School such that Income Available for Debt Service will equal or exceed, in each Fiscal Year, 100% of the Debt Service Requirement for such Fiscal Year.

If, in any Fiscal Year, the School fails to meet the foregoing covenant, it shall immediately retain a Consultant to make a report and recommendation with respect to such tuition, student fees and other charges and with regard to operations of the School. The School further covenants that, upon receipt of such report and recommendation from the Consultant, the School shall cause copies thereof to be filed with the Trustee and the Issuer, and the School shall within sixty days of the receipt of such report and recommendation describe in writing to the Trustee and the Issuer what action, if any, the School intends to take upon the report and recommendation of the Consultant. So long as the School takes the foregoing steps with respect to a Consultant's report, the failure to meet the rate covenant set forth in the above paragraph will not be deemed to constitute an Event of Default unless the School's cash and investments as shown on the audited financial statements for such Fiscal Year are less than 150% of the total Long-Term Indebtedness outstanding at the end of such Fiscal Year.

Additional Indebtedness

The School will not be permitted to incur any additional Indebtedness other than the following:

(a) Long-Term Indebtedness, including Additional Bonds, Additional Parity Indebtedness and Guaranties, if:

(i) prior to incurrence of the Long-Term Indebtedness, there is delivered to the Trustee a School Certificate certifying that the Debt Service Coverage Ratio for the Historic Test Period, taking into account the current aggregate Outstanding principal amount of all Long-Term Indebtedness and the proposed additional Long-Term Indebtedness, as if it had been incurred at the beginning of such Historic Test Period, is not less than 1.25 (provided that such Certificate shall in all instances be based upon the most recent audited financial statements of the School); or

(ii) prior to incurrence of the Long-Term Indebtedness, there is delivered to the Trustee (A) a School Certificate certifying that the Debt Service Coverage Ratio for the Historic Test Period, not taking the proposed additional Long-Term Indebtedness into account, is not less than 1.20 and (B) a Consultant's report (1) stating that the projected Debt Service Coverage Ratio for each of the next two full Fiscal Years following the incurrence of such Long-Term Indebtedness or, in the case of the incurrence of such Long-Term Indebtedness for capital improvements, following the completion of the facilities being financed, taking the proposed additional Long-Term Indebtedness into account, is not less than 1.20, and (2) indicating that sufficient revenues and cash flow would be generated to meet the projected operating expenses (including debt service on the proposed Indebtedness) of the School during such two full Fiscal Years; or

(iii) prior to incurrence of the Long-Term Indebtedness, there is delivered to the Trustee (A) a School Certificate certifying that the ratio of Income Available for Debt Service to the maximum annual Debt Service Requirement for the Historic Test Period, not taking the proposed additional Long-Term Indebtedness into account, is not less than 1.25 and (B) a School Certificate (1) certifying that the projected ratio of Income Available for Debt Service to the maximum annual Debt Service Requirement for each of the next two full Fiscal Years following the incurrence of such Long-Term Indebtedness or, in the case of the incurrence of such Long-Term Indebtedness for capital improvements, following the completion of the facilities being financed, taking the proposed additional Long-Term Indebtedness into account, is not less than 1.25, and (2) indicating that sufficient revenues and cash flow would be generated to meet the projected operating expenses (including debt service on the proposed Indebtedness) of the School during such two full Fiscal Years.

(b) Completion Indebtedness, other than Additional Bonds, without limitation, provided there is delivered to the Trustee a School Certificate (i) specifying the estimated cost of completing the construction or equipping of the facilities to be completed and (ii) demonstrating that the proceeds of such Completion Indebtedness and other available moneys will be sufficient to finance the cost of completion.

(c) Long-Term Indebtedness incurred for the purpose of refunding or refinancing, including advance refunding or cross-over refunding, any Outstanding Long-Term Indebtedness; provided that the Annual Debt Service for each of the years that the refunded Indebtedness would have been Outstanding will not be increased by more than 15%, as evidenced by a School Certificate filed with the Trustee.

(d) Short-Term Indebtedness, provided that immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all such Short-Term Indebtedness

does not exceed 15% of the aggregate of Total Operating Revenues for the Historic Test Period; and provided further, that for a period of at least twenty days in each Fiscal Year, the Outstanding principal amount of all such Indebtedness shall not exceed 5% of the aggregate of Total Operating Revenues of the School for such Historic Test Period. Short-Term Indebtedness may also be incurred if such Short-Term Indebtedness could be incurred under subparagraph (a) above assuming it were Long-Term Indebtedness.

(e) Non-Recourse Indebtedness or Subordinated Indebtedness, without limitation, provided that there is filed with the Trustee a School Certificate projecting that the provisions described under the heading “LOAN AGREEMENT – Tuition, Fees and Charges Covenant” in this Appendix C will be complied with for the then current and the next following Fiscal Year, taking into consideration projected revenues and the proposed Indebtedness.

(f) Indebtedness in the form of installment purchase contracts, capitalized leases, purchase money mortgages, loans, sales agreements or other typical borrowing instruments, provided that the aggregate Annual Debt Service on the Indebtedness permitted under this clause shall not in any Fiscal Year exceed 2% of Total Operating Revenues for the Historic Test Period, and provided further that such Indebtedness may exceed 2% of Total Operating Revenues for the Historic Test Period if it could have been incurred under paragraph (a) assuming it were Long-Term Indebtedness.

(g) Any Indebtedness represented by a letter of credit reimbursement agreement or other similar reimbursement agreement entered into by the School and an institution providing a Credit Facility with respect to any other Indebtedness incurred in accordance with any other provision described under this heading “Additional Indebtedness.”

(h) Indebtedness incurred or deemed incurred by virtue of any recourse obligation associated with any sale or assignment of Accounts Receivable, but in no event in any amount in excess of the monetary consideration received from any such sale or assignment.

Additional Provisions Concerning Calculation of Debt Service.

For purposes of the computation of the Debt Service Requirement or Annual Debt Service, whether historic or projected, Balloon Indebtedness shall, at the election of the School, be deemed to be Indebtedness which, at the later of the date of its original incurrence or the date of calculation, is payable over a twenty-five (25) year term from such applicable date, with level annual debt service, at a rate of interest equal to that set forth in writing by a nationally recognized firm of investment bankers or a financial advisory firm selected by the School.

For purposes of the computation of the projected (but not historic) Debt Service Requirement or Annual Debt Service at any time, Variable Rate Indebtedness shall be deemed Indebtedness which bears interest at a rate equal to that derived from the Bond Index.

For purposes of the computation of the Debt Service Requirement or Annual Debt Service at any time, whether historic or projected, the School may, at its election, subtract from interest due on Indebtedness any Capitalized Interest which is or was available and is to be applied or was applied to make such interest payment in the year such interest comes or came due, at the time of such computation for the period in question, for the payment of such interest on such Indebtedness.

Restrictions on Guaranties.

The School agrees that it will not enter into, or become liable after the date of the Loan Agreement in respect of, any Guaranty unless such Guaranty could then be incurred as Indebtedness under the Loan Agreement.

For purposes of any covenants or computations provided for in the Loan Agreement, the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness which is the subject of a Guaranty under the Loan Agreement and which would, if such obligation were incurred by the School, constitute Long-Term Indebtedness shall be deemed equivalent to 20% of the actual Annual Debt Service on, and principal amount of, such indebtedness, for so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles; provided, however, that if the primary obligor on such indebtedness can demonstrate a Debt Service Coverage Ratio equal to at least 1.10 for at least three full consecutive years, none of the actual Annual Debt Service on, and principal amount of, such indebtedness shall be included for so long as such Debt Service Coverage Ratio is maintained at 1.10 or higher; and, provided further, that the Annual Debt Service on, and principal amount of, any Long-Term Indebtedness represented by a Guaranty shall be deemed equivalent to all of the actual Annual Debt Service on, and principal amount of, such indebtedness, for so long as payments have been and continue to be required to be made by the School on such Guaranty and for a period of twelve months thereafter.

Sale, Lease or Other Disposition of Property

The School agrees that it will not, in the aggregate in any Fiscal Year, sell, lease or otherwise dispose of Property the Value of which would cause the aggregate Value of Property so transferred in such Fiscal Year to exceed 5% of the Property of the School as shown on the audited financial statements for the Historic Test Period, except for the following transfers, sales or leases of Property; provided that transfers, sales or leases pursuant to this provision shall not be permitted in any period during which an Event of Default has occurred and is continuing; and provided further that leases pursuant to this provision shall not be permitted without a Favorable Opinion delivered to the Trustee and the Issuer:

(a) to any Person if, in the judgment of the School, such Property has, or within the next succeeding twenty-four (24) calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property; or

(b) in the ordinary course of business; or

(c) if the School receives fair market value therefor and the proceeds of such disposition are applied to the purchase of additional capital assets or applied to the defeasance, discharge, redemption or retirement of Indebtedness or applied by the School for its general corporate purposes; or

(d) to any Person, provided that either (i)(A) for the Historic Test Period prior to the sale, lease or other disposition, a School Certificate delivered to the Trustee shall demonstrate that the Debt Service Coverage Ratio was equal to at least 1.20 and (B) for the two full Fiscal Years immediately following such sale, lease or other disposition, a Consultant's report delivered to the Trustee shall demonstrate that the projected Debt Service Coverage Ratio, taking into consideration the proposed sale, lease or other disposition, will be equal to at least 1.20 and would not be reduced by more than 25% of what it would have been if the proposed sale, lease or other disposition did not occur or (ii) for the two Fiscal Years immediately prior to the sale, lease or other disposition, a School Certificate delivered to the Trustee shall demonstrate that the Debt Service Coverage Ratio, taking into consideration the proposed sale, lease or other disposition, was at least 1.20 and would not be reduced by more than 25% of what it had been prior to the proposed sale, lease or other disposition; or

(e) to any Person if the transfer consists of Accounts Receivable and the School receives fair market value therefor; or

(f) to any Person if the transfer consists of Other Assets in an aggregate amount not greater than 25% of the excess of revenues over expenses of the School as shown on the financial statements of the School for the Historic Test Period; or

(g) to any Person if the transfer consists of Other Assets in an aggregate amount greater than 25% of the excess of revenues over expenses of the School for the Historic Test Period if a School Certificate is delivered to the Trustee demonstrating that the Debt Service Coverage Ratio for the Historic Test Period, calculated after deducting the amount of such transfer from Income Available for Debt Service, would have been at least 1.20.

Corporate Existence

The School covenants that it will preserve and maintain its existence as a nonstock corporation under the laws of the State and preserve and maintain its authority to operate its facilities as educational facilities within the meaning of the Act.

The School covenants that it will not merge or consolidate with any other corporation or other entity or sell or convey all or substantially all of its assets to any Person unless:

(a) either it will be the continuing corporation or the successor corporation shall be a corporation organized and existing under the laws of the United States of America or a state thereof and such corporation shall, prior to such merger or consolidation, expressly assume in writing the due and punctual payment of the principal of and premium, if any, and interest on all Outstanding Bonds and Additional Indebtedness according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Loan Agreement, which document shall be executed and delivered to the Trustee by such corporation; and

(b) there is delivered to the Trustee and the Issuer a Favorable Opinion with respect to such merger, consolidation, sale or conveyance; and

(c) there is delivered to the Trustee a School Certificate demonstrating that immediately after such consolidation, merger, sale or conveyance such corporation could incur one dollar or more of Long-Term Indebtedness as described under "LOAN AGREEMENT – Additional Indebtedness" in this Appendix C, taking into account such consolidation, merger, sale or conveyance.

Permitted Encumbrances

The School agrees that it will not create or suffer to be created or exist any Lien upon Property or Gross Revenues now owned or hereafter acquired by the School other than Permitted Encumbrances. Permitted Encumbrances will consist of the following:

(i) Liens arising by reason of good faith deposits by the School in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the School to secure public or statutory obligations or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the School to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pension or profit sharing plans or other social

security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against the School so long as such judgment is being contested and execution thereon is stayed or, in the absence of such contest and stay, such judgment lien will not materially impair the Property or Gross Revenues or subject the Property or Gross Revenues to material loss or forfeiture;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property or Gross Revenues, to (1) terminate such right, power, franchise, grant, license or permit or make such provision of law inapplicable, provided that the exercise of such right would not materially alter the use of such Property or Gross Revenues or materially and adversely affect the value thereof, or (2) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property or Gross Revenues; (A) any liens on any Property or Gross Revenues for taxes, assessments, levies, fees, water and sewer rents and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property or Gross Revenues which are not due and payable or which are not delinquent or the amount or validity of which is being contested and execution thereon is stayed or the existence of which will not subject the Property or Gross Revenues to material loss or forfeiture; (B) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to any Property or Gross Revenues which do not materially impair the use of such Property or Gross Revenues or materially and adversely affect the value thereof; (C) rights reserved to or vested in any municipality or public authority to control or regulate any Property or Gross Revenues or to use such Property or Gross Revenues in any manner, which rights do not materially impair the use of such Property or Gross Revenues or materially and adversely affect the value thereof; and (D) to the extent that it affects title to any Gross Revenues, the Loan Agreement;

(v) Any Lien on Property or Gross Revenues which is existing on the date of authentication and delivery of the Series 2017 Bonds, including renewals thereof, provided that no such Lien may be extended or modified to apply to any Property or Gross Revenues of the School not subject to such Lien on such date, unless such Lien as so extended or modified otherwise qualifies as a Permitted Encumbrance under the Loan Agreement;

(vi) Any lease of Property which, in the judgment of the School, is reasonably necessary or appropriate for or incidental to the use of such Property, taking into account the nature and terms of the lease and the nature and purposes of the Property;

(vii) Any Lien on Property which Lien secures Long-Term Indebtedness incurred in compliance with the Loan Agreement, if, after giving effect to the Lien, the Value of the Property which is encumbered in accordance with this clause (vii) will not exceed (A) 15% of the Value of the Property as of the end of the Historic Test Period and (B) 120% of the principal amount of the Long-Term Indebtedness secured thereby;

(viii) Any parity Lien on all or a portion of Gross Revenues to secure any Long-Term Indebtedness or Short-Term Indebtedness incurred pursuant to the Loan Agreement. Any agreement for the repayment of such Additional Indebtedness and instruments evidencing or securing the same may provide, among other things, for notices from or to the Trustee regarding defaults by the School, the duties and limitations of the Trustee to pursue remedies upon the receipt of such notice, and the sharing of the rights of the Bondholders to control the exercise of remedies with the holders of such Additional Indebtedness and/or with the issuer of any Credit Facility with respect to such Additional Indebtedness;

(ix) Any Lien subordinate in priority to the Bonds and any Additional Parity Indebtedness on all or a portion of Gross Revenues to secure any Long-Term Indebtedness or Short-Term Indebtedness incurred pursuant to the Loan Agreement;

(x) Any Lien on Accounts Receivable securing or deemed to secure any Indebtedness incurred or deemed incurred by virtue of any recourse obligation associated with any assignment, sale or pledge of Accounts Receivable which is permitted pursuant to subparagraph (h) under the heading “Additional Indebtedness” above; and

(xi) Any Lien on Property securing Indebtedness incurred pursuant to subparagraph (f) under the heading “Additional Indebtedness” above.

Notwithstanding the provisions of this heading “Permitted Encumbrances,” the School may create or suffer to be created or exist a Lien upon Property, in favor of the holder of any Indebtedness, with prior written notice to the Trustee but without the consent of the Trustee or of the Trustee for the benefit of the Holders of any Bonds, so long as such Lien, or a Lien at least on a parity therewith, is effectively granted in favor of the Trustee for the benefit of the Holders of all Bonds and Additional Parity Indebtedness then Outstanding.

Insurance

The School shall maintain insurance covering such risks and in such amounts as are customary in the case of corporations engaged in the same or similar activities and similarly situated and are adequate to protect it and its Property and operations. In determining the types and amounts of insurance coverage to be maintained, the School shall take into consideration and shall endeavor to protect the interests of the Issuer, as lender under the Loan Agreement. The insurance or self-insurance required to be maintained pursuant to the Loan Agreement shall be subject to review by an Insurance Consultant every other year, and the School will be required to follow any recommendations of the Insurance Consultant, except to the extent that the governing body of the School determines that such recommendations are unreasonable, the reasons for such determination to be set forth in an School Certificate delivered to the Trustee. The School will be required to deliver to the Trustee and the Issuer as soon as practicable after receipt thereof each report of the Insurance Consultant regarding its review of and recommendations concerning the insurance maintained by the School.

The foregoing may be satisfied by a self-insurance program if (a) it is in writing and has been adopted by the governing body of the School, and (b) an Independent consulting actuary has stated in writing that the Independent consulting actuary has reviewed the program as established and as it is to operate for the ensuing twelve (12) month period and that the program is actuarially sound, and (c) the program is reviewed at least annually by an Independent consulting actuary to determine what actions should be taken to maintain the actuarial soundness of the program.

Insurance Proceeds and Condemnation Awards

The School shall notify the Issuer and the Trustee promptly in writing of the occurrence of any damage to or destruction, condemnation or conveyance in lieu of condemnation of all or any portion of its Property, Plant and Equipment. Subject to the applicable provisions of any documents creating a superior Lien upon the affected Property, all insurance proceeds, condemnation awards or other similar sums received as a result of any such occurrence shall be applied as follows:

- (i) At the election of the School, such amounts may be used:

(a) to pay the cost of reconstructing, replacing or repairing the affected Property, if the School determines that (A) such action is practicable, taking into account the nature of the affected Property, the estimated cost of the proposed reconstruction, replacement or repair and the adequacy of available funds to pay such costs, and (B) the projected Debt Service Coverage Ratio of the School will not be less than 1.00 during each Fiscal Year to and including the year in which the reconstruction, replacement or repair is expected to be completed, and such projected Debt Service Coverage Ratio will not be less than 1.10 during the first Fiscal Year following such completion; or

(b) to pay the Redemption Price of Bonds upon Extraordinary Redemption if (A) all Outstanding Bonds are so to be redeemed or (B) less than all Bonds are so to be redeemed and the School determines that the projected Debt Service Coverage Ratio will not be less than 1.10 during the Fiscal Year immediately following the proposed redemption; or

(c) for such other lawful purposes as the School may deem appropriate if the School determines that its projected Debt Service Coverage Ratio will not be less than 1.10 during the Fiscal Year immediately following such determination.

The foregoing determinations shall be set forth in a School Certificate delivered to the Issuer and the Trustee as soon as practicable after the occurrence to which it relates. Such Certificate shall be supported by such additional Certificates (including an Architect's Certificate or Consultant's Certificate) as the Issuer or the Trustee may reasonably request.

If the School determines in good faith that the conditions set forth in subsection (a) above cannot be satisfied with respect to any proposed action, it shall deliver a School Certificate to such effect to the Trustee and the Issuer, and the insurance proceeds, condemnation award or other similar sum shall be required to be used to pay the Redemption Price of Bonds upon Extraordinary Redemption.

Moneys to be used for any reconstruction, replacement or repair pursuant to subsection (a) above shall be deposited in the Facility Fund for such purpose and shall be disbursed by the Trustee upon requisition of the School in substantially the manner set forth in the Indenture. The balance of any moneys so deposited after completion of such reconstruction, replacement or repair (as evidenced to the Trustee by a School Certificate) shall be released to the School for its unrestricted use. Moneys to be used to redeem Bonds pursuant to subsection (a) or (b) above shall be deposited in the Redemption Fund for such purpose. Moneys to be used for any other purpose pursuant to subsection (a) above shall be released to the School for such purpose.

It is hereby understood and agreed that, if the affected Property is subject to Liens which secure the Bonds and other Indebtedness on an equal and ratable basis, a proportionate amount of any moneys otherwise permitted or required to be used to redeem Bonds pursuant to the foregoing provisions may be used to redeem any such other Indebtedness.

Arbitrage Rebate

Within thirty days after the end of each fifth Bond Year and upon retirement of each series of Bonds, the School shall determine the Excess Investment Earnings and deliver moneys to the Trustee for deposit into the appropriate Account of the Rebate Fund (or instruct the Trustee to transfer to such Account moneys representing available arbitrage earnings in any Facility Fund) in an aggregate amount equal to the Excess Investment Earnings, if any. The School shall instruct the Trustee in writing to withdraw from the appropriate Account of the Rebate Fund and pay over to the United States (a) not less frequently than once each five years after the date of original delivery and payment for the Bonds, an amount equal to 90% of the net aggregate amount of Excess Investment Earnings deposited into such Account during such period, plus all investment earnings on amounts on deposit in such Account during

such period (and not theretofore paid to the United States), and (b) not later than thirty days after the redemption, payment at maturity or other retirement of the last Bond of each series of Bonds, 100% of all moneys in such Account. The requirements of this provision need not be met to the extent the Trustee and the Issuer receive a Favorable Opinion.

Additional Covenants

In addition to the foregoing, the Loan Agreement contains covenants which require the School, among other things, to:

(a) comply in all material respects with applicable laws affecting the School and the Property in operation of the School;

(b) furnish to the Issuer and the Trustee not later than 150 days after the end of each Fiscal Year, the audited financial statements of the School, together with an School Certificate stating whether the School is in default under any provision of the Loan Agreement;

(c) indemnify and save harmless the Trustee, the Issuer and their respective agents against and from any and all Claims (except, with respect to any Claims arising solely from the negligence of any party other than the Issuer) incurred by, or asserted or imposed against, any of them, and any loss or expense (including all reasonable attorneys' fees and costs of investigation) in connection therewith, by reason of (i) any loss, accident, injury (including death) or Damage to any person or property, however caused, resulting from, connected with or growing out of any act of commission or omission of the School, or any agents, assignees, contractors or subcontractors of the School or any use, non-use, possession, occupation, condition, operation, service, design, construction, acquisition, maintenance or management of, or on, or in connection with, the Property, or any part thereof, (ii) any breach or default on the part of the School in the performance of any of its obligations under any of the Documents, (iii) any act or negligence of the School or of any of its agents or licensees, (iv) any act or negligence of any assignee or lessee of the School, (v) the financing and refinancing of the costs of the acquisition and improvement of the Facility and the issuance and sale of the Bonds, (vi) the selection, manufacture, acquisition, improvement, acceptance or rejection of the Facility (or any portion thereof), (vii) the execution, delivery or performance of the Documents, and (viii) hazardous materials contamination or environmental requirement or other environmental damage to other properties occurring or alleged to occur due to activities or inactivities at or relating to the Property, including, without limitation, investigation, removal, clean-up and remedial costs and fines or penalties, regardless of whether such Claims are against or are suffered or sustained by the Trustee, the Bondholders, the Issuer or any of their respective agents, or are against any person to whom the Trustee, the Issuer or any of their respective Agents may become liable therefor;

(d) pay all taxes, charges, and assessments which are imposed upon the School or its Property, subject to the right of the School to contest such taxes, charges and assessments in good faith; and

(e) take all actions which are within the control of the School and are necessary in order to maintain the exemption of interest on the Bonds from Federal income taxation.

Events of Default

Each of the following shall constitute an Event of Default:

(a) If the School fails to make any payment corresponding to principal or interest on the Bonds within five days after the due date thereof or fails to make any other payment or deposit required pursuant to the Loan Agreement within thirty days after the due date thereof; or

(b) If the School fails to perform any other covenant, condition or agreement in the Loan Agreement on its part to be performed and such failure is not cured within the period described below under the heading “LOAN AGREEMENT – Notice of Defaults; Opportunity to Cure Such Defaults” in this Appendix C; or

(c) if the School proposes or makes an assignment for the benefit of creditors or a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the School or any substantial portion of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the School and if such is not vacated, dismissed or stayed on appeal within sixty days.

Notice of Defaults; Opportunity to Cure Such Defaults

No default under subparagraph (b) under the heading “Events of Default” above shall constitute an Event of Default until actual notice of such default by registered or certified mail or a recognized overnight delivery service shall be given to the School by the Issuer or the Trustee and the School shall have had thirty days after receipt of such notice to correct the default and shall not have corrected it; provided, however, if the default cannot be corrected within such thirty day period, it shall not constitute an Event of Default if corrective action is instituted by the School within the applicable period and diligently pursued until the default is corrected.

Remedies

If any Event of Default shall occur and be continuing, the Issuer may at its option exercise any one or more of the following remedies:

(a) by suit, action or proceeding, at law or in equity, enforce all rights of the Issuer and require the School to carry out any agreements with or for the benefit of the Issuer or the Bondholders and to perform its duties under the Act or the Loan Agreement; or

(b) by action or suit in equity require the School to account as if it were the trustee of an express trust for the Issuer; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer; or

(d) upon the filing of a suit or other commencement of judicial proceeding to enforce the rights of the Trustee and the Bondholders, have appointed a receiver or receivers with respect to the School and its Property, with such powers as the court making such appointment shall confer; or

(e) upon notice to the School, accelerate the due dates of all sums due or to become due under the Loan Agreement.

Amendments

The Loan Agreement may be amended from time to time in accordance with the provisions described under “THE INDENTURE - Amendments to Loan Agreement” in this Appendix C.

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APPENDIX D
FORM OF OPINION OF BOND COUNSEL

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WHITEFORD, TAYLOR & PRESTON L.L.P.

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LEXINGTON, KY
PITTSBURGH, PA
ROANOKE, VA
TOWSON, MD
WASHINGTON, DC
WILMINGTON, DE*

WWW.WTPLAW.COM
(800) 987-8705

July 18, 2017

Maryland Industrial Development Financing Authority
Baltimore, Maryland

**Re: \$6,570,000 Maryland Industrial Development Financing Authority
Economic Development Refunding Revenue Bonds (Garrison Forest
School, Incorporated Facility) Series 2017**

Ladies and Gentlemen:

We have acted as bond counsel to the Maryland Industrial Development Financing Authority, a body politic and corporate and an instrumentality of the State of Maryland (the "Issuer"), in connection with the issuance by the Issuer of its \$6,570,000 Maryland Industrial Development Financing Authority Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility) Series 2017 (the "Bonds"), under the authority of the Maryland Industrial Development Financing Authority Act, §§ 5-401 *et seq.* of the Economic Development Article of the Annotated Code of Maryland (the "MIDFA Act") and the Maryland Economic Development Revenue Bond Act, §§ 12-101 *et seq.* of the Economic Development Article of the Annotated Code of Maryland (the "Revenue Bond Act"). The MIDFA Act and the Revenue Bond Act are herein sometimes collectively referred to as the "Act."

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein. This opinion is dated as of the date of issuance and delivery of the Bonds.

Unless the context clearly indicates otherwise, each capitalized term used in this opinion shall have the same meaning as set forth in the Bonds, the Trust Indenture dated as of July 1, 2017 (the "Indenture") by and between the Issuer and U.S. Bank National Association (the "Trustee") and the Loan and Security Agreement dated as of July 1, 2017 (the "Loan Agreement") between the Issuer and Garrison Forest School, Incorporated (the "School").

We refer you to the Bonds and to the Indenture for a description of the purposes for which the Bonds are issued, the security for the Bonds, the manner in which and times at which the principal of, premium (if any) and interest on the Bonds are payable, the interest rate or rates payable on the Bonds, the provisions under which the Bonds may be redeemed prior to their stated maturity and all other details of the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the School contained in the Indenture, the Loan Agreement, the Tax Certificate, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the School (including certifications as to the use of proceeds of the Bonds, matters pertaining to qualified 501(c)(3) bonds and other information which is material to matters stated in paragraphs 6 and 7 below), without undertaking to verify the same by independent investigation.

We are qualified to practice law in the State and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State and the federal law of the United States of America.

We have not examined, and express no opinion as to, the existence of or title to real or personal property, and, except as expressly stated herein, we express no opinion as to the creation, validity or priority of any lien upon, assignment of, pledge of or security interest in any real or personal property.

It is the responsibility of the Trustee to continue to maintain the perfection, priority or validity of any liens, assignments, security interests or pledges created as security for the Bonds.

We have not reviewed or examined any financial information or other information with respect to the Trustee or the School or any offering material relating to the Trustee or the School, and we express no opinion relating thereto.

This opinion does not constitute or imply a recommendation of the market or financial value of the Bonds or an assessment of the strength or appropriateness of the covenants by any of the parties to any of the Documents, the possibility of default (other than on account of the invalidity of the Bonds), the eligibility or suitability of the Bonds as an investment, or any other legal or financial aspect of the Bonds not expressly addressed herein.

We refer you to the opinion of even date herewith of Barbara Curnin Kountz, Assistant Attorney General, counsel to the Issuer, with respect to, among other matters: (a) the valid creation and existence of the Issuer; (b) the proper and correct adoption of the Resolution of the Issuer adopted by the Issuer and approved on May 25, 2017 and the proper and correct execution and delivery of an Executive Order by the Chairman of the Issuer; (c) the authorization,

execution and delivery by the Chairman of the Issuer of the Bonds and the other Documents, and the validity and enforceability thereof against the Issuer; and (d) the absence of any litigation or conflicting agreements affecting the issuance and sale of the Bonds. We have relied exclusively upon such opinion with respect to the matters set forth therein, other than the validity and enforceability of the Bonds and the other Documents against the Issuer.

In rendering this opinion, we have assumed the correctness of the opinion of even date herewith of Miles & Stockbridge P.C., as counsel to the School, with respect to certain matters pertaining to the School and the Documents executed and delivered by the School. We express no opinion with respect to any of the matters set forth in such opinion.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

Based upon, and subject to, the foregoing, and on the basis of existing law, it is our opinion, as of the date hereof, that:

1. The Issuer is a validly created and existing body politic and corporate and an instrumentality of the State with full power and authority under the laws of the State, including the Act, to issue and sell the Bonds and to enter into and perform its obligations under the Indenture and the Loan Agreement and to issue and sell the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding limited obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bonds are entitled to the security and benefits of the Indenture to the extent provided therein.
3. The Indenture and the Loan Agreement have been duly and properly authorized, executed and delivered by the Issuer and, assuming the due and proper authorization, execution and delivery thereof by each of the other parties thereto, are valid and binding limited obligations of the Issuer, enforceable against the Issuer in accordance with their terms.
4. Pursuant to the Indenture, the Issuer has effectively pledged and assigned the loan payments to be paid by the School under the terms of the Loan Agreement to the Trustee as security for the Bonds (subject to the Reserved Rights of the Issuer).
5. By the terms of the Revenue Bond Act, the Bonds and the premium (if any) and interest thereon are limited obligations of the Issuer, payable solely from the revenues to be received by the Issuer pursuant to the Loan Agreement or from any other moneys made available

to the Issuer for such purpose. The Bonds and the interest on them are not debts or charges against the general credit or taxing powers of the State, the Department, the Issuer or any other public body within the meaning of any constitutional or charter provision or statutory limitation, and may not give rise to any pecuniary liability of the State, the Department, the Issuer or any other public body. The Bonds do not constitute an indebtedness to which the faith and credit of the State, the Department, the Issuer or any other public body is pledged.

6. Under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income of the holders of the Bonds for federal income tax purposes and is not an enumerated item of tax preference or adjustment for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. In rendering the opinion expressed in the preceding sentence, we have assumed continuing compliance by the Issuer and the School with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer (to the extent it exercises control or direction) and the School have covenanted in the Tax Certificate to comply with all such requirements. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Certificate. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. By the terms of the Revenue Bond Act, the principal of and interest on the Bonds, the transfer of the Bonds, and any income derived from the Bonds, including profits made in their sale or transfer, are forever exempt from State and local taxes in Maryland, but the terms of the Revenue Bond Act do not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or to any other taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom.

We express no opinion as to the exclusion of the interest on the Bonds from gross income for purposes of federal or Maryland income taxation with respect to future actions which may be taken, or are omitted, or circumstances that subsequently occur, including, without limitation, those that require a Favorable Opinion of Bond Counsel under provisions set forth in the Documents.

In the event of noncompliance with covenants in the Tax Certificate or the requirements of the Internal Revenue Code, available enforcement remedies may be limited by applicable

provisions of law and, therefore, may not be adequate to prevent the interest on the Bonds from becoming includible in gross income for federal income tax purposes.

The rights of any purchaser of the Bonds and the enforceability of the Bonds and the Indenture and any other agreements or obligations referred to herein are subject to (i) the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance; (ii) the valid exercise of the constitutional powers of the United States of America and of the sovereign police and taxing powers of state or other governmental units having jurisdiction; and (iii) bankruptcy, insolvency, reorganization, moratorium or other similar laws heretofore or hereafter in effect affecting creditors' rights, to the extent constitutionally applicable. Enforceability of the provisions contained in the Indenture pertaining to indemnification may also be limited by applicable securities law and public policy. Without limiting the generality of the foregoing, under the Bankruptcy Reform Act of 1978, as amended by the Bankruptcy Amendments and Federal Judgeship Act of 1984, provisions of the Documents providing for acceleration of maturity in the event of insolvency or bankruptcy may be invalid, and the rights and remedies of acceleration and foreclosure, if any, under such circumstances may not be enforceable.

Very truly yours,

Whiteford, Taylor & Preston L.L.P.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “*Disclosure Agreement*”) is made and entered into as of July 1, 2017, by GARRISON FOREST SCHOOL, INCORPORATED, a Maryland nonstock corporation (the “*School*”) in connection with the issuance by the Maryland Industrial Development Financing Authority (the “*Issuer*”) of its \$6,570,000 Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility) Series 2017 (the “*Bonds*”). The Bonds are being issued pursuant to the terms of a Trust Indenture dated as of July 1, 2017 (the “*Indenture*”) between the Issuer and U.S. Bank National Association, in its capacity as trustee for the holders of the Bonds (in such capacity, together with any successor trustee, the “*Trustee*”).

NOW THEREFORE, intending to be legally bound hereby, the School hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the registered owners and Beneficial Owners (hereinafter defined) of the Bonds and in order to assist the Participating Underwriter (hereinafter defined) in complying with the Rule (hereinafter defined).

SECTION 2. Definitions. In addition to the capitalized terms defined above and the definitions set forth in the Indenture or the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the School pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Business Day*” shall mean any day other than a Saturday, Sunday or a day on which the New York Stock Exchange is closed.

“*Disclosure Representative*” shall mean the Director of Finance and Operations of the School or his or her designee, or such other person as the School shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean the party, if any, appointed by the School pursuant to the provisions of this Disclosure Agreement to perform the duties described herein to ensure compliance with the provisions of the Rule. Initially, the School shall perform all duties of the Dissemination Agent hereunder and no third party has been appointed by the School as Dissemination Agent. During any period in which the School is performing the duties of Dissemination Agent hereunder as permitted by Section 7 hereof, all references to “Dissemination Agent” shall be deemed to refer to the School.

“**EMMA**” or the “**EMMA System**” shall mean the Electronic Municipal Market Access system maintained by the MSRB (or any successor electronic filing system established in accordance with the Rule for the submission of information required to be filed under the Rule). As of the date of this Disclosure Agreement, information regarding submissions to the MSRB through EMMA is available at <http://emma.msrb.org/submission>.

“**Generally Accepted Accounting Principles**” means those accounting principles applicable in the preparation of financial statements of educational institutions, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

“**Issuance Date**” means July 18, 2017, the date of issuance and delivery of the Bonds.

“**Listed Event**” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“**Loan Agreement**” shall mean the Loan and Security Agreement, dated as of July 1, 2017, between the School and the Issuer.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Obligated Person**” shall mean, at any applicable time, each “obligated person” (as that term is defined in paragraph (f)(10) of the Rule) with respect to the Bonds. As of the Issuance Date, “Obligated Person” means the School. The School has determined that as of the Issuance Date, there are no “obligated persons” with respect to the Bonds for purposes of the Rule other than the School, and that the Issuer is not an “obligated person” with respect to the Bonds for purposes of the Rule.

“**Official Statement**” means the Official Statement relating to the Bonds, dated June 28, 2017

“**Participating Underwriter**” shall mean George K. Baum & Company, as the underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“**Repository**” shall mean each nationally recognized municipal securities information repository for purposes of the Rule. The SEC has appointed EMMA as the sole Repository effective as of July 1, 2009.

“**Rule**” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**SEC**” shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) In accordance with the requirements of the Rule, the School shall deliver, or shall provide to the Dissemination Agent and shall cause the Dissemination Agent to deliver, to each Repository, not later than 160 days after the end of each Fiscal Year,

commencing with the Fiscal Year ended June 30, 2017, copies of the Annual Report. In each case, the Annual Report may be submitted by the School as a single document or as separate documents comprising a package, and may cross-reference other information to the extent permitted by the Rule. Notwithstanding the foregoing, the audited financial statements of the School may be submitted separately from the balance of the Annual Report when such audited financial statements are accepted by the Board of Trustees of the School, which may be later than 160 days after the end of each Fiscal Year but no later than nine months after the end of each Fiscal Year. If the Fiscal Year of the School changes, the School shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If the Dissemination Agent receives the Annual Report from the School and delivers the Annual Report to the Repository, the Dissemination Agent shall file a report with the Issuer and, if the Dissemination Agent is not the Trustee, with the Trustee (with a copy to the School) to the effect that the Annual Report has been so delivered pursuant to this Disclosure Agreement and stating the date it was delivered. If the School delivers the Annual Report directly to the Repository, it shall provide a report to the same effect to the Issuer, the Dissemination Agent and, if the Dissemination Agent is not the Trustee, to the Trustee.

(c) If the School fails either to (i) provide the Annual Report to the Dissemination Agent in a time, manner and condition sufficient for the Dissemination Agent to deliver the Annual Report in compliance with Section 3(a), or (ii) report to the Dissemination Agent that it has on its own so delivered the Annual Report, the Dissemination Agent shall send a notice to the Repository (and copies thereof to the Issuer and the School) in substantially the form attached as Exhibit A attached hereto.

SECTION 4. Content of Annual Reports; Additional Information. The Annual Reports shall contain or include by reference the following:

(a) The audited financial statements of the School for the prior Fiscal Year prepared in accordance with Generally Accepted Accounting Principles. Notwithstanding the foregoing, the School may change the accounting principles used for preparation of the audited financial statements so long as the School includes, in its next Annual Report as part of the information set forth therein, a statement to the effect that different accounting principles are being used, stating the reason for such change and providing a method by which to compare the financial information provided by the differing financial accounting principles.

(b) Operating data and financial information regarding the School for the prior Fiscal Year of the same type as included in Appendix A to the Official Statement in the tables under the headings “ADMISSIONS AND ENROLLMENT” and “TUITION AND FINANCIAL AID”.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the School is an Obligated Person, which have been filed with the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The

School shall clearly identify each such other document so included by reference. In the event the School's audited financial statements for the Fiscal Year which have been provided pursuant to Section 3 of this Disclosure Agreement together with audited financial statements for other Fiscal Years which have been filed with the Repository or SEC contain any of the information described this Section 4, the related requirement of this Section 4 shall be deemed to be satisfied with respect to including such information in the School's Annual Report.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the School shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds (each, a "*Listed Event*") in a timely manner not in excess of ten (10) Business Days after the occurrence of the Listed Event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, if any, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, if any, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of the registered owners and Beneficial Owners of the Bonds, if material;
- (viii) Bond calls (other than mandatory sinking fund redemption), if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the School;

- (xiii) The consummation of a merger, consolidation, or acquisition involving the School or the sale of all or substantially all of the assets of the School, 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; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Listed Events listed in clauses (i) through (xiv) above are quoted from the Rule. Not all Listed Events listed above may be applicable to the Bonds.

(b) Whenever the School obtains knowledge of the occurrence of a Listed Event, the School shall promptly prepare a notice describing the Listed Event and notify the Dissemination Agent, if any, and the Issuer in writing, and either report or instruct the Dissemination Agent to report, the occurrence to the Repository, or to the MSRB. Promptly upon receipt of such notice, the Dissemination Agent shall file it with the Repository, or with the MSRB, as instructed in writing by the School, with a copy to the Issuer and, if the Dissemination Agent is not the Trustee, with the Trustee.

SECTION 6. Termination of Reporting Obligations. The School's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the School's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the School and the School shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the School shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. Initially the School has not appointed a third party Dissemination Agent, but instead shall perform the duties of the Dissemination Agent under this Disclosure Agreement. In the event the School appoints a third party to serve as Dissemination Agent, the provisions of this Section 7 and Section 12 hereof shall apply to such Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report, including, without limitation, any Annual Report, prepared by the School pursuant to this Disclosure Agreement. The School may, from time to time, appoint or engage a new Dissemination Agent, and may discharge any such Dissemination Agent, upon the appointment of a successor Dissemination Agent which shall be evidenced and be effective upon such successor Dissemination Agent's execution and delivery to the Issuer and the existing Dissemination Agent of a Form of Acceptance of Dissemination Agent's Duties substantially in the form attached hereto as Exhibit B. The School shall be responsible for all fees and associated expenses of the Dissemination Agent. In addition, the School may, from time to time, upon written notice to the Issuer and the Dissemination Agent, assume the responsibilities and duties of the Dissemination Agent hereunder. Notwithstanding any contrary provision hereof, during any period in which the School is performing the duties of Dissemination Agent hereunder, all references to "Dissemination Agent" shall be deemed to refer to the School.

SECTION 8. The Issuer. The Issuer shall not have any responsibility or liability in connection with the School's compliance with the Rule, its filing or other obligations under this Disclosure Agreement, or in connection with the contents of any such filings. The School covenants and agrees to indemnify and save the Issuer, and its members, officers, employees and agents, harmless against any loss, expense (including reasonable attorneys' fees) or liability arising out of (i) any breach by the School of its obligations under this Disclosure Agreement, or (ii) any Annual Report or notices or other information provided under this Disclosure Agreement or any omissions therefrom.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the School and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that no amendment shall subject the Issuer to any additional obligations or liabilities, and, provided further, that unless otherwise permitted by the Rule, the following conditions are satisfied:

(a) The amendment or waiver may only be 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 an obligated person with respect to the Bonds (including, but not limited to, affiliations, mergers, acquisitions, divestitures or dispositions affecting the School), or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized disclosure counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the registered owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of registered owners, or (ii) does not, in the opinion of Bond Counsel, materially adversely affect the interests of the registered owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the School shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the School. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the School from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the School shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the School to comply with any provision of this Disclosure Agreement, the Issuer or the Dissemination Agent may, or at the written request of the Participating Underwriter or the registered owners of at least 25% of the aggregate principal amount of outstanding Bonds and the provision of indemnification satisfactory to it, the Dissemination Agent shall, or any registered owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the School to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article X of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and applicable to the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of, any agreement or instructions, other than as outlined in this Disclosure Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's negligent or willful misconduct was the primary cause of any loss to the School. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the School. In the administration of this Disclosure Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged from its duties or obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the

Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Disclosure Agreement without further act. The School covenants and agrees to hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the “*Indemnitees*”) harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, legal fees and expenses, the allocated costs and expenses of in-house counsel and legal staff and the costs and expenses of defending or preparing to defend against any claim (“*Losses*”) that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the School also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent’s performance under this Disclosure Agreement provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The obligations of the School under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or between the parties to this Disclosure Agreement shall be deemed sufficiently given if sent by registered or certified United States mail, return receipt requested, postage prepaid, by overnight delivery service providing positive tracking or by telecopier with a duplicate hard copy sent by overnight delivery service providing positive tracking as follows:

To the School:

Garrison Forest School, Incorporated
300 Garrison Forest Road
Owings Mills, MD 21117
Attention: Director of Finance and Operations
Telecopier Number: (410) 363-8441

To the Trustee:

U.S. Bank National Association
James Centre II
1021 East Cary Street, Suite 1850
Richmond, VA 23219
Attention: Global Trust Services
Telecopier Number: (804) 771-7940

To the Issuer:

Maryland Industrial Development Financing Authority
The World Trade Center Baltimore
401 East Pratt Street, 17th Floor
Baltimore, MD 21202
Attention: Executive Director
Telecopier Number: (410) 333-6931

Any party may, by written notice to the other parties, designate a different address or telecopier number to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School, the Dissemination Agent, the Issuer, the Participating Underwriter, and registered owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which will be regarded as an original, and all of which will constitute one and the same document.

IN WITNESS WHEREOF, the School has executed this Continuing Disclosure Agreement on the date first above written.

GARRISON FOREST SCHOOL,
INCORPORATED

By: _____
Title:

The receipt of the foregoing Continuing Disclosure Agreement is hereby acknowledged:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

This execution page is part of the Continuing Disclosure Agreement dated as of July 1, 2017 respecting the Maryland Industrial Development Financing Authority Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility) Series 2017.

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Maryland Industrial Development Financing Authority

Name of Bond Issue: \$6,570,000 Maryland Industrial Development Financing Authority Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility) Series 2017

CUSIP: 574221 MD6

Date of Issuance: July 18, 2017

NOTICE IS HEREBY GIVEN that Garrison Forest School, Incorporated has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of July 1, 2017.

Dated: _____

cc: Garrison Forest School, Incorporated
Maryland Industrial Development Financing Authority

EXHIBIT B

FORM OF ACCEPTANCE OF DISSEMINATION AGENT'S DUTIES

_____ hereby accepts and assumes all of the duties and obligations as Dissemination Agent under that certain Continuing Disclosure Agreement, dated as of July 1, 2017, by and between Garrison Forest School, Incorporated and U.S. Bank National Association respecting the Maryland Industrial Development Financing Authority Economic Development Refunding Revenue Bonds (Garrison Forest School, Incorporated Facility) Series 2017.

[NAME OF SUCCESSOR
DISSEMINATION AGENT]

By: _____
Authorized Officer

Dated: _____

cc: Maryland Industrial Development Financing Authority
Garrison Forest School, Incorporated

