

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2015B Bonds is included in gross income for federal income tax purposes. Interest on the Bonds is exempt from all taxation and assessments in the State of Colorado. For a more complete description of such opinion of Bond Counsel, see "TAX MATTERS" herein.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
(Monarch Montessori of Denver Charter School Project)
a Charter School Chartered through Denver County School District No. 1**

**\$8,620,000
Charter School Revenue Refunding and
Improvement Bonds
Series 2015A**

**\$195,0000
Charter School Revenue Refunding and
Improvement Bonds
Taxable Series 2015B**

Dated: Date of Delivery

Due: May 15, as shown below

The Series 2015A Bonds will be issued by the Authority as fully registered bonds without coupons in denominations of \$500,000 or any multiples of \$5,000 in excess thereof and the Series 2015B Bonds will be issued by the Authority as fully registered bonds without coupons in denominations of \$5,000 or any multiple thereof. Principal and interest payments on the Bonds will be made by UMB Bank, n.a., as trustee, to the Registered Owners as of the first day of the month in which an interest payment occurs. The Bonds bear interest payable semiannually on May 15 and November 15 of each year, commencing May 15, 2016, until maturity or earlier redemption. DTC will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co., as nominee of DTC. Capitalized terms used on this cover page are defined in the Introduction to this Limited Offering Memorandum. The Bonds mature, bear interest per annum and are priced or priced to yield as follows:

\$8,620,000 5.500% Series 2015A Term Bond due May 15, 2020 Price: 100.000% CUSIP: 19645R F71 ¹⁰
\$195,000 7.000% Taxable Series 2015B Term Bond due May 15, 2019 Price: 100.000% CUSIP: 19645R F89 ¹⁰

The proceeds derived from the sale of the Bonds will be loaned by the Authority to the Corporation pursuant to the Loan and Security Agreement, dated as of December 1, 2015, by and between the Authority and the Corporation, in order to finance or refinance the cost of: (a) advance refunding the Colorado Educational and Cultural Facilities Authority Charter School Revenue Bonds (Northeast Academy Charter School Project) Series 2007A and acquiring the facility financed with proceeds therefrom; (b) constructing improvements to the Facility; (c) funding a bond reserve fund; (d) funding capitalized interest on the Bonds; and (e) paying certain costs of issuance of the Bonds.

The Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity as set forth herein.

The initial purchasers of the Bonds shall be required to execute an Investor Letter substantially in the form attached hereto as Appendix G. The Bonds may only be transferred to either a "Qualified Institutional Buyer" as defined in Rule 144A Promulgated under the Securities Act of 1933, as amended, or an "Accredited Investor" as defined in Rule 501 of Regulation D under the 1933 Act.

The Bonds constitute special, limited obligations of the Authority and except to the extent payable from Bond proceeds and investment income, are payable solely from certain payments, revenues and other amounts derived by the Authority pursuant to the Loan Agreement. The Bonds are secured by a pledge of (a) certain rights and interests of the Authority under and pursuant to the Loan Agreement, (b) certain rights and interests of the Trustee under and pursuant to the Deed of Trust, encumbering the Facility, subject to Permitted Encumbrances, (c) the Gross Revenue of the Corporation and all rights and interests of the Authority in such Gross Revenue, subject to Permitted Encumbrances, except certain rights of the Authority set forth in the Loan Agreement, (d) the rights and interests of the Trustee, the Authority and the Corporation in the Lease, except certain rights of the Authority and the Corporation set forth in the Lease, (e) all Funds created in the Indenture (other than the Rebate Fund), subject to certain provisions of the Indenture, and (f) any and all other interests in real or personal property specifically mortgaged, pledged or hypothecated, as and for additional security under the Indenture as set forth therein. Payments to be received from the Charter School by the Corporation under the Lease will be the Corporation's sole expected source of Gross Revenue and the Lease is subject to annual appropriation by the Charter School.

The Bonds and the interest thereon shall never constitute debt or indebtedness of the Authority, the State or any political subdivision thereof, including the Authority, within the meaning of any provision of the Constitution and laws of the State and shall not constitute nor give rise to a pecuniary liability or a charge against the general credit or taxing powers of the Authority, the Charter School or the State. The Authority has no taxing power.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision, and should give particular attention to the material under the caption "RISK FACTORS."

The Bonds are offered when, as and if issued, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Charter School and the Corporation by their counsel Arrington Law Firm, Denver, Colorado and for the Authority by its general counsel, Sherman & Howard L.L.C., Denver, Colorado. North Slope Capital Advisors, Denver, Colorado is acting as financial advisor to the Authority in connection with the offering and issuance of the Bonds. D.A. Davidson & Co. is acting as Underwriter in connection with the sale of the Bonds. Kutak Rock LLP has assisted in the preparation of this Limited Offering Memorandum. The Bonds are expected to be available for delivery through the facilities of DTC on or about December 21, 2015.

D.A. DAVIDSON & CO.

This Limited Offering Memorandum is dated December 16, 2015.

¹ The Authority, Corporation and the Charter School take no responsibility for the accuracy of any CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

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**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
(Monarch Montessori of Denver Charter School Project)**

Monarch Building Corporation Board of Directors

Nicole Foster, President
Jim Ray, Secretary
Brandy Haskins, Member
Monica Badgett, Member
Rob Clemens, Member

Monarch Montessori Charter School Board of Directors

Brandy Haskins, President
Adey Dimalanta, Vice President
Jessica Brody, Secretary
Jim Ray, Treasurer
Nicole Foster, Member
Monica Badgett, Member
Vacancy

Charter School Administration

Rob Clemens, Executive Director
Patty Cragg, Chief Financial Officer
Noel Giametta, Associate Director

Charter School and Corporation Counsel

Arrington Law Firm
Denver, Colorado

Underwriter

D.A. Davidson & Co.
Denver, Colorado

Trustee and Paying Agent

UMB Bank, n.a.
Denver, Colorado

Bond Counsel

Kutak Rock LLP
Denver, Colorado

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Limited Offering Memorandum, in connection with the offer and sale of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Authority, the Corporation, or the Underwriter. The information in this Limited Offering Memorandum is subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Corporation or the Underwriter since the date hereof. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibility 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. EXCEPT FOR THE INFORMATION CONTAINED UNDER THE CAPTIONS "INTRODUCTION—THE AUTHORITY," "THE AUTHORITY," AND "LEGAL MATTERS—PENDING AND THREATENED LITIGATION—NO PROCEEDINGS AGAINST THE AUTHORITY," THE AUTHORITY NEITHER HAS NOR WILL ASSUME ANY RESPONSIBILITY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS OFFICIAL STATEMENT.

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Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Limited Offering Memorandum. Any representation to the contrary is unlawful.

INTRODUCTION

The purpose of this Limited Offering Memorandum is to provide certain information concerning the issuance and sale by the Colorado Educational and Cultural Facilities Authority (the “Authority”) of its \$8,620,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Series 2015A (the “Series 2015A Bonds”) and its \$195,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Taxable Series 2015B (the “Taxable Series 2015B Bonds,” together with the Series 2015A Bonds, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2015 (the “Indenture”), by and between the Authority and UMB Bank, n.a., as trustee thereunder (the “Trustee”). Capitalized terms used but not defined in this Limited Offering Memorandum have the meanings assigned to them in the documents included in APPENDIX D hereto. The offering of the Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change.

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum and the documents summarized or described herein.

Purpose of the Issue The Authority previously issued its Colorado Educational and Cultural Facilities Authority Charter School Revenue Bonds (Northeast Academy Charter School Project) Series 2007A in the aggregate principal amount of \$5,155,000 (the “Series 2007 Bonds”) to finance the acquisition of land and the existing educational facility located at 4895 Peoria Street, Denver, Colorado (the “Facility”) and owned by Northeast Academy Building Corporation, a Colorado nonprofit corporation (the “Northeast Academy Corporation”). The Facility was originally financed for the benefit of Northeast Academy Charter School, a charter school then authorized by Denver County School District No. 1 (Denver Public Schools) (the “District”). The District terminated Northeast Academy Charter School’s charter and the school ceased operations at the Facility in 2013. Monarch Montessori of Denver Charter School (the “Charter School”) was authorized in 2012 by the District and began operating its school out of the Facility in 2013 pursuant to a lease agreement with the Northeast Academy Corporation.

The proceeds from the sale of the Bonds will be loaned to Monarch Building Corporation, a Colorado nonprofit corporation (the “Corporation”), pursuant to the terms of the Loan and Security Agreement, dated as of December 1, 2015 (the “Loan Agreement”), by and between the Authority and the Corporation, in order to finance the cost of: (a) advance refunding the Series 2007 Bonds and acquisition of the Facility from the Northeast Academy Corporation; (b) constructing improvements to the Facility (the “Improvements”); (c) funding a bond reserve fund; (d) funding capitalized interest on the Bonds; and (e) paying certain costs of issuance of the Bonds (collectively, the “Financed Project”). See “THE BONDS—Application of Bond Proceeds.”

The Authority The Bonds are being issued by the Authority to assist in financing the Financed Project. The Authority is an independent public body politic and corporate constituting a public instrumentality and political subdivision of the State of Colorado (the “State”). The Authority was created in 1981 pursuant to the “Colorado Postsecondary Educational Facilities Authority Act,” Title 23, Article 15, Colorado Revised Statutes, as amended (“C.R.S.”). The Authority was formed to promote the welfare of the people of the State by providing financing for educational institutions and cultural institutions. See “THE AUTHORITY.”

The Bonds and the interest thereon shall never constitute the debt or indebtedness of the Authority, the State or any political subdivision thereof, including the Authority, within the meaning of any provision of the Constitution and laws of the State and shall not constitute nor give rise to a pecuniary liability or a charge against the general credit or taxing powers of the Authority or the State. The Authority has no taxing power.

The Corporation..... The Corporation is a Colorado nonprofit corporation organized for the purposes of serving as borrower under the Loan Agreement and owner of the Facility. The Corporation will also serve as the lessor of the Facility under the Lease Agreement, dated as of December 1, 2015 (the “Lease”), by and between the Corporation, as lessor, and Monarch Montessori of Denver Charter School (the “Charter School”), as lessee. See “THE CORPORATION.”

The Charter School..... The Charter School was authorized pursuant to the Charter Schools Act, Title 22, Article 30.5, C.R.S., as amended (the “Charter Schools Act”), by the District and pursuant to the Charter School’s Charter Contract originally approved on March 12, 2012 and most recently renewed on July 1, 2015 (the “Charter”). The Charter terminates on June 30, 2017. The Charter School has received a 501(c)(3) determination letter dated February 6, 2013 from the Internal Revenue Service, classifying the Charter School as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) which is exempt from federal taxation.

The Charter School began operations in August of 2012 with 124 students in Kindergarten through second grade. The Charter School added a grade per year and in the 2015-2016 fiscal year is serving 269 students in Kindergarten through fifth grade. See “THE BONDS—Application of Bond Proceeds” and “APPENDIX A—THE CHARTER SCHOOL.”

Security The Bonds are special, limited obligations of the Authority as described under “Limited Obligations” herein. Under the Loan Agreement, the Corporation is obligated unconditionally to pay amounts sufficient to provide for the payment of the principal of, premium, if any, and interest on the Bonds. The Bonds are secured by a pledge of (a) certain rights and interests of the Trustee under and pursuant to the Loan Agreement;

(b) certain rights and interests of the Trustee under and pursuant to the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2015, on the Facility (the “Deed of Trust”) executed by the Corporation, encumbering the Facility, subject to Permitted Encumbrances; (c) the Gross Revenue of the Corporation and all rights and interests of the Authority in such Gross Revenue, subject to Permitted Encumbrances, except certain rights of the Authority set forth in the Loan Agreement; (d) the rights and interests of the Trustee, the Authority and the Corporation in the Lease, except certain rights of the Authority and the Corporation set forth in the Lease; (e) all Funds created in the Indenture (other than the Rebate Fund), subject to certain provisions of the Indenture; and (f) any and all other interests in real or personal property specifically mortgaged, pledged or hypothecated, as and for additional security under the Indenture as set forth therein. See the documents included in APPENDIX D for a more detailed description of the security for the Bonds.

Gross Revenue is defined in the Loan Agreement to include all revenues, rentals, fees, third-party payments, receipts, contributions or other income received by the Corporation, including the rights to receive such revenues (each subject to Permitted Encumbrances), all as calculated in accordance with sound accounting practices, including, but not limited to, any revenues received from rentals of the Facility, including, without limitation, rentals received pursuant to the Lease; proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Corporation which are derived from the Facility; and all donations, gifts, grants, bequests and contributions (including income and profits therefrom), to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for any of the payments required hereunder, all other income and revenues directly or indirectly derived by the Corporation (collectively, “Gross Revenue”). Payments to be received by the Corporation from the Charter School under the Lease will be the sole expected source of Gross Revenue and the Lease is subject to annual appropriation by the Charter School. See “THE BONDS—Security For The Bonds.”

A bond reserve fund will be established pursuant to the Indenture for the Bonds (the “Bond Reserve Fund”) in an amount equal to \$529,100 upon issuance of the Bonds (the “Bond Reserve Requirement”). The Bond Reserve Requirement is pledged for the repayment of the Bonds. See “THE BONDS—Security for the Bonds.”

Limited Obligations The Bonds do not constitute the debt or indebtedness of the Authority within the meaning of any provision or limitation of the constitution or statutes of the State and shall never constitute or give rise to a pecuniary liability of the Authority, the District, or the State or a charge against the general credit or taxing power of the Authority, the District or the State. The Authority has no taxing power. Except as provided in the Loan Agreement with respect to certain fees, expenses and indemnity rights of the Authority and the Trustee, recovery against the Corporation for any

event of default under the Loan Agreement is limited to the Gross Revenue of the Corporation and amounts realized from the foreclosure of the Deed of Trust encumbering the Facilities. See “THE BONDS—Security for the Bonds.”

Risk Factors..... Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. A prospective purchaser is advised to read this entire Limited Offering Memorandum and the Appendices attached hereto in their entirety, particularly the section “RISK FACTORS” herein, for a discussion of certain risk factors, which should be considered in connection with an investment in the Bonds.

Payment Provisions..... The Bonds mature and bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the cover page hereof. Interest on the Bonds is payable semiannually on May 15 and November 15 each year, commencing on May 15, 2016.

Registration and Denominations The Series 2015A Bonds will be issued by the Authority as fully registered bonds without coupons in denominations of \$500,000 or any multiples of \$5,000 in excess thereof and the Series 2015B Bonds will be issued by the Authority as fully registered bonds without coupons in denominations of \$5,000 or any multiple thereof (the “Authorized Denominations”).

Exchange and Transfer While the Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners (as defined by the rules of DTC, defined below) may be made as described in “APPENDIX I—BOOK-ENTRY-ONLY SYSTEM.”

Initial Purchaser and Transfer Restrictions The initial purchaser of the Bonds will be required to execute an Investor Letter substantially in the form attached hereto as APPENDIX G. The Bonds may only be transferred to either a “Qualified Institutional Buyer” as defined in Rule 144A Promulgated under the Securities Act of 1933, as amended, or an “Accredited Investor” as defined in Rule 501 of Regulation D under the 1933 Act.

Book-Entry-Only Registration The Bonds will be issued in fully registered form and will be registered initially in the name of “Cede & Co.” as nominee for The Depository Trust Company, New York, New York (“DTC”), a securities depository. Beneficial ownership interests in the Bonds may be acquired in Authorized Denominations through participants in the DTC system (the “Participants”). Such beneficial ownership interests will be recorded in the records of the Participants. Persons for which Participants acquire interests in the Bonds (the “Beneficial Owners”) will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal, premium, if any, and interest

on the Bonds, as well as notices and other communications made by or on behalf of the Authority pursuant to the Indenture, will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See “APPENDIX I—BOOK-ENTRY-ONLY SYSTEM” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

- Prior Redemption.....** The Bonds are subject to optional, extraordinary and mandatory sinking fund redemption. The terms and provisions regarding such prior redemption are set forth in “THE BONDS—Prior Redemption.”
- Tax Status** In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2015A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2015B Bonds is included in gross income for federal income tax purposes. Interest on the Bonds is exempt from all taxation and assessments in the State of Colorado. For a more complete description of such opinion of Bond Counsel, see “TAX MATTERS” herein.
- Authority for Issuance.....** The Bonds will be issued in full conformity with the constitution and laws of the State, and pursuant to an authorizing resolution (the “Bond Resolution”) adopted by the Authority’s Board of Directors (the “Authority’s Board”) at a meeting held prior to the issuance of the Bonds and pursuant to the terms of the Indenture. The Authority is authorized by Article 15, Title 23, C.R.S., as amended, and Article 57, Title 11, Section 201, et seq., C.R.S., as amended to issue the Bonds.
- Delivery Information** The Bonds are offered when, as, and if issued by the Authority and accepted by D.A. Davidson & Co. as underwriter for the Bonds (the “Underwriter”), subject to prior sale and the approving legal opinion of Bond Counsel and certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 21, 2015.
- Financial Statements.....** The Charter School’s audited basic financial statements for the fiscal year ended June 30, 2015, prepared by John Cutler & Associates, Certified Public Accountants, Denver, Colorado, are attached as APPENDIX C hereto. See “APPENDIX B—CHARTER SCHOOL FINANCIAL INFORMATION—Historical and Budgeted Financial Information.”
- Agents and Advisors** Kutak Rock LLP has acted as Bond Counsel. Certain legal matters will be passed on for the Corporation and the Charter School by their counsel, Arrington Law Firm, Denver, Colorado, and for the Authority by its general counsel, Sherman & Howard L.L.C., Denver, Colorado.

D.A. Davidson & Co. will serve as the Underwriter. See “MISCELLANEOUS—Underwriter.” UMB Bank, n.a., Denver, Colorado will serve as the Trustee for the Bonds. North Slope Capital Advisors, Denver, Colorado, is serving as financial advisor to the Authority (the “Authority Financial Advisor”). Certain fees with respect to the Bonds that are payable to various counsel, the Underwriter, the Trustee, and the Authority Financial Advisor are contingent upon the issuance and delivery of the Bonds.

Additional Information The summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Limited Offering Memorandum do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the Charter School’s administrative offices, 4895 Peoria Street, Denver, Colorado 80239 (303) 712-2001; or D.A. Davidson & Co. at 1550 Market Street, Suite 300, Denver, Colorado 80202 (303) 764-6001.

RISK FACTORS

The following are certain investment considerations and risk factors which have been identified by the Corporation and Charter School and which should be carefully considered by prospective purchasers of the Bonds. The following list should not be considered to be exhaustive and has been prepared by the Corporation and Charter School within the context of this Limited Offering Memorandum. Inclusion of certain factors below is not intended to signify that there are no other investment considerations or risks attendant to the Bonds.

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

Nonrenewal of the Lease

The expected source of Gross Revenue for the repayment of the Bonds is the rental payments made by the Charter School under the Lease. The Lease will be subject to annual renewal by the Charter School. It is anticipated that amounts payable pursuant to the Lease will be sufficient to pay debt service on the Bonds. However, the Charter School’s obligation to pay such amounts is subject to: (a) the continued existence of the Charter School, see “Revocation or Nonrenewal of Charter” below; (b) the

level of annual appropriations by the State and the District to the Charter School; and (c) specific appropriations and allocations for such purpose by the Charter School. In the event the Charter School determines not to appropriate or allocate funds in order to make payments under the Lease, or in the event the State or the District do not appropriate adequate funds for such purpose, it is highly likely that no proceeds will be generated by the Trustee from the reletting or sale of the Facility (which has been designated and built specifically for the purpose of operating a charter school).

Pursuant to the Lease, the Charter School is responsible for paying the costs of operating, insuring, and maintaining the Facility and the Corporation currently has no independent source of revenues to meet such costs, see “Damage or Destruction of the Facility.” Nonrenewal of the Lease by the Charter School is not an Event of Default under the Loan Agreement or the Indenture. If the Charter School chooses not to renew the Lease, the only likely tenants for the Facility will be the District, or another charter school of the District, if any.

Revocation or Nonrenewal of Charter

Pursuant to the Charter Schools Act and the Charter, the Charter will terminate or be renewed on June 30, 2017, or may be earlier terminated (a) by the District for the grounds set forth in the Charter, the Charter Schools Act and/or for any material breach of the Charter, or (b) by the Charter School, in consultation with the District at the close of any school year and upon 90 days’ advance written notice. See “APPENDIX A—THE CHARTER SCHOOL—Charter School Authorization” for a description of the termination rights of the District. No assurance can be given that the Charter School will be able to maintain its Charter, if the Charter School’s Charter is revoked or not renewed, the Charter School will be prohibited from renewing the Lease. See “—Nonrenewal of the Lease.”

Key Personnel

The Charter School’s creation, curriculum and educational philosophy reflect the vision and commitment of members of the Charter School’s Board of Directors (the “Charter School Board”) and certain key personnel who comprise the upper management of the Charter School (“Key Personnel”). Loss of any Charter School Board members or Key Personnel could adversely affect the Charter School’s operations, its ability to attract and retain students and its financial results. For more information regarding the Charter School Board and its administrative staff and management see “APPENDIX A—THE CHARTER SCHOOL—Charter School Board” and “—Administrative Management.”

Failure To Achieve or Maintain Enrollment

The economic feasibility of the Financed Project depends in large part upon the ability of the Charter School to attract sufficient numbers of students to maintain sufficient enrollment to meet the debt service requirements on the Bonds. The Charter School may not achieve its projected enrollment numbers. The Charter School’s ability to achieve its enrollment goals depends, to some extent, on factors outside of its control. If the Charter School fails to achieve the enrollment levels it currently anticipates, there may be insufficient Gross Revenue available to pay debt service on the Bonds.

Competition for Students

The Charter School competes with the District and private schools located in and near the District. The District operates 76 elementary schools, 15 K-8 schools, 22 middle schools, 23 high schools, 13 alternative education centers and one adult opportunity school. Additionally, 26 District-chartered schools (covering a variety of grades) are housed in District-owned or District-leased facilities with the remaining 13 District-chartered schools housed in private facilities, and an expeditionary

learning school is housed in a District-owned building but is operated by neighboring school districts. Competition among District offerings in Northeast Denver, including the Charter School, is pronounced. There can be no assurance that the Charter School will attract and retain the number of students that are needed to produce the revenue necessary to pay the debt service on the Bonds. See “APPENDIX A—THE CHARTER SCHOOL—Competition.”

Special, Limited Obligations of the Authority

The Bonds are special, limited obligations of the Authority and also constitute nonrecourse obligations of the Authority. The Bonds and the interest thereon shall never constitute a debt or indebtedness of the Authority, the State or any political subdivision thereof, including the Authority, within the meaning of any provision of the constitution and laws of the State and shall not constitute nor give rise to a pecuniary liability or a charge against the general credit or taxing powers of the Authority, the Charter School or the State. The Authority has no taxing power. See “THE AUTHORITY.”

The Bonds are secured by and payable from funds payable by the Corporation under the terms and conditions of the Loan Agreement and as otherwise described herein. Recovery against the Corporation for any event of default under the Loan Agreement will likely be from the Gross Revenue of the Corporation, which is expected to consist of only the rental payments made by the Charter School under the Lease while in effect.

Damage or Destruction of the Facility

The Loan Agreement and the Lease require that the Facility be insured against certain risks. There can be no assurance that the amount of insurance required to be obtained with respect to the Facility will be adequate or that the cause of any damage or destruction to the Facility will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies with which the Corporation or the Charter School obtains insurance policies. The Charter School may choose to terminate the Lease if a casualty renders the Facility totally or partially untenable or unfit for its purposes, and if insurance proceeds are insufficient to restore the Facility to a tenantable condition.

The Charter School believes that the risks associated with its properties and its operations are adequately provided for through the standard commercial insurance policies it maintains. The Charter School is required under the Lease to provide property insurance on the Facility through a standard commercial hazard insurance policy.

Construction of Improvements

The Corporation is financing the construction and equipping of the Improvements to the Facility with proceeds from Bonds. See “THE BONDS—Application of Bond Proceeds” for a description of the Improvements. The Corporation has hired Inline Management, Golden, Colorado (the “Owners Representative”) to serve as the project manager and owners representative on behalf of the Charter School for entitlements and construction of the Improvements. The Corporation has also contracted with DRL Group, Denver, Colorado, to provide architectural and engineering services for the Improvements (the “Architect”) to design the Improvements and Fransen-Pittman Construction Company Inc., Englewood, Colorado, as the general contractor (the “Contractor”). The Corporation entered into a Guaranteed Maximum Price Contract (the “GMP”), dated as of October 26, 2015, with the Contractor, establishing the cost of construction of the Improvements at \$1,958,064.00. Construction of the Improvements is expected to begin in February 2016 and be completed by August 2016 in time for the 2016-17 school year.

In addition to the construction contract, the Corporation expects to use Bond proceeds to purchase new furniture, fixtures and equipment including: alarm, card access, cameras, cabling, intercom/phone, MDF Switches, routers, office equipment, kitchen equipment, projection equipment, playground equipment, desks and tables. According to Corporation officials, equipment costs should not exceed \$120,000.

No assurances can be given that the cost of the construction of the Improvements will be for an amount equal to or less than the amount on deposit in the Project Fund for such purposes. See “THE BONDS—Application of Bond Proceeds.”

Sublease of the Facility

The Charter School anticipates subleasing approximately 45% of the Facility to Monarch Montessori of Denver, d/b/a First Steps at Monarch Montessori (“First Steps”), which currently operates a pre-school at the Facility, pursuant to a Sublease Agreement, dated as of December 1, 2015 (the “Sublease”), by and between the Charter School, as sublessor, and First Steps, as sublessee. The Charter School anticipates that the base rent thereunder will be equal to approximately 45% of the debt service on the Bonds and be for a term ending on the maturity date of the Bonds. The Charter School is dependent on the revenues it will receive from First Steps to pay the Base Rents under the Lease. See APPENDIX A—THE CHARTER SCHOOL—The Facility and Capital Plans—*Other Facility Uses—First Steps*” for a description of First Steps and its relationship with the Charter School.

Potential Claims Against First Steps

First Steps previously served as the landlord of a facility located in Denver which is currently being leased to the District (the “District Facility”). Such facility was financed with proceeds from the Colorado Educational and Cultural Facilities Authority (Monarch Montessori of Denver Project) Revenue Bonds, Series 2010A in the aggregate principal amount of \$21,000,000 and the Colorado Educational and Cultural Facilities Authority (Monarch Montessori of Denver Project) Principal Only Revenue Bonds, Series 2010B in the aggregate principal amount of \$7,505,000 (collectively, the “2010 Bonds”). In 2013, First Steps assigned to Ed Options, LLC, a limited liability company of which First Steps is the sole member, all of its rights and interests in the loan agreement securing the 2010 Bonds. The Charter School was never an obligor of the 2010 Bonds. No claims have been made against the Charter School in connection therewith.

The District has threatened to file claims against First Steps for the upkeep and repair of the District Facility. First Steps has been advised by its counsel that any remedies available to the District against First Steps are limited by the terms of the District's lease of the District Facility to only the estate and assets of the District Facility. If the District files a claim and is successful in the outcome of its claim, First Steps may not be able to make its lease payments under the Sublease. Loss of First Steps revenue may cause the Charter School to determine to non-appropriate under the Lease or fail to make future Base Rent payments.

Academic Achievement of Charter School

The Charter School must annually “Meet Expectations” or “Exceed Expectations” on the District’s School Performance Framework. To be found to have made adequate progress, the Charter School must meet performance benchmarks as set forth in the Charter in their entirety. The Colorado Department of Education (the “CDE”) has the Charter School listed as “Improvement” in the School Performance Framework 2014 based on overall percent of points earned for the year as determined by criteria established by the CDE. In the 2014 School Performance Framework the Charter School did not

meet Academic Achievement but met Academic Growth requirements. The Charter School has adopted and implemented an Improvement Plan in accordance with CDE requirements. The result of failing to meet standards would be termination of the Charter by the District. Such termination, following any appeals processes, would cause the an Event of Default under the Lease.

Relating to Security for the Bonds

Pursuant to the Loan Agreement (and the Authority's assignment of its rights thereunder to the Trustee under the Indenture) and the Deed of Trust, the Corporation is granting as security for its obligations thereunder all of its estate, right, title and interest in, to and under the Facility and a security interest in the Gross Revenue.

Colorado Bondshares commissioned Trophy Property Company, Inc., of Lakewood, Colorado ("TPC") to complete a market value appraisal, in a Restricted Format, on the Facility. As set forth in the appraisal letter, dated November 25, 2015, from TPC, the estimated fee simple market value of the 2015 Facility "as if complete" as of August 15, 2016 is \$8,900,000.

There can be no assurance that the Facility's present or future value will be sufficient to repay the Bonds in the event of an Event of Default and a foreclosure. In addition, it may be difficult to find a buyer or lessee for the Facility. Thus, upon an Event of Default, the Trustee may not realize the amount of the outstanding Bonds from the sale or lease of such Facility if it were necessary to proceed against such Facility, whether pursuant to a judgment, if any, against the Corporation, or otherwise.

The effectiveness of the Deed of Trust on the Facility and the lien on, and the security interest in, the Gross Revenue to the extent granted pursuant to the Deed of Trust and the Loan Agreement may be limited by a number of factors, including: (a) statutory liens; (b) rights arising in favor of the United States of America or any agency thereof; (c) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (d) federal bankruptcy laws which may affect the enforceability of the security interest in the revenues of the Corporation which are earned by the Corporation within 90 days preceding and after any effectual institution of bankruptcy proceedings by or against the Corporation; (e) rights of third parties in Gross Revenue converted to cash and not in the possession of the Trustee; and (f) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Colorado Uniform Commercial Code as from time to time in effect. See "THE BONDS—Security for the Bonds."

Constitutional Provisions Affecting Revenues and Spending

In 1992, the electors of the State approved an amendment to the Colorado Constitution, Article X, Section 20, which imposes certain spending, revenue and other limitations upon the State and its political subdivisions (including the Charter School). One of the subsections of Article X, Section 20 limits the maximum annual percentage change in the Charter School's fiscal year spending to an amount equal to inflation in the prior calendar year plus annual enrollment growth, adjusted for changes approved by voters after 1991. The Lease is subject to annual appropriation by the Charter School. There can be no assurances that Article X, Section 20 spending limitations would not impede the ability of the Charter School to make such appropriation. In addition, Article X, Section 20, contains many undefined or unclear terms and provisions which will require judicial interpretation or legislative action to clarify. Although certain clarifying judicial interpretations and legislative action have already occurred, the effect upon the Bonds of any future interpretations or actions is impossible to determine at this time.

The Colorado General Assembly Office of Legislative Legal Services issued a memorandum dated September 19, 2003 which concludes that the application of any provision of the Charter School Facilities Financing Act does not violate Section 20(4)(b) of Article X of the Colorado Constitution by allowing the creation of any “multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years without creation of voter approval in advance.”

Although constitutional provisions cannot be changed by the General Assembly, the General Assembly may, by resolution, or the electorate by petitioners may, submit reductions or limitations to the electorate. Adverse State budget considerations could result in the General Assembly seeking voter approval to reduce constitutional requirements for public school funding.

Changes to Charter Schools Act

Future changes to either the Charter Schools Act or the Public School Finance Act by the Colorado General Assembly could be adverse to the financial interests of the Charter School and could adversely impact the security for the Bonds. There can be no assurance given that the Colorado General Assembly will not in the future amend either the Charter Schools Act or the Public School Finance Act in a manner which is adverse to the interests of the registered owners of the Bonds.

Colorado has from time to time experienced and is presently recovering from a severe downturn in its economy and tax revenues and may experience additional downturns in the future. While constitutional provisions cannot be amended by the General Assembly, Public School Finance Act provisions, such as the capital funding for charter schools, are subject to amendment, including the reduction of funding, which could adversely affect the Charter School. STATE BUDGET CONSIDERATIONS MAY ADVERSELY AFFECT APPROPRIATIONS FOR CHARTER SCHOOL FUNDING.

See “APPENDIX B—CHARTER SCHOOL FINANCIAL INFORMATION—Sources of Revenue” for a description of funding for Charter Schools. Additional information relating to Colorado Charter Schools is available at <http://www.cde.state.co.us>. The internet address is provided as a matter of convenience for the purchasers of the Bonds. None of the Authority, the Charter School or the Corporation incorporates herein any information provided at such internet address or any other internet addresses that may be contained therein or herein, and the information at such internet address or internet addresses is not to be construed or incorporated as part of this Limited Offering Memorandum.

Factors Associated with Education

There are a number of factors affecting schools in general, including the Charter School and the Corporation, that could have an adverse effect on the Corporation’s and the Charter School’s financial position and their ability to make the payments required under the Loan Agreement and the Lease. These factors include, but are not limited to: the ability to attract a sufficient number of students; increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Charter School’s work force with consequent impact on wage scales and operating costs of the Corporation or the Charter School; and changes in existing statutes pertaining to the powers of the Charter School and legislation or regulations which may affect program funding. Neither the Corporation nor the Charter School can assess or predict the ultimate effect of these factors on their operations or financial results of operations.

Potential Effects of Bankruptcy

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

In a bankruptcy proceeding, the debtor could file a plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the registered owners of the Bonds). The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. 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 that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Potential Environmental Risks

There are potential risks relating to environmental liability associated with the ownership of any property. If hazardous substances are found on property, owners and operators of such property may be held liable for costs of cleanup and other liabilities relating to such hazardous substances. In addition, liens arising as a result of liabilities relating to hazardous substances may take priority over all other liens, including any mortgages or deeds of trust thereon. Neither the Corporation or Charter School have made any representations as to the environmental condition of the Facility, except as provided in the Loan Agreement, the Lease and Deed of Trust attached hereto in APPENDIX D.

As of the date hereof, none of Northeast Academy Corporation, the Corporation or the Charter School have conducted any environmental studies on the Facility.

Covenant To Maintain Tax-Exempt Status of the Series 2015A Bonds

The excludability from gross income for federal income taxation purposes of the interest on the Series 2015A Bonds is based on the continuing compliance by the Corporation, the Trustee, the Charter School and the Authority with certain covenants contained in the Indenture, Lease, Loan Agreement and Tax Regulatory Agreement, to be executed upon issuance of the Bonds (the "Tax Regulatory Agreement"), by and among the Authority, the Corporation, the Charter School and the Trustee. These covenants relate generally to restrictions on the use of the Facility financed or refinanced with proceeds of the Series 2015A Bonds, restrictions on reletting the Facility to organizations other than a governmental organization or a tax-exempt organization, subject to receipt of a written opinion of bond counsel, under the Internal Revenue Code of 1986, as amended (the "Code"), arbitrage limitations, and rebate of certain excess investment earnings, if any, to the federal government. Failure to comply with such covenants could cause interest on the Series 2015A Bonds to become subject to federal income taxation retroactive to the date of issuance of the Series 2015A Bonds.

Limitations on Enforcement of Remedies

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

Refinancing of Bonds

The Charter School's Base Rents under the Lease are limited to the fair market rental value of the Facility. The Charter School's Base Rents represent principal and interest due on the Bonds based on a 32-year amortization schedule. There is a final balloon payment due on the Bonds on May 15, 2020 of \$8,565,000. In order to finance the final balloon payment on the Bonds, the Charter School and the Corporation anticipate refinancing the Bonds prior to the balloon payment date. The Charter School and the Corporation may not be able to refinance any of the Bonds or may not be able to refinance any of the Bonds with terms satisfactory to the Charter School and the Corporation prior to the balloon payment date, and as a result may not be able to make the final balloon payment on the Bonds.

Secondary Market

There is no guarantee that a secondary trading market will develop for the Bonds. The Bonds may only be transferred in Authorized Denominations to either a "Qualified Institutional Buyer" as defined in Rule 144A Promulgated under the Securities Act of 1933, as amended, or an "Accredited Investor" as defined in Rule 501 of Regulation D under the 1933 Act. The Owners should be prepared to hold the Bonds to maturity or prior redemption.

Failure to Provide Ongoing Disclosure

The Charter School and the Corporation have agreed to enter into the Continuing Disclosure Agreements pursuant to Rule 15c2-12 (as such terms are defined herein). Failure to comply with the Continuing Disclosure Agreements and Rule 15c2-12 may adversely affect the liquidity of the Bonds and their market price in the secondary market. See "MISCELLANEOUS—Continuing Disclosure Agreements"

THE BONDS

Description of the Bonds

For a full description of the Bonds, including, but not limited to, redemption provisions, tender provisions, interest rates, maturity schedules, additional bond provisions, payment provisions and security for the Bonds, see the Indenture in "APPENDIX D—THE INDENTURE, THE LOAN AGREEMENT, THE DEED OF TRUST, AND THE LEASE."

Prior Redemption

Optional Redemption of Bonds. The Bonds maturing on and after May 15, 2018, are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part in Authorized Denominations on May 15, 2017, and on any date thereafter, upon direction by the Corporation and upon payment of par plus accrued interest through the date of redemption.

No Partial Redemption in Event of Default. Notwithstanding any redemption provision set forth in the Indenture, the Bonds are not subject to partial redemption pursuant to the optional prior redemption provisions discussed above if an Event of Default has occurred under the Indenture and has not been cured or otherwise waived by the Trustee.

Redemption of Bonds Upon Occurrence of Certain Events

The Bonds are also redeemable at the option and upon the written direction of the Corporation in whole at any time or in part (only Net Proceeds of insurance or a condemnation award shall be used for a partial redemption of Bonds pursuant to paragraphs (a) or (b) of this Section) on any interest payment date from and to the extent of funds on deposit under the Indenture and available for this purpose at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date upon the occurrence of any of the following events:

(a) the Facility shall have been damaged or destroyed in whole or in part to such extent that, as expressed in a Consulting Architect's Certificate filed with the Trustee (i) the Facility cannot reasonably be restored within a period of six consecutive months to the condition thereof immediately preceding such damage or destruction, or (ii) the Corporation or its lessee are thereby prevented from carrying on its normal operations for a period of six consecutive months, or (iii) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements of the Loan Agreement;

(b) title to, or the temporary use of, all or any substantial part of the Facility shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title; and

(c) as a result of any changes in the Constitution of the State of Colorado or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Loan Agreement or Deed of Trust shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Corporation in respect to the Facility, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement. Redemption pursuant to this paragraph (c) shall be in whole only.

The Bonds are also redeemable on any date at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date upon the occurrence of a Determination of Taxability. Redemptions described in this paragraph are to be in whole only.

Mandatory Sinking Fund Redemption

Series 2015A Bonds. The Series 2015A Bonds maturing May 15, 2020, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. Pursuant to the provisions of the Loan Agreement, the Corporation is required to provide funds for deposit into the Series 2015A Bond Principal Fund and Series 2015A Bond Interest Fund sufficient to redeem the following principal amount of the Series 2015A Bonds maturing May 15, 2020, plus accrued interest thereon to the redemption date:

Maturity Date (May 15)	Principal Amount
2019	\$ 55,000
2020 ¹	8,565,000 ²

¹ Maturity Date.

² The final principal balloon payment is not payable from Base Rents and the Charter School and Corporation anticipate refinancing the Bonds prior to the final May 15, 2020 principal payment date. See “RISK FACTORS—Refinancing of Bonds.”

Series 2015B Bonds. The Series 2015B Bonds maturing May 15, 2019, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. Pursuant to the provisions of the Loan Agreement, the Corporation is required to provide funds for deposit into the Series 2015B Bond Principal Fund and Series 2015B Bond Interest Fund sufficient to redeem the following principal amount of the Series 2015B Bonds maturing May 15, 2019, plus accrued interest thereon to the redemption date:

Maturity Date (May 15)	Principal Amount
2018	\$120,000
2019 ¹	75,000

¹ Maturity Date.

Not more than 45 days nor less than 30 days prior to the sinking fund payment date for the Bonds, the Trustee is required to proceed to select for redemption (randomly in such manner as the Trustee may determine) from all outstanding Bonds, a principal amount of Bonds equal to the aggregate principal amount of Bonds, redeemable with the required sinking fund payment and is required to call such Bonds for redemption from the sinking fund on the next May 15 and give notice of such call.

Investor Letter; Restricted Transfers

The initial purchaser of the Bonds shall be required to execute an Investor Letter substantially in the form attached hereto as APPENDIX G. Future purchasers of the Bonds must either be a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act, or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act. In the event the Bonds achieve an Investment Grade Rating, the Bonds may be transferred without the foregoing restriction.

Application of Bond Proceeds

The Improvements. The Charter School is currently operating at 95% occupancy and First Steps is operating at 98% occupancy resulting in crowded classrooms and facilities. The Improvements are being constructed to relieve the overcrowding and provide for future enrollment at the Facility. The Improvements are expected to include a 7,854 square foot addition to the existing Facility and remodeling 1,800 square feet of the existing Facility. The Improvements would provide five new classrooms, activity space for physical education and assemblies and expanded cafeteria space.

The Corporation has hired the Owners Representative to serve as the project manager and owners representative on behalf of the Charter School for entitlements and construction of the Improvements. The Corporation has also hired the Architect to design the Improvements. The Corporation and the Contractor executed a Construction Contract on October 23, 2015 with construction expected to begin in February 2016 and be completed by August 2016 in time for the 2016-17 school year. No permits have been obtained for the construction of Improvements and the Corporation does not expect to begin the permitting process until closing on the Bonds.

In addition to the construction contract, the Corporation expects to use Bond proceeds to purchase new furniture, fixtures and equipment including: alarm, card access, cameras, cabling, intercom/phone, MDF Switches, routers, office equipment, kitchen equipment, projection equipment, playground equipment, desks and tables. According to Corporation officials, equipment costs should not exceed \$120,000. No assurances can be given that the cost of the construction of the Improvements will be for an amount equal to or less than the amount on deposit in the Project Fund.

Anticipated costs of the Improvements are set forth in the following table:

Estimated Improvement Costs

Description	Estimated Costs
Soft Costs	\$ 790,400
Hard Costs	
Permits, Taxes, Bonds	32,000
Building Construction Costs	1,958,064
Project Contingency	<u>110,000</u>
Total	<u>\$2,890,464</u>

The Corporation entered into a Guaranteed Maximum Price Contract (the “GMP”), dated as of October 26, 2015, with the Contractor, establishing the cost of construction of the Improvements at \$1,958,064.00.

The Refunding Project. A portion of the Net proceeds of the Bonds are being issued to refund the Series 2007 Bonds. The Series 2007 Bonds were issued in the original aggregate principal amount of \$5,155,000, and are currently outstanding in the principal amount of \$4,715,000. The Series 2007 Bonds are a term bond which is due May 15, 2037, and bears interest at an annual rate of 5.75%. The Series 2007 Bonds are subject to prior redemption on or after May 15, 2017 (the “Redemption Date”) as a whole, or in part, at any time at the redemption price equal to 100% of the principal amount being redeemed and accrued interest to the redemption date (the “Redemption Price”).

A portion of the net proceeds of the Bonds will be deposited in an escrow account for the Series 2007 Bonds (the “Escrow Account”) created pursuant to the Escrow Agreement by and between the

Corporation and UMB Bank, n.a., as escrow agent (the “Escrow Agent”). The moneys in the Escrow Account will be used by the Escrow Agent, to redeem, on the Redemption Date the outstanding Series 2007 Bonds, and to pay the principal amount so redeemed plus accrued interest to the Redemption Date on the outstanding Series 2007 Bonds, as the same become due prior to the Redemption Date. Upon closing on the Bonds, the Series 2007 Bonds will be deemed to be paid and the lien on the Facility which secured the Series 2007 Bonds will be released allowing the Facility to be transferred to the Corporation.

A firm of certified public accountants will deliver a report verifying the sufficiency of the amount of cash and securities on deposit in the Escrow Account to pay the redemption price of the outstanding Series 2007 Bonds.

Sources and Uses of Funds. The sources of funds and the uses of funds are shown in the following table.

Sources of Funds	
Par Amount of Bonds.....	\$8,815,000.00
Funds from Series 2007 Bonds Trustee	<u>458,693.14</u>
Total	<u>\$9,273,693.14</u>
Uses of Funds	
Deposit to Project Fund.....	\$2,900,000.00
Deposit to Escrow Fund.....	5,065,181.21
Deposit to Bond Fund (capitalized interest).....	438,567.02
Deposit to Bond Reserve Fund	529,100.00
Costs of Issuance Account (including Underwriter’s discount).....	<u>340,844.91</u>
Total	<u>\$9,273,693.14</u>

Source: The Underwriter

Investor Letter; Restricted Transfers

The initial purchasers of the Bonds shall be required to execute an Investor Letter substantially in the form attached hereto as APPENDIX G. Future purchasers of the Bonds must either be a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act.

Security For The Bonds

The Bonds are special, limited obligations of the Authority as described in the documents included in APPENDIX D attached hereto. Under the Loan Agreement, the Corporation is obligated unconditionally to pay amounts sufficient to provide for the payment of the principal of, premium, if any, and interest on the Bonds. The Bonds are secured solely by a pledge of: (a) certain rights and interests of the Authority under and pursuant to the Loan Agreement; (b) certain rights and interests of the Trustee under and pursuant to the Deed of Trust, encumbering the Facility, subject to Permitted Encumbrances; (c) the Gross Revenue of the Corporation and all rights and interests of the Authority in such Gross Revenue, subject to Permitted Encumbrances, except certain rights of the Authority set forth in the Loan Agreement; (d) the rights and interests of the Trustee, the Authority and the Corporation in the Lease, except certain rights of the Trustee, the Authority, and the Corporation set forth in the Lease; (e) all Funds created in the Indenture (other than the Rebate Fund), subject to certain provisions of the Indenture; and (f) any and all other interests in real or personal property specifically mortgaged, pledged or

hypothecated, as and for additional security under the Indenture as set forth therein. The Payments received by the Corporation from the Charter School under the Lease are the Corporation's sole expected source of revenues.

The Indenture provides for the creation of the Bond Reserve Fund in the custody of the Trustee which Bond Reserve Fund is to be used (subject to any required rebate of investment earnings thereon to the United States of America) solely for the payment of principal of premium, if any, and interest on the Bonds in the event that moneys in the Bond Principal Fund and Bond Interest Fund are insufficient to make such payments when due, whether on an Interest Payment Date, redemption date, mandatory sinking fund redemption date, maturity date or otherwise. The Bond Reserve Fund shall be required to be maintained in an amount equal to the Bond Reserve Fund Requirement.

The Bonds do not constitute debt or indebtedness of the Authority within the meaning of any provision or limitation of the constitution or statutes of the State and shall never constitute or give rise to a pecuniary liability of the Authority or the State or a charge against the general credit or taxing power of the Authority or the State. The Authority has no taxing power. Recovery against the Corporation for any event of default under the Loan Agreement will likely be from the Gross Revenue of the Corporation, which are expected to be only the rental payments made by the Charter School under the Lease, and amounts realized from foreclosure on the Deed of Trust on the Facility. See "THE BONDS" and "APPENDIX D—THE INDENTURE, THE LOAN AGREEMENT, THE DEED OF TRUST, AND THE LEASE."

State Intercept Program. The State provides funding to the Charter School through the District. Application will be made by the Charter School for the direct payment of the Bonds by the Colorado State Treasurer pursuant to the Charter Intercept Statute. Following such application, the Colorado State Treasurer will make debt service payments on the Bonds directly to the Trustee from the Charter School's Per Pupil Revenue ("PPR"). The Charter Intercept Statute shall not be construed to create a debt of the State or any State financial obligation whatsoever with respect to any bonds which qualify for direct payment pursuant to its provisions and no moneys can otherwise be paid by the State Treasurer under the Charter Intercept Statute unless an allocable portion of the State share of total program funding which the Charter School is entitled to receive equals or exceeds the amount of the payments which the State Treasurer is directed to make. Further, the Charter Intercept Statute shall not be construed to require the State to continue the payment of State assistance to any school district or to limit or prohibit the State from repealing or amending any law relating to the amount of State assistance to school districts or the manner or timing of the payment of such assistance. The information set forth in this Limited Offering Memorandum has not been verified or approved by the State and the State has no responsibility with respect to any disclosure matters relating to the offers or sale of the Bonds.

Financial information about the State is available at <http://www.colorado.gov/dpa/dfp/scho/cafr/cafr.htm>. The State's internet address is provided as a matter of convenience for purchasers of the Bonds. None of the Authority, the Charter School or the Corporation incorporate herein any information that may be provided at such internet address or any other internet addresses that may be contained therein, and disclaim any responsibility for any such information. The information at such internet address or internet addresses is not to be construed or incorporated as part of this Limited Offering Memorandum.

Debt Service Requirements

Set forth in the following table are the debt service requirements for the Bonds outstanding on a fiscal year basis. See “APPENDIX B—Charter School Financial Information—*Other Financial Obligations.*”

Debt Service Requirements ¹

Year Ended (June 30)	Principal	Interest	Annual Total
2016	--	\$ 195,100	\$ 195,100
2017	--	487,750	487,750
2018	\$ 120,000	487,750	607,750
2019	130,000	479,350	609,350
2020 ²	<u>8,565,000</u>	<u>471,075</u>	<u>9,036,075</u>
Total	<u>\$8,815,000</u>	<u>\$2,121,025</u>	<u>\$10,936,025</u>

¹ Figures have been rounded.

² The final principal balloon payment is not payable from Base Rents and the Charter School and Corporation anticipate refinancing the Bonds prior to the final May 15, 2020 principal payment date therefor. See “RISK FACTORS—Refinancing.”

Source: The Underwriter

THE AUTHORITY

The Authority is an independent public body politic and corporate constituting a public instrumentality and political subdivision of the State. The Authority is governed by the “Colorado Educational and Cultural Facilities Authority Act,” Title 23, Article 15, C.R.S. (the “Act”). The Authority was formed to promote the welfare of the people of the State by providing financing for educational institutions and cultural institutions. The Authority is not an agency of State government and is not subject to administrative direction by any department, commission, board or agency of the State. The Authority is authorized by the Act to provide financing for educational institutions and cultural institutions and to acquire, construct, reconstruct, repair, alter, improve, extend, own, lease and dispose of properties to the end that the Authority may be able to promote the welfare of the people of the State. The Authority was originally formed in 1981 and was known as the Colorado Postsecondary Educational Facilities Authority.

The Authority has offered the Bonds and plans to offer other obligations from time to time to finance other educational facilities and cultural institutions with respect to facilities located in Colorado and subject to the satisfaction of certain requirements, in other states. The Authority has financed educational facilities that compete with the Charter School and may finance additional such facilities in the future. Such obligations have been and will be issued pursuant to and secured by instruments separate and apart from the Indenture.

The Authority has not prepared or assisted in the preparation of this Limited Offering Memorandum, except the statements under this Section and the information with respect to the Authority under the headings “INTRODUCTION—The Authority” and “LEGAL MATTERS—Pending and Threatened Litigation—*No Proceedings Against the Authority*” and, except as described in this paragraph, the Authority is not responsible for any statements made in this Limited Offering Memorandum. Except for the execution and delivery of documents required to effect the issuance of the Bonds, the Authority has not otherwise assisted in the offer, sale or distribution of the Bonds. Accordingly, except as aforesaid,

the Authority disclaims any responsibility for the disclosures set forth in this Limited Offering Memorandum or otherwise made in connection with the offer, sale and distribution of the Bonds.

THE CORPORATION

The Articles of Incorporation of the Corporation were filed with the Secretary of State of the State of Colorado on November 19, 2015. The Corporation was incorporated as a non-profit corporation under the laws of the state of Colorado. Under its Articles of Incorporation, the Corporation has the power to exercise all of the rights, powers and privileges now or hereafter conferred upon nonprofit corporations organized under the laws of the State, and the Corporation may do everything necessary, suitable or proper to the accomplishment of any of its corporate purposes. Additionally, the corporation may hold, purchase, lease and convey real and personal property in any of such places.

As set forth in the Bylaws, the Board of Directors of the Corporation (the “Corporation Board”), who conducts and manages the affairs of the Corporation, will consist of not less than one member. The exact numbers of directors shall be determined by resolution adopted by a majority of all directors then in office. Directors shall be appointed by the board of directors of the Charter School. Each director shall hold office for a term as designated by the Corporation Board. A director having three (3) or more consecutive absences from the meetings of the Corporation Board shall be deemed to have resigned as a director. Directors need not be residents of Colorado. Directors shall be removed in the manner provided by the Colorado Revised Nonprofit Corporation Act. The directors of the Corporation Board have no private or proprietary interest in the Corporation. The Corporation Board serve without compensation (except reimbursement of expenses), and no part of the Corporation’s net earnings, income or assets will inure to the benefit of any private entity or person. The following table sets forth certain information regarding the current Corporation Board.

Corporation Board

Name	Position	Principal Occupation	Member Since	Term Expires (June 30)
Nicole Foster	President	Special Education Teacher	2015	2018
Jim Ray	Secretary-Treasurer	Software Developer	2015	2017
Brandy Haskins	Member	Finance Director	2015	2016
Monica Badgett	Member	Business Development	2015	2017
Rob Clemens	Member	Executive Director	2015	2018

The Corporation has agreed to enter into the Lease with the Charter School to facilitate the financing of the Facility. The Corporation will assign its rights and interests under the Lease (with certain exceptions) to the Trustee for the benefit of the Registered Owners of the Bonds. In addition, the Corporation has no control over the expenditure of the proceeds of the Bonds.

The Corporation will not undertake any activities or operations inconsistent with the operation of the Charter School as a charter school under the Charter Schools Act. Additionally, while the Bonds are outstanding, the Corporation is not permitted under the Loan Agreement to dissolve without causing an Event of Default thereunder.

THE CHARTER SCHOOL

The Charter School was organized under the Charter Schools Act pursuant to the Charter, first approved in 2012 between the District and the Charter School, with the last amendment dated July 1,

2015. The current Charter expires on June 30, 2017. On August 17, 2011, the Charter School filed its Articles of Incorporation with the Secretary of State to incorporate as a Colorado nonprofit corporation. On February 6, 2013, the Charter School received recognition from the Internal Revenue Service as an organization described in Section 501(c)(3) of the Tax Code.

The Charter School began operations in the fall of 2012 with 124 students in Kindergarten through second grade. Adding a grade per year since opening, the Charter School now serves 269 students in Kindergarten through fifth grade in the 2015-2016 fiscal year. The Charter School is governed by the Charter School Board, which is responsible for the academic and operations programs of the Charter School. See “APPENDIX A—THE CHARTER SCHOOL” for a more detailed description of the Charter School.

LEGAL MATTERS

Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S., as amended (the “Governmental Immunity Act”), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity for injuries which lie in tort or could lie in tort. Charter schools have been accorded the immunities provided by the Governmental Immunity Act. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which is not willful and wanton, and which occurs during the performance of a public employee’s duties and within the scope of a public employee’s employment. There are certain instances in which sovereign immunity is waived, which includes when a charter school or its employee is negligent by failing to protect others from a reasonably foreseeable incident of school violence, although current law suspends compensatory damages in such instances until July 1, 2017.

The Governmental Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which is not willful and wanton, and which occurs during the performance of a public employee’s duties and within the scope of a public employee’s employment. The maximum amounts that may be recovered under the Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000; and (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000, except in such instance, no person may recover in excess of \$350,000. Suits against both the Charter School and a public employee do not increase such maximum amounts which may be recovered. The Charter School may not be held liable either directly or by indemnification for punitive or exemplary damages.

The Charter School may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. Section 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Charter School may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado state court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Pending and Threatened Litigation

No Proceedings Against the Charter School. In connection with the issuance of the Bonds, the Charter School will deliver a certificate which will state that, as of the date of issuance of the Bonds, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or, to the best of its knowledge, threatened against or affecting the Charter School, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Indenture, the Loan Agreement, the Lease, the bond purchase agreement (referred to in “MISCELLANEOUS—Underwriter”), or this Limited Offering Memorandum, the validity and enforceability of the Indenture, the Loan Agreement, the Lease, the bond purchase agreement or the Bonds or the operations (financial or otherwise) of the Charter School.

No Proceedings Against the Corporation. In connection with the issuance of the Bonds, the Corporation will deliver a certificate which will state that, as of the date of issuance of the Bonds there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or, to the best of its knowledge, threatened against or affecting the Corporation, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Indenture, the Loan Agreement, the Lease, the bond purchase agreement (referred to in “MISCELLANEOUS—Underwriter”), or this Limited Offering Memorandum, the validity and enforceability of the Indenture, the Loan Agreement, the Lease, the bond purchase agreement or the Bonds or the operations (financial or otherwise) of the Corporation.

No Proceedings Against the Authority. There is not now pending or, to the knowledge of the Authority, threatened, any litigation against the Authority restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the Authority’s knowledge, threatened against the Authority which in any manner questions the right of the Authority to enter into the Loan Agreement with the Corporation or to issue and secure the Bonds in the manner provided in the Indenture.

TAX MATTERS

Tax Exempt Series 2015A Bonds

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2015A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Authority, the Trustee, the Corporation and the Charter School with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2015A Bonds. Failure to comply with such covenants could cause interest on the Series 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015A Bonds. The Authority, the Trustee, the Corporation and the Charter School have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2015A Bonds.

Notwithstanding Bond Counsel’s opinion that interest on the Series 2015A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2015A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2015A Bonds. The extent of these other tax consequences will depend on such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2015A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2015A Bonds.

Bond Counsel is also of the opinion that, under existing State of Colorado statutes, interest on the Series 2015A Bonds is exempt from all taxation and assessments in the State of Colorado. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2015A Bonds under the laws of the State of Colorado or any other state or jurisdiction.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2015A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2015A Bonds who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Taxable Series 2015B Bonds

Bond Counsel is of the opinion that interest on the Taxable Series 2015B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under existing State of Colorado statutes, interest on the Taxable Series 2015B Bonds is exempt from all taxation and assessments in the State of Colorado. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Taxable Series 2015B Bonds under the laws of the State of Colorado or any other state or jurisdiction. Purchasers of the Taxable Series 2015B Bonds are urged to consult with an independent tax advisor as to the federal, state and local tax consequences of the purchase, ownership or disposition of the Taxable Series 2015B Bonds.

Any federal tax advice contained in this Limited Offering Memorandum was written to support the marketing of the Taxable Series 2015B Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayers' particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or

commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

MISCELLANEOUS

Rating

No rating has been applied for with respect to the Bonds.

Underwriter

The Underwriter is receiving a fee of \$132,225. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds.

Registration of Bonds

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, or the Colorado Securities Act, as amended. THE AUTHORITY ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

Continuing Disclosure Agreements

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) ("Rule 15c2-12"), the Corporation and the Charter School have agreed for the benefit of the Registered Owners and Beneficial Owners of the Bonds to provide certain financial information, other operating data and notices of material events (the "Continuing Disclosure Agreements"). The form of the Continuing Disclosure Agreements are attached as an appendix to this Limited Offering Memorandum. The Corporation has not had any previous disclosure obligations under Rule 15c2-12. The Charter School entered into a continuing disclosure agreement relating to the Series 2007 Bonds in 2013 upon leasing the Facility from Northeast Academy Corporation.

The Charter School has previously failed to file certain financial information in a timely manner, a summary of such failures is set forth hereafter.

i. ***Annual Audits***

Late filing of 2014 audited financial statements (90 days)

ii. ***Annual Financial Information and Operating Data***

(a) Late filing of 2014 operating data (90 days)

- (b) Late filing of 2013 operating data (455 days)
- (b) Operating data filed did not include the following as required:
 - 1. Board of Directors
 - 2. Enrollment
 - 3. Faculty and administration of the Charter School degrees
 - 4. Results of the State Assessments
 - 5. Staff Composition

iii. ***Budgets and Other Required Filings***

- (a) Late filing of 3rd quarter 2014 (159 days)

The Charter School takes no position as to the materiality of the above referenced failures regarding the Series 2007 Bonds. The Charter School has taken steps to ensure that it will be compliant with the continuing disclosure obligation relating to the Bonds.

Independent Auditors

The audited financial statements of the Charter School for the fiscal year ended June 30, 2015, which are appended hereto, have been audited by independent auditor, John Cutler & Associates, Certified Public Accountants, Denver, Colorado as stated in their report appearing therein. Such financial statements have been included without the review of the auditor.

Additional Information

The summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Limited Offering Memorandum do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge as described in “INTRODUCTION—Additional Information.”

Limited Offering Memorandum Certification

The preparation of this Limited Offering Memorandum and its distribution have been authorized by the Corporation and the Charter School. This Limited Offering Memorandum is not to be construed as an agreement or contract between the Corporation or the Charter School and any purchaser, owner or holder of any Bond.

MONARCH BUILDING CORPORATION

By /s/ Nicole Foster
President

MONARCH MONTESSORI OF DENVER

By /s/ Brandy Haskins
President

APPENDIX A
THE CHARTER SCHOOL

APPENDIX A

THE CHARTER SCHOOL

General

The Charter Schools Act authorizes teachers, parents and/or community members to contract with the local board of education to establish a publicly funded school operating with significant freedom from district policies and State regulations. A charter school is, nonetheless, a public school, which is part of the school district in which it is located. Charter schools operate under a “charter contract” between the charter school and the local board of education. If the local board of education fails to grant a charter, the charter school may appeal that decision to the State Board of Education.

Monarch Montessori of Denver Charter School (the “Charter School”) was created pursuant to the Charter Schools Act, Title 22, Article 30.5, C.R.S., as amended (the “Charter Schools Act”), by Denver County School District No. 1 (Denver Public Schools) (the “District”) and pursuant to the Charter School’s Charter Contract originally approved on March 12, 2012 and most recently renewed on July 1, 2015 (the “Charter”). The Charter terminates on June 30, 2017. On August 17, 2011, the Charter School filed its Articles of Incorporation with the Secretary of State to incorporate as a Colorado nonprofit corporation and began operations in the fall of 2012. The Charter School has received a 501(c)(3) determination letter dated February 6, 2013 from the Internal Revenue Service, classifying the Charter School as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) which is exempt from federal taxation.

The Charter authorizes the Charter School to serve a maximum of 300 students in Kindergarten through 5th grade. The Facility, located in northeast Denver at 4895 Peoria Street, has an enrollment of 269 students in Kindergarten through 5th grade, for the 2015-2016 school year. See “—*The Facility*” and “—*Enrollment*” hereafter.

Charter School Board

The business and affairs of the Charter School are managed by the Charter School Board. The Charter School Board consists of seven directors elected by the Charter School Board at the annual meeting to serve staggered three year terms. At the time of his or her election, each director will be assigned to Class A, Class B, or Class C, and an effort will be made to keep each class of directors of approximately equal size. The term of Class A Directors expires in 2016 (and every three years thereafter); the term of Class B Directors expires in 2017 (and every three years thereafter); and the term of Class C Directors expires in 2018 (and every three years thereafter). A director having three or more consecutive unexcused absences from the meetings of the Charter School Board will be deemed to have resigned as a director, and directors will be removed following the procedure provided by the Colorado Revised Nonprofit Corporation Act.

Any director may resign at any time by giving written notice to the president or to the secretary of the Charter School with the resignation taking effect at the time specified therein. Any vacancy occurring in the Charter School Board is filled by the Charter School Board at a special meeting called for such purpose. A director appointed to fill a vacancy will serve for the unexpired term of his predecessor in office. No member receives compensation for service on the Charter School Board; however, they can be reimbursed for reasonable expenses incurred by them in performing their duties as members of the Charter School Board. The Charter School Board is required to hold regular meetings and special

meetings are held as necessary. The present members of the Charter School Board, their occupations and terms of office are set forth hereafter.

Name	Office	Principal Occupation	Years of Service	Term Expires (June 30)
Brandy Haskins	President	Financial Director	5	2016
Adey Dimalanta	Vice President	Denver Preschool Program	2	2016
Jessica Brody	Secretary	Attorney for City of Denver	2	2016
Jim Ray	Treasurer	Software Developer	1	2017
Nicole Foster	Member	Special Education Teacher	1	2018
Monica Badgett	Member	Business Development for City of Denver	4	2017
Vacancy				2018

There is one vacancy on the Charter School Board, and the Charter School Board has identified specific skills for the vacancy: fund raising, marketing, community advocate, and / or Montessori expert. The Charter School Board and administration have invited three potential candidates to fill the vacancy.

Certain information concerning the background and experience of the current Charter School Board is set forth below.

Brandy Haskins, President. Ms. Haskins is one of the founders of the Charter School and has worked with several private and public charter schools in the fields of teacher/principal licensure and as a school accountant. She is a 1998 graduate from the University of New Mexico with an MBA from the Anderson School of Management and she holds five Bachelor of Science degrees ranging from Accounting to Environmental Science. Throughout her 20 year accounting career, Ms. Haskins has worked with a range of companies, including a large national corporation named one of Business Week's 50 Best Performing Companies.

Adey Dimalanta, Vice President. Ms. Dimalanta has worked in the non-profit sector for more than ten years. Currently she manages and initiative to integrate social emotional best practices in child care centers and better connect the Early Childhood Mental Health system in Denver, Colorado. She has been with Denver's Early Childhood Council for 7 years and has held a variety of roles supporting quality improvement and professional development for child care centers and early childhood professionals. Her prior positions include performing ratings for child care centers with Qualistar Colorado and managing grants for schools and nonprofit organizations with Reading is Fundamental.

Ms. Dimalanta holds a Masters in Public Administration from the University of Colorado and Bachelors degrees in Psychology and Urban Studies from the University of Pittsburgh.

Jessica Brody, Secretary. Ms. Brody is an Assistant City Attorney within the Denver City Attorney's Office. She specializes in environmental law, representing the City in environmental and litigation matters and advising City agencies on environmental laws. Prior to joining the City Attorney's Office, she was an associate at Arnold & Porter in Washington, D.C. and Denver, Colorado where she was a member of the firm's environmental and litigation practice groups. Ms. Brody graduated from Yale Law School in 2003. Ms. Brody is also a parent of two Charter School students.

Jim Ray, Treasurer. Mr. Ray currently leads a team of 10 engineers providing systems administration and development expertise for a local online service company. He has previously led

numbers technical teams specializing in infrastructure and development. Mr. Ray is a parent of two Charter School students.

Monica Badgett, Director. Monica Badgett received her Bachelor of Arts degree in Psychology with an emphasis on Social Psychology Research from Wilberforce University in Wilberforce, Ohio. She is currently pursuing her Masters in Organizational Leadership with an emphasis in Strategic Innovation and Change Management at CSU-Global Campus. She is employed by Denver City and County, Office of Economic Development, Division of Workforce Development, Assessment and Training. As a certified Global Career Development Facilitator, she is employed as a Business Development Associate/Assessment Instructor (Training and Development) with 22 years of experience in working with individuals on public assistance, co-occurring mental health disorders, and private professionals. She developed and facilitated program curriculum for young adult and college women from 13-27 years of age. Ms. Badgett has also conducted various presentations and workshops on cultural diversity, interpersonal relationships, self-esteem and health related issues nationally and in the Northeast Denver Community. Her community efforts include developing and executing program objectives and processes for non-profit organization for community families and women, while continuing to be active in organizations such as Delta Sigma Theta Sorority Incorporated, Denver Alumnae Chapter, Full Circle Intergenerational Project Incorporated, Old Landmark Baptist Church, Colorado Sisterhood Crusade and part of the Founding Family of Monarch Montessori in Northeast Denver. She is also in the process of establishing a non-profit organization assisting families with temporary to permanent housing who have fallen victim to the foreclosure crisis.

Nicole Foster, Director. Ms. Foster holds a Bachelor of Science degree in Political Science and Social Science from the University of Utah in Salt Lake City, Utah, a Juris Doctor from The Catholic University of America, Columbus School of Law in Washington, D.C., and a Master of Arts degree in Education from Metropolitan State University of Denver, Colorado. Ms. Foster has been employed in the legal field, the real estate field and most recently is employed as a teacher at Oakland Elementary. She volunteers for several agencies working with children including peer court, DAVA, and the Junior League of Denver's Smart Parenting for Teens program.

Committees. The Charter School Board has the authority to create, by resolution, may designate from among its members one or more other committees, each of which, will have all the authority of the Charter School Board. The Charter School Board may create standing committees having the authority and responsibilities set forth in the authorizing resolution. The Charter School Board may also commission advisory committees, which will consider, advise upon and make recommendations to the Charter School Board with respect to policies of the Charter School or, to pursue goals, goods or services for the Charter School in accordance with the vision and mission statements. The Charter School Board has established, among others, a Finance Committee, a School Accountability Committee and a Building Committee

Conflict of Interest Policy. The Charter School adopted a Conflict of Interest Policy on May 22, 2014. The policy provides that: any contract with the Charter School involving a Charter School Board member or a Charter School Board member's family member will be approved by the full Charter School Board with the conflicted member abstaining; each Charter School Board member is responsible to disclose to the Charter School Board any circumstances that could involve a potential conflict of interest; and, salary and other remuneration received from the Charter School by *ex-officio* Charter School Board members will not be considered a conflict of interest for purposes of the policy.

Administrative Management

Certain information concerning the background and experience of the Charter School's Executive Director and Associate Director is set forth below.

Executive Director. The Executive Director has the overall responsibility for the operation of the Charter School and First Steps. He works with the Assistant Director, First Steps Program Director, and the Charter's Chief Academic Officer to educate students in accordance with the Montessori method. Specifically, the Executive Director has responsibility for the following: execution and communication of the Charter School's strategic plan; advancing Monarch's mission and vision; fostering collaboration among staff; adherence to the Charter and application for Charter renewal; budgeting and fiscal management; fundraising through grants and private donations; management of the Charter School's facilities and planning for future facility needs; engagement with stakeholders (the District, parents, PTO, community); reporting to the Charter School Board and communicating with the Charter School Board regarding strategic decision-making; oversight of human relations issues; compliance with all laws; and, emergency management planning.

Rob Clemens has served as the Charter School's Executive Director since 2014. He holds a Bachelor of Arts degree in Psychology from Davidson College and a Master of Business Administration from the University of North Carolina at Chapel Hill. He was employed for 13 years with Adventure Treks, Inc. building close communities of students, working with mixed age groups, crafting experiences that set students up for success, and helping students grow on their personal frontier. For the prior four years, Mr. Clemens has been involved with multiple school turnarounds ranging from improving academic and financial performance to incorporating new and alternative instructional models.

Associate Director. The Associate Director's duties include, among others: planning for enrollment and placement; recruiting administrative staff; overseeing contractors working within the Facility; managing staff schedules, time clock and payroll issues; developing and maintaining the Charter School's calendar; organizing Charter School events; accounting; and other duties as assigned by the Executive Director.

Noel Giametta has served as the Charter School's Associate Director since 2011. She earned a Bachelor of Arts degree in Human Development with a minor in Early Childhood Education followed by a Master's Degree in Early Childhood Special Education through the University of Northern Colorado. She has an Early Childhood Teaching qualification, a Large Childcare Director Certification, an AMI Primary Montessori Teaching Certification as well as an Infant/Toddler Montessori overview course. Prior to working with the Charter School, Ms. Giametta has taught Yoga for young children, health and wellness classes for young children, and curriculum development at Botanic Gardens titled "Get well with Noel".

Chief Financial Officer. The Chief Financial Officer's duties include, among others: financial Accounting and Audit coordination and preparation, Budget preparation & analysis, financial reporting, and training.

Patty Cragg has served as the Charter School's Chief Financial Officer since 2012. She has over 20 years of experience in finance including employment as a financial analyst, controller, senior manager of sales operations, and revenue analyst with private corporations including Sun Microsystems, Quantum and Oracle Corporation. She is currently employed as a financial consultant with Abstract Insights LLC. Ms. Cragg holds a Bachelor of Science degree in Business Administration/Finance from the University of Colorado Boulder and a Master's Degree in Business Administration/International Business from Regis

University. She served on the board of directors for Flagstaff Academy, a charter school in Longmont, Colorado and currently serves on the board of directors for the Niwot High School Education Foundation.

Chief Academic Officer. The Charter School’s Chief Academic Officer has the following duties, among others: curriculum design and implementation; assessment scheduling and oversight; interpretation and monitoring of assessment data; UIP (with leadership team); oversight of specials and student services personnel; gifted and talented program; recruitment and hiring of teachers and support staff; implementation and support of unified behavioral plan for the Charter; coaching and training teachers, including planning of continuing education’ reporting to the Charter School Board concerning academic matters.

Ann Massengill has served as the Charter School’s Chief Academic Officer since July 2015. Her prior experience includes 5 years as a teacher at Bromley East Charter School in Adams County, Colorado and two years as an upper elementary school teacher at Marware Montessori Academy in Hollywood, Florida. Ms. Massengill holds a Bachelor’s Degree in fine arts/vocal music from Ramapo College of New Jersey and a Master’s Degree in Education from Lesley University. She also holds a Montessori certification at the primary, lower elementary and upper elementary levels from Montessori Education Center of the Rockies.

Succession Policy

The Charter School Board’s succession policy is set forth in the Charter School Bylaws. The Charter sets forth the succession policy for Charter School management personnel. Upon the resignation of a management employee a hiring committee of teachers, administrators and Charter School Board members is established to screen and interview applicants and make recommendations to the Charter School Board for employment.

Charter School Employees and Labor Relations

In order to provide the variety of services required by law, the Charter School currently employs 39 full time employees and two part time employees. The following table sets forth historical and current information on employees of the Charter School.

Historical Staff Composition

	2012-13	2013-14	2014-15	2015-16
Full Time				
Administration	1	3	3	3
Teachers	13	13	13	18
Instructional Support	8	9	9	13
Other ¹	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>
Sub-Total	<u>26</u>	<u>29</u>	<u>30</u>	<u>39</u>
Part Time				
Teachers	3	2	2	0
Other ¹	<u>--</u>	<u>1</u>	<u>--</u>	<u>0</u>
Sub-Total	<u>3</u>	<u>3</u>	<u>2</u>	<u>0</u>
Total	<u>29</u>	<u>32</u>	<u>32</u>	<u>39</u>

¹ Includes reception, office, registrar, custodian and library employees.

The following table sets forth information on historical teacher retention rates at the Charter School.

Historical Teacher Retention Rates

Year	Percent Retained
From 2012-13 to 2013-14	unavailable
From 2013-14 to 2014-15	53%
From 2014-15 to 2015-16	69

Faculty and administration at the Charter School hold the following degrees.

Degree Held	Percent Holding Degree
Bachelors	69%
Masters	<u>31</u>
Total	<u>100%</u>

The staff retention rate is depressed due to two major factors. One was the departure of the founding principal. The second was a very high turnover rate of assistant teachers in three classrooms. The 53% retention rate in 2014-15 shows a high number of lead teachers who departed; however the majority of these vacancies were filled by assistant teachers who had completed their Montessori internship training. The classrooms actually maintained teacher continuity during the process. The limited experience of new teachers had an impact on the assistant teacher hiring process, which resulted in terminating ineffective assistants.

Employee Benefits. All employees are employed “at will” and none of the employees are represented by any collective bargaining unit. Employee benefits are comparable to what is offered by the District. Full-time employees currently receive medical, vision, dental and life insurance and accidental disability and dismemberment insurance coverages. Base medical is provided at no cost with 80% of costs paid for an upgraded medical plan. All Charter School employees are members of the Public Employees Retirement Association of Colorado, School Employees Division (“PERA”) to which the Charter School and employees are required to contribute a statutorily determined percentage of salaries paid. For additional information regarding the Charter School’s contribution to PERA, see “APPENDIX B—CHARTER SCHOOL FINANCIAL INFORMATION—Retirement and Pension Matters.”

Labor Relations. Teachers are employed by the Charter School pursuant to annual offer letters established by the Charter School Board. The faculty, administration and Charter School Board have a strong and collaborative working relationship. The Charter School considers its relations with the teachers to be “good.”

Charter School Admissions Policy

Pursuant to the Charter, enrollment in the Charter School is open to all residents of the District and allows for enrollment of out-of-District students based on availability after enrollment of District students. The Charter School will also have a regional preference or boundary for students residing in the Far Northeast region of the District, to the extent that such preference is in compliance with rules

regarding start-up grants from CDE that the Charter School receives. Once a student has been admitted to the Charter School that student may remain in attendance through subsequent grades, without regard to any priorities listed above.

The enrollment policy prohibits discrimination on the basis of disability, race, creed, color, sex, sexual orientation, national origin, religion, ancestry or need for special education services. The Charter School follows the District's SchoolChoice Enrollment policies for enrollment. SchoolChoice sets forth guidelines for enrollment, stating that students may apply for choice enrollment in a school or program outside of their neighborhood attendance area, including charter schools, and such application will be approved if there is space available, and the application has been submitted according to applicable procedures. The process begins with a first round application period, which follows winter break and extends through approximately January 24th each year. Applicants are given a priority number based on the following priority categories, which are listed in the order of highest priority to lowest priority: children of District resident employees; District resident siblings of students currently enrolled in the Charter School for the following year; other District resident applicants; children of non-resident District employees of the Charter School; non-resident siblings of students projected to be enrolled in the Charter School for the following year; and, other non-resident applicants. Each school then determines space and program availability, and student eligibility.

The Charter School has developed and will implement an annual recruitment plan, designed to provide access to all student populations which includes, but is not limited to, enrolling students that are eligible for free/reduced lunch, students with special needs, and English language learners, and represents the diversity of the District. The District may review this recruitment plan at any time upon reasonable request to the Charter School.

As provided in the Charter the maximum enrollment at the Charter School is 300 students. The Charter requires that the Charter School maintain consistent enrollment aligned with District Projected Enrollment ("Projected Enrollment") and establishes Enrollment Milestones (as defined below) that are critical to the ongoing viability of the Charter School. Projected Enrollment is determined annually by the District and subject to review by the Charter School prior to being finalized.

Enrollment Milestones. As set forth in the Charter, by the end of the first round of SchoolChoice (the District's district-wide enrollment system), on or around February 28, 2016, the Charter School must have and maintain enrollment of the greater of 60% of its Projected Enrollment or 75 funded students; and by May 15, 2016 the Charter School must have and maintain enrollment at the greater of 80% of its Projected Enrollment or 100 funded students. During all subsequent years of operation, by the end of the first round of SchoolChoice, on or around March 15th, the Charter School must have and maintain enrollment of at least 80% of its Projected Enrollment for the following school year. In the event that the Charter School does not achieve 80% of its projected enrollment for the following year by March 15th, the Charter School must provide the District with a budget no later than April 1 that demonstrates, based on the District's sole discretion, that the Charter School can operate the approved educational program based on the enrollment at the time of the budget submission.

Enrollment. The following table provides current and historical enrollment figures for the Charter School. The current staff (teachers, assistant teachers and specialist) to student to ratio is 12:1.

Historical and Current Enrollment by Grade

Grade	2012-13	2013-14	2014-15	2015-16 ¹
K	62	71	47	38
1 st	41	75	70	47
2 nd	20	41	61	59
3 rd	--	32	37	60
4 th	--	--	29	29
5 th	--	--	--	<u>23</u>
Total	<u>123</u>	<u>219</u>	<u>244</u>	<u>256</u>

¹ As discussed in "Enrollment Milestones", by the end of the first round of SchoolChoice, on or around February 28, 2016, the Charter School must have and maintain enrollment of the greater of 60% of its Projected Enrollment or 75 funded students; and by May 15, 2016 the Charter School must have and maintain enrollment at the greater of 80% of its Projected Enrollment or 100 funded students.

The following table sets forth projected enrollment for the next five years. According to Charter School officials, projections were based on a capacity of 25 students per classroom in Charter. Charter classrooms can hold a capacity of 29 students and are averaging 27 students per room in the current 2015-16 school year. The Charter currently limits student enrollment to 300 students; however, based on the increased capacity expected with the completion of the Project, the Charter School expects the District, through SchoolChoice, to allow for the increased enrollment figures. If the District requests an addendum to the Charter, the Charter School expects that such amendment would be submitted and approved by the District by the spring of 2016.

Projected Enrollment by Grade¹

Grade	2016-17	2017-18	2018-19	2019-20	2020-21
K	65	58	56	56	56
1 st	55	60	60	60	58
2 nd	52	55	60	60	60
3 rd	58	51	55	60	60
4 th	55	55	50	54	60
5 th	<u>33</u>	<u>55</u>	<u>54</u>	<u>50</u>	<u>52</u>
Total	<u>318</u>	<u>334</u>	<u>335</u>	<u>340</u>	<u>346</u>

¹ As discussed in "Enrollment Milestones," by the end of the first round of SchoolChoice, on or around March 15th, the Charter School must have and maintain enrollment of at least 80% of its Projected Enrollment for the following school year.

Source: The Charter School

The following table sets forth historical student retention information for the Charter School.

Historical Retention Rates by Grade

Grade	From To	2012-13 2013-14	From To	2013-14 2014-15	From To	2014-15 2015-16
K-1st		100%		99%		100%
1 st to 2 nd		100		81		84
2 nd to 3 rd		100		90		98
3 rd to 4 th		--		91		78
4 th to 5 th		--		--		79

Wait List. As previously discussed, the Charter School’s wait list and lottery system are managed by SchoolChoice. As grade level enrollment is filled for the upcoming year the waitlist is adjusted to reflect that enrollment. According to Charter School officials, wait list reports are not very accurate because they vary widely from Round 1 to Round 2 to the October student count. For the 2015-16 school year, the Charter School accepted all students on the Kindergarten, 1st and 2nd enrollment lists. Three students were left on the 3rd grade wait list, 5 students were left of the 4th grade wait list, and 3 students were left on the 5th grade wait list. Enrollment by special education students is considered in accordance with the Charter and applicable state and federal law.

The Facility and Capital Plans

The Facility. The Facility is located at 4895 Peoria Street in the northeast portion of Denver. The 60,000 square foot, two-story Facility, was constructed in 2000 with renovations in 2010 and 2013. There are 20 classrooms, with 10 classrooms designated for use by the Charter School. The first floor includes the cafeteria, gross motor room, nine offices/breakrooms and 5 storage/closets. The second floor includes physical education space, a workroom/Spanish room, the library, English language learner and Special Education workspace, one office and three storage/closets.

See “THE BONDS—Use of Bond Proceeds” for a description of Improvements to be constructed to the Facilities with Bond proceeds.

Other Facility Uses.

First Steps. First Steps currently leases and is expected to continue to lease approximately 45% of the Facility from the Charter School pursuant to the Sublease. First Steps is a tuition-based pre-school program serving infants through 5 year olds from the Green Valley Ranch to Stapleton neighborhoods in northeast Denver. First Steps operates 12 months per year from 7 a.m.-6 p.m.

The Charter School is an evolution from First Steps and First Steps acts as a small feeder program for the Charter School. The Charter School serves a Title I population while First Steps serves a tuition based population that is middle to upper-middle class. In the past, only 3-5 students would feed from First Steps into Charter School. In the 2015-2016 school year 16 students made the transition. According to Charter School representatives, the Charter School is working to improve its academic performance to better compete with successful neighborhood schools in the Stapleton area of Denver. First Steps has secured grant funding to supplement tuition costs for families that qualify for the state administered Child Care Assistance Program (“CCAP”). This initiative has increased the CCAP families from 4 to 12 in the last two years, which are likely to be the families who transition into the Charter School for Kindergarten.

The First Steps feeder program focus is a board directive. The Charter School Board members and the members of the board of directors of First Steps are the same and hold concurrent meetings. Board members are typically parents of children in First Steps, the Charter School, or both.

According to Charter School representatives, the relationship between First Steps and the Charter School is good. The Charter School and First Steps have separate accountability standards for program quality, yet share in certain program resources. A transparent system of to / from accounting enables each program operated by the Charter School and First Steps separately to share services like utilities or personnel. Instead of a true activity based accounting process, shared services use facility square footage as the allocation metric for utilities, rent, repairs, and dual personnel. The Charter School sets the allocations. The Executive Director of the Charter School oversees management of the shared resources. The Chief Financial Officer documents the to / from process.

The Sublease is anticipated to be for a term equal to the final maturity date of the Bonds. The annual rent under the Sublease is anticipated to initially equal approximately 45% of the Base Rents under the Lease. Such percentage may change if the percentage of use of the Facility changes. First Steps is current on its existing sublease obligations.

See “RISK FACTORS—Sublease of Facility” and “—Potential Claims Against First Steps” for a description of the Sublease of the Facility and current claims against First Steps that may impact First Steps ability to make payments under the Sublease.

YMCA. The YMCA manages its before and after care programs from 7-8:10 a.m. and 3:45-6 p.m. at the Facility under a Facility Use Contract. See “APPENDIX B—CHARTER SCHOOL FINANCIAL INFORMATION—*Additional Revenues—YMCA Contract.*”

Charter School Summer Program. The Charter School piloted a fee based summer session in 2015 with 80 students in June and July. The program had one 3-week session in June and one 3-week session in July. Each session used lead teachers to run a 3-hour work cycle in the morning, provided lunch / recess time, and provided a 2.5-hour enrichment block in the afternoon. Hours were similar to the Charter School’s school schedule.

Fees were collected on a sliding scale ranging from \$300 -\$575 for the entire session. June and July fees in 2015 were \$10,300. Grants and ReadAct funds were used to cover expenses which were approximately \$20,000. A total of 38 students were served in the two sessions. 78% of all students who participated in the summer session met, or exceeded, their reading and math growth targets on the NWEA MAP assessments administered in May and August. The percentage of students who meet MAP growth targets is one of the accountability metrics DPS uses to evaluate the Charter school.

The summer session pilot program was not a financial success, however it was successful as a marketing tool which will help Charter School grow market share. The model offers a strategic advantage to meet accountability benchmarks to mitigate Revocation or Nonrenewal of Charter risk.

Equipment and Teaching Materials. Since its formation, the Charter School has utilized grant funds received from the Charter School Start Up Program of the Colorado Department of Education. Therefore, all equipment and materials are three years old or less. Teacher laptops are the most dated materials and they are four years old with Chromebooks purchased in 2013, 2014, and 2015.

Capital Improvements Plan. The Charter School does not maintain a formal capital project plan. Routine maintenance and repair work is incorporated into the budget annually and is funded with

available funds. See “THE BONDS—Use of Bonds Proceeds” for a description of the Improvements to be financed with Bond proceeds.

Curriculum and Instruction

Mission. The Charter School aims to help each child reach their full potential in all areas of life. The Charter School provides a holistic approach to learning, based on the educational philosophy of Dr. Marie Montessori, experienced educators tailor to the individual need of each child, while the program welcomes families of all race, ethnicity and economic background. This method supports students as they become “engaged learners today” and the “leaders of tomorrow.”

Vision. The Vision of the Charter School is to create a carefully planned Montessori environment which will enable the child to develop within themselves, independence, self-discipline, self-respect and respect for others and the environment.

The Charter School believes that parents and the environment they create at home are the chief educational influences in the life of a child. As a school, the Charter School wants to complement the adult in their work as a parent and help them in discovering who their child is and what his/her needs are as he/she begins the adventure of life. It is aimed to help the child become a creative, competent human being who is fully aware of him/herself, of others, and of the world around them.

Curriculum. The Charter School uses a Montessori curriculum. The Montessori curriculum is a philosophy of education developed over 80 years ago by Dr. Maria Montessori. It is the task of a Montessori school during the grade school years to aid children in their own natural development, which includes the basic physical, emotional and cognitive skills necessary for functioning in their society and world and to help them gain an overview of the development of the universe, the solar system, the earth, life on earth, early man, civilizations and scientific classifications. The Montessori curriculum emphasizes the development of a curriculum which interweaves all areas of culture – mathematics, language, the arts, geography, history and science.

Montessori schools educate children in three-year age groupings which allows the older children to mentor the younger children. Montessori classes are Preschool through Kindergarten, First Grade through Third Grade and Fourth Grade through Sixth Grade. Also, students usually have the same teacher(s) for those three-year periods, which allows for an intimate knowledge of each child’s strengths, learning styles and weaknesses. Because Montessori school’s believe that children learn most effectively through direct experience and the process of investigation and discovery, the method of instruction used at Montessori schools include a combination of the prepared environment with specially selected materials and a teaching style that emphasizes observation and guidance rather than direct teaching and providing answers. Montessori teachers rarely present a lesson to more than a handful of students at one time, and generally limit lessons to brief, efficient presentations

In addition to the Montessori curriculum, the Charter School provides Specials including Spanish, physical education, library and technology and students have 1.5 hours per week of electives in STEM, wellness and arts/culture.

Special Education. The Charter School provides for an appropriate special education program for special needs students. The Charter School currently has 29 students involved in the special education program.

Reduced Lunch. The Charter School provides free/reduced meals including both breakfast and lunch. For the 2014-15 school year 166 Charter School students qualified for the free/reduced lunch program. Figures for the 2015-16 school year will not be available until December 2015.

Transportation and Parking. The Charter School does not provide transportation to students therefore parents are responsible for transporting students to and from school. The Charter School has 110 parking spaces for staff and parents.

Safety Policy. The Charter School follows District emergency response crisis policy and procedure which includes emergency drills with the Denver Police Department. According to Charter School officials, all emergency compliance for drills and inspections are current.

Student Performance

The Charter School will participate in all testing programs required by the State, currently including, but not limited to, the Colorado Measures of Academic Success (“CMAS”), Colorado ACT, READ Act aligned early literacy assessments, and any applicable placement and assessment tests for English Language Learners, including but not limited to ACCESS and W-APT, as they exist now or may later be amended. The Charter School will attend all District required training sessions, maintain test security, and administer the tests consistent with all relevant state and District requirements, including District-developed testing ethics and administration procedure training to school staff.

The Charter School must also comply with the requirements of the Colorado Reading to Ensure Academic Development Act (“READ Act”), C.R.S. §§22-7-1201, et seq. and is required to implement interim assessments as described in the Charter Application or as approved by the District. The District may request interim assessment data as part of ongoing performance monitoring or other processes.

In addition, each year, the Charter School must administer a survey to measure the satisfaction of its parents and students. At a minimum, the Charter School can use the satisfaction survey developed and scored by the District or the Charter School may also administer its own satisfaction survey but it cannot be in lieu of the District survey.

The Charter School must annually “Meet Expectations” or “Exceed Expectations” on the District’s School Performance Framework. To be found to have made adequate progress, the Charter School must meet performance benchmarks as set forth in the Charter in their entirety. The Colorado Department of Education (the “CDE”) has the Charter School listed as “Improvement” in the School Performance Framework 2014 based on overall percent of points earned for the year as determined by criteria established by the CDE. In the 2014 School Performance Framework the Charter School did not meet Academic Achievement but met Academic Growth requirements. The Charter School has adopted and implemented an Improvement Plan in accordance with CDE requirements. The result of failing to meet standards would be termination of the Charter by the District. The current Charter provides for 2 years with a 1 year extension if performance metrics are met. This aligns with the District’s emphasis of 3 year contracts with the majority of charter schools. The shift to PARCC assessments has created a data vacuum, which has resulted in a status quo carryover of performance rankings for 2015-2016. The District’s tiered support has shifted from three elements last year to one element this year, which suggests the Charter School is showing the necessary improvement progress.

Multiple indicators are used to measure student achievement including the Colorado Measures of Academic Success (“CMAS”). In December of 2009 and August of 2011, the State Board of Education adopted new Colorado Academic Standards. At that time the Colorado Department of Education, the Colorado teaching community and CTB/McGraw-Hill, collaboratively, developed the Transitional

Colorado Assessment Program (“TCAP”), a Colorado’s standards-based assessment, designed to provide a picture of student performance to schools, districts, educators, parents and the community during the transition period from the prior system until the new standards had been fully implemented. Beginning in 2014, the new State standards have been implemented and as a result the TCAP has been replaced with the CMAS. The primary purpose of the assessment program is to determine the level at which Colorado students meet the Colorado Model Content Standards in the content areas assessed. The CMAS is a statewide single point in time assessment, aligned with the State model content standards, that covers limited grades and subjects each year.

As a result of limited operations, historical test results are limited. Charter School 3rd graders took the TCAP in the 2013/2014 school year and had low status. MAPS, STAR and ACCESS assessments are used three times per year with summary data showing growth. The following table illustrates the percentage of 4th grade students at the Charter School, the District as a whole and for the State who scored at Strong & Distinguished on the Social Studies CMAS tests given in the spring of 2015.

Spring 2015 CMAS Results
Percentage of Students that Scored at Strong & Distinguished

4th Grade Social Studies
Spring 2015

Charter School	3.6%
Entire District	14.5
Colorado	21.8

Source: Colorado Department of Education, 2014 and 2015 CMAS Summary Results

Parental Involvement

The Charter School has numerous opportunities for parental involvement in the success of the Charter School including the participation in the Parent Teacher Organization (“PTO”) which fosters involvement in community events. Parents can be involved in various committees including, among others, Accountability Committee, the Election Committee, the Finance Committee, the Fundraising Committee, and Technology Committee. Other opportunities for parents to be involved include classroom assistance, field trip chaperones, home room/class parties, guest speakers/presenters, community events and teacher appreciation activities, and fundraising campaigns.

Competition

Approximately 77% of the Charter School students reside within the District. An additional 22% of Charter School students reside in the adjacent City of Aurora. The Charter School competes with the District and private schools located in and near the District. The District operates 76 elementary schools, 15 K-8 schools, 22 middle schools, 23 high schools, 13 alternative education centers and one adult opportunity school. Additionally, 26 District-chartered schools (covering a variety of grades) are housed in District-owned or District-leased facilities with the remaining 13 District-chartered schools housed in private facilities, and an expeditionary learning school is housed in a District-owned building but is operated by neighboring school districts. Competition among District offerings in Northeast Denver, including the Charter School, is pronounced. There can be no assurance that the Charter School will attract and retain the number of students that are needed to produce the revenue necessary to pay the debt service on the Bonds.

Charter School Authorization

The Charter expires on June 30, 2017. Pursuant to the Charter and the Charter Schools Act, no later than September 1 of the year prior to the year in which the charter expires, the governing body of a charter school will submit a renewal application to the chartering local board of education. The chartering local board of education shall rule by resolution on the renewal application no later than December 1 of the year in which the charter expires, or by a mutually agreed upon date.

A charter school renewal application submitted to the chartering local board of education is to contain, under existing State law: (a) a report on the progress of the charter school in achieving the goals, objectives, pupil performance standards, content standards, targets for the measures used to determine the levels of attainment of the performance indicators, and other terms of the charter contract and the results achieved by the charter school's students on the assessments administered through the Colorado student assessment program; and (b) financial statement that discloses the costs of administration, instruction, and other spending categories for the charter school that is understandable to the general public and that will allow comparison of such costs to other schools or other comparable organizations, in a format required by the State Board of Education; and (c) any information or material resulting from the charter school's annual reviews.

A charter may be revoked or not renewed by the chartering local board of education if it determines that the charter school did any of the following: (a) committed a material violation of any of the conditions, standards, or procedures set forth in the charter contract; (b) failed to meet or make adequate progress toward achievement of the goals, objectives, content standards, pupil performance standards, targets for the measures used to determine the levels of attainment of the performance indicators, applicable federal requirements, or other terms identified in the charter contract; (c) failed to meet generally accepted standards of fiscal management; or (d) violated any provision of law from which the charter school was not specifically exempted.

A decision to revoke or not to renew the charter may be appealed to or facilitation may be sought from the Colorado State Board of Education pursuant to the provisions of the Charter Schools Act. A charter authorizer standards review committee has been created to make recommendations to the State Board of Education concerning standards for charter schools and charter school authorizers. The Charter Schools Act also sets forth certain procedures for resolving any disputes that may arise between a charter school and its chartering school district concerning governing policy provisions of the school's charter contract and an appeal process for decisions of the local board of education of the authorizing district.

The District

The District is not liable or responsible for any costs associated with repayment of the Bonds, the Loan Agreement or the Lease, the costs of operation or maintenance of the Facility, or any other expenses associated with the Facility and its financing, and the holders of the Bonds shall not rely on any District involvement in payment of such costs or other involvement with the Facility. The District has not assumed any duties and has no duties to investors with respect to the Facility, its operation, maintenance or financing, disclosure to investors or monitoring any of the foregoing.

APPENDIX B

CHARTER SCHOOL FINANCIAL INFORMATION

APPENDIX B

CHARTER SCHOOL FINANCIAL INFORMATION

Sources of Revenue

No Tuition Charges. The Charter School is not permitted to charge tuition to students, except for before/after school programs, preschool programs, intersession programs or extended kindergarten programs and the Charter School is required under State law, to waive all fees for indigent students. If the Charter School enrolls a nonresident student with disabilities, the District can collect from the school district of residence tuition for certain costs incurred in educating the child. The Charter School may provide pre-kindergarten, daycare, before and after school programs.

District Funding. The primary source of funding for the Charter School comes from the District. School districts in the State are funded pursuant to the Public School Finance Act of 1994, Article 54 of Title 22, C.R.S. (the “1994 Act”). The 1994 Act sets forth a formula (the “Total Program”) for determining State and local funding amounts for each school district in the State based on a variety of factors including pupil count, local costs of living, personnel costs, the size of each district, the number of at-risk pupils, the number of on-line pupils and the Negative Factor, as described in “Total Program Funding” below. Information about the Public School Finance Act is available at <http://www.cde.state.co.us>, which is an internet address for the Colorado Department of Education; provided, however, such web page and any links to other web pages is not incorporated herein by this reference and is not part of this Official Statement.

Under the Charter, the Charter School receives funding in an amount equal to 100% of the District PPR, subject to adjustment in accordance with State law. The District may retain up to the actual amount of the Charter School’s per pupil share of the “central administrative overhead costs” for services actually provided by the District to the Charter School (except that such amount cannot exceed 5% of the District PPR) less deductions for purchased services, less other deductions as provided in the Charter and adjusted as provided therein. Central administrative overhead costs are administrative items and support services specified by a State board. The District agrees to provide detailed information on the calculation of central administrative costs. A charter school, at its discretion, may contract with its school district for the direct purchase of district services in addition to those included in the central administrative overhead costs, including but not limited to food services, custodial services, maintenance, curriculum, media services and libraries. The District is responsible for paying the excess costs associated with placing a student with a disability in an approved special education program of the District.

School district funding is based on the Total Program formula set forth in the 1994 Act. For each pupil funded in a district’s October 1 pupil count, the Total Program allocates a base per-pupil amount of money plus additional amounts based on district-by-district variances. Beginning with the Fiscal Year 2010-11, a new factor was introduced in the school finance formula due to the statewide budget balancing challenges the State is facing. This “Negative Factor” reduces the amount of funding districts would have received prior to this factors application in an equitable and fair manner. This factor acts as a reduction to other existing factors and does not reduce any base per pupil funding districts receive through the school finance formula. Total Program calculations may be expressed in the following formula:

$$\begin{array}{ccccccc} \text{Total} & = & \text{Funded} & \times & \text{Total Per} & + & \text{At-Risk} & + & \text{On-line} & - & \text{Negative} \\ \text{Program} & & \text{Pupil Count} & & \text{Pupil Funding} & & \text{Funding} & & \text{Funding} & & \text{Factor} \end{array}$$

Under the 1994 Act, every school district starts with the same per pupil funding amount generally known as the “statewide base.” The statewide base is increased annually by an amount equal to the rate of inflation. The base amount of per pupil funding for the 2015-16 fiscal year is \$6,292.39. The statewide base is then adjusted in each school district to account for differences between districts in cost of living, school district size and personnel costs. The cost of living factor is adjusted biennially, taking into account increases in the household income level of each district. The personnel and size factors are determined using enrollment based calculations, making them unique to each school district.

For each fiscal year, the General Assembly establishes a minimum amount of funding per pupil statewide based on a statutorily established “minimum per pupil funding base.” Additionally, each school district’s Total Program per pupil funding cannot exceed 125% of its prior fiscal year Total Program per pupil funding. For fiscal year 2015-16, each school district is guaranteed Total Program funding consisting of the sum of \$7,875.42 per traditional pupil plus \$7,588.00 per on-line pupil (defined hereafter). These amounts are adjusted to \$6,919.92 per traditional pupil plus \$6,667.37 per on-line pupil after application of the Negative Factor. In the 2015-16 fiscal year, 14 school districts are projected to receive funding based on the minimum Total Program provision, and no school district is expected to reach the maximum limit. The following table indicates the historical PPR rates applicable to the Charter School.

Historical Per Pupil Revenue

School Year	PPR Rate
2011-12	\$6,873
2012-13	6,858
2013-14	7,014
2014-15	7,398
2015-16	7,404

Source: The Charter School

The Total Program calculation is adjusted upward for each pupil qualifying as “at risk.” “At risk” is generally determined based on eligibility for participation in the federal free lunch program. Beginning in fiscal year 2005/2006, the definition of “at risk” was expanded to include students who are not eligible for free lunch, but whose scores on the Colorado Student Assessment Program test are not included in calculating a school’s performance grade because the students’ dominant language is not English. A school district receives funding equal to 12-30% of its total per pupil funding. The amount of at risk funding increases as a district’s percentage of at risk pupils increases above the State average.

On-line funding is based on the number of pupils enrolled in either a single district on-line program or a certified multi-district on-line program. A single district on-line program is any district on-line program which enrolls no more than 10 students from another district. The on-line per pupil funding amount changes by the percentage by which the statewide base changes. For fiscal year 2015-16 the on-line funding amount is equal to \$6,667.37, which amount represents a 12.13% decrease commensurate with the Negative Factor.

In general, the Negative Factor is calculated by first determining the Total Program prior to application of the Negative Factor. The Negative Factor then reduces this Statewide Total Program to no less than \$6,233,955,737 for the 2015-16 fiscal year. The Negative Factor Reduction will not reduce funding below the per-pupil Statewide Base. District’s whose State share of funding is less than the Negative Factor Reduction will not receive any State share and will have to reimburse the State with State

categorical funding equal to an amount not to exceed the Negative Factor Reduction of the District's Total Program.

Funding of PPR for each fiscal year of the Charter School begins in July of each year. Funding will be adjusted again to reflect the October actual enrolled student count as compared to the student count used at the beginning of the year. In addition, to the extent the District experiences any increase or reduction in State equalization support by a legislative rescission or other action, proportionate increases or reductions will be made to the Charter School by adjustment or set off in subsequent months.

The Charter School is to agree, pursuant to the Lease, to cooperate in relation to all actions necessary pursuant to and in accordance with the Colorado Charter School Intercept Program in order to have the State Treasurer deposit the amounts due under the Lease, representing debt service on the Bonds, directly with the Trustee from the PPR due monthly to the Charter School under the Charter and the Charter Schools Act. The Charter School is to submit to the State Treasurer a valid State Treasurer Charter Intercept Loan Agreement to provide for such deposits. The Charter School's obligation to make such payments under the Lease is subject to annual appropriation.

Capital Funding. Under State law, qualified charter schools are eligible to receive additional funding for capital construction from the State Education Fund ("Capital Construction Funds"). The Charter School will be a qualified charter school for purposes of such capital funding so long as the Charter School has capital construction costs, which are defined under the statute as construction, demolition, remodeling, financing, purchasing or leasing of land, buildings, or facilities used to educate pupils enrolled in or to be enrolled in the Charter School. The statewide aggregate amount available to all charter schools for the 2015-16 fiscal year is \$22,000,000. See "RISK FACTORS—Changes to Charter Schools Act." Under the Charter Schools Act, Capital Construction Fund payments made to charter schools may be reduced by up to 50% for charter schools participating in the Moral Obligation Program and 10% for charter schools, such as the Charter School, not participating in the Moral Obligation Program, if there are un-replenished draws on the CSDRF of the State charter school interest savings account under the Moral Obligation Program.

Additional Revenues. The governing body of a charter school is authorized to accept gifts, donations, or grants of any kind made to the charter school and to expend or use said gifts, donations or grants in accordance with the conditions prescribed by the donor; however, no gift, donation or grant can be accepted by the governing body if it is subject to any condition contrary to law or contrary to the contract between the charter school and the school district or that would be inconsistent with its tax status.

First Steps Sublease. The Charter School currently sub-leases and is expected to sublease approximately 45% of the Facility to First Steps pursuant to the Sublease. First Steps is anticipated to make lease payments to the Charter School in the amount of approximately 45% of the annual debt service on the Bonds. First Steps lease extends through 20__, which is the year in which the Bonds mature. The Charter School is dependent on the lease revenues from First Steps to make its Base Rent payment obligations under the Lease. The revenue received from the sublease is recorded by the Charter School as a credit to the rental expense payment made by the Charter School. See "—Historical and Budgeted Financial Information" hereafter.

YMCA Contract. The YMCA runs a before and after school program at the Facility pursuant to an Operating Agreement executed in October 2015. The term of the contract is for the period of August 17, 2015 through May 27, 2016 subject to renewal as set forth therein. YMCA pays the Charter School \$500/month rent for the use of the Facility.

Mill Levy Override. The District will pay to the Charter School its proportionate share of the 2012 Mill Levy Override Funds, and any future mill levy funds approved by voters, for which it is eligible and the Charter School will use such funds in accordance with District School Board approved guidelines and ballot measure language approved by voters. The Charter School has budgeted to receive \$235,248 in override funds in the 2015-16 budget year.

Historical and Budgeted Financial Information

Accounting Principles. The Charter School maintains one governmental fund, the General Fund, to account for all transactions of the Charter School, except those required to be accounted for in another fund. The fund represents and accounts for the Charter School's ordinary operations financed primarily from PPR revenue. The following information should be read together with the Charter School's financial statements appended hereto. Pursuant to the Charter, an annual financial audit is to be conducted to assure that expenditures of public funds by the Charter School were properly made and accounted for.

As set forth in the Charter, the Charter School agrees to establish, maintain and retain appropriate financial records in accordance with all applicable federal, state and local laws, rules, policies and regulations, and to make such records available to the District, as requested, from time to time. The financial statements of the Charter School are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to non-profit organizations. The following table sets forth the Charter School's history of revenues and expenditures for the General Fund.

Historical Statement of Revenues, Expenditures and Changes in Fund Balance

	2012-13	2013-14	2014-15
Revenues			
Local Sources			
Per Pupil Revenue	\$ 642,581	\$1,302,067	\$1,612,173
Mill Levy Override	230,634	265,151	222,916
Tuition and Fees	36,181	137,511	42,656
Grants and Contributions	70,842	46,817	70,095
State and Federal Sources			
Grants and Donations	<u>173,577</u>	<u>240,291</u>	<u>280,426</u>
Total Revenues	<u>1,153,815</u>	<u>1,991,837</u>	<u>2,228,266</u>
Expenditures			
Instruction	595,838	1,172,536	1,172,536
Supporting Services ¹	<u>458,659</u>	<u>831,134</u>	<u>1,057,548</u>
Total Expenditures	<u>1,054,497</u>	<u>2,003,670</u>	<u>2,230,084</u>
Net Change in Fund Balance	99,318	(11,833)	(1,818)
Beginning Fund Balance	<u>--</u>	<u>99,318</u>	<u>87,485</u>
Ending Fund Balance	<u>\$ 99,318</u>	<u>\$ 87,485</u>	<u>\$ 85,667</u>

¹ Includes the sublease payments received from First Steps and the payment on the Base Rentals made by the Charter School under a sub-category of "—Property".

Source: District financial statements for years ended June 30, 2013-2015

Budgetary Process. The Charter School's Fiscal Year coincides with the District's fiscal year. On or before May 1 each year the Charter is in effect, the Charter School must submit to the District for

its approval the Charter School's proposed balanced budget for the upcoming fiscal year. The District will review and contact the Charter School if there are any areas of serious concern within two weeks of submission. On or before June 1st of each year, the Charter School will submit to the District the adopted budget for the upcoming fiscal year that has been reviewed and approved by the Charter School Board. The final budget is to be prepared in accordance with applicable State law. As set forth in the Charter, the Charter School will not expend any moneys in excess of the amount appropriated by resolution for a particular fund, may not appropriate annually contingency reserves in excess of 15% of annual revenue, and cannot have a deficit in the Charter School's unassigned fund balance.

The amount of funding provided to the Charter School from the District may not be less than 100% of the District's PPR, minus the amount of the Charter School's proportionate share of the central administrative overhead, as provided by law or as agreed to, in writing, by both the District and the Charter School less deduction for purchased services, less other deductions as provided in the Charter. The District provides administrative services to the Charter School as required by law and the Charter School contracts for certain services from the District as set forth in its Charter.

The following table sets forth the Charter School's budget for fiscal years ended June 30, 2015 and June 30, 2016, as well as the actual unaudited figures for the current 2015-16 school year.

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Budget Summary and Comparison ¹

	2014-15 Budget	2015-16 Budget	2015-16 Actual Year to Date (unaudited) ²
Revenues			
Per Pupil Revenue	\$1,612,173	\$1,829,528	\$ 461,888
Mill Levy Override	222,917	235,248	131,604
Tuition and Fees	39,268	35,720	11,876
Local Grants and Donations	61,315	4,100	137
State and Federal Funding Sources	<u>290,833</u>	<u>211,817</u>	<u>10,580</u>
Total Revenues	<u>2,226,506</u>	<u>2,316,413</u>	<u>616,085</u>
Expenses			
Salaries and Benefits	1,370,270	1,585,447	262,328
District Services	166,235	132,265	63,293
Purchased Services (without Building Costs)	133,757	105,340	49,217
Utilities and Building Expenses	119,177	114,190	49,688
Rental – Land/Building ³	168,706	189,290	24,600
Supplies and Materials	3,457	51,500	11,522
Books, Periodicals and Software	90,801	33,000	6,571
Furniture and Equipment	70,705	27,596	--
Insurance Expenses	64,203	38,642	3,416
Contingency	34,802	36,643	--
Other	<u>3,984</u>	<u>2,500</u>	<u>6,963</u>
Total Expenses	<u>2,226,097</u>	<u>2,316,413</u>	<u>477,598</u>
Net Operating Income	409	--	138,487
Beginning Fund Balance	<u>87,485</u>	<u>83,849</u>	<u>83,849</u>
Ending Fund Balance	<u>\$ 87,894</u>	<u>\$ 83,849</u>	<u>\$ 222,336</u>

¹ Figures have been rounded.

² Actual year to date (unaudited) figures through September 30, 2015.

³ Represents sub-lease payments received from First Steps. The "Rental-Land Building" expense line is credited with those deposits and the expense for rent is then reflected on the First Steps income statement for their portion of the rent. Both schools reflect their portion of the rent on the rental land/buildings expense line and the cumulative total of both schools for that line item equals the state intercept payment amount which is held by the District for the payment of Base Rentals.

Source: The Charter School's 2015-16 and 2014-15 Budget documents and the Charter School

Management's Discussion and Analysis

See the Charter School's audited financial statements appended hereto for a management's discussion and analysis.

Financial Reporting

Under State law the Charter School is required, to post certain financial information on-line, in a downloadable format, for free public access, such financial information includes: (i) adopted budgets, (ii) annual audited financial statements, (iii) quarterly financial statements, and (iv) salary schedules. State law provides that the Charter School is required to provide on-line, in downloadable formats, for

free public access, accounts payable check registers and credit, debit, and purchase card statements and investment performance reports or statements.

Retirement and Pension Matters

The Charter School contributes to the School Division Trust Fund (“SDTF”), a cost sharing multiple employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado. SDTF provides retirement and disability, post retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Charter School are members of the SDTF and receive equal benefits commensurate with their levels of pay and years of service. No differentiation is made based on personnel category. The Charter School is currently required by statute to contribute to PERA, from Charter School funds, a statutorily determined percentage of the gross salaries of member employees. In addition, each member employee contributes a statutorily determined percentage of his or her salary. Vesting, accrual of benefits, eligible retirement ages and levels are all determined by PERA. For the fiscal year ended June 30, 2015, the Charter School’s employer contributions for the SDTF were \$35,835.

The Charter School holds no plan assets or actuarial liability with PERA; however, beginning with the 2014-15 audited financial statements, the Charter School is required to record its share of PERA’s unfunded liability. At June 30, 2015, the Charter School reported a liability of \$1,077,312 for its proportionate share of the net pension liability, which was measured as of December 31, 2014 as determined by an actuarial valuation done by PERA as of December 31, 2013. The amount of PERA’s unfunded liability allocable to the Charter School is not immediately due and cannot be paid off under any accelerated schedule to remove the liability from its financial statements. Only the Colorado Legislature has the power to change the contribution rate under the State statutes. For further information see Note 5 to the Charter School’s audited financial statements appended hereto.

Insurance

The Charter School Board acts to protect the Charter School against loss and liability by maintaining certain insurance coverages and the Charter School’s administration believes the present insurance coverage to be adequate. However, there can be no assurance that the Charter School will continue to maintain this level of coverage. See also “LEGAL MATTERS—Sovereign Immunity” “APPENDIX D—THE INDENTURE, THE LOAN AGREEMENT, THE DEED OF TRUST, AND THE LEASE.”

Other Financial Obligations

Other than the monthly lease payments for the Facility following the issuance of the Bonds, the Charter School will have no other outstanding financial obligations.

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APPENDIX C

**AUDITED FINANCIAL STATEMENTS FOR FISCAL
YEAR ENDED JUNE 30, 2015**

MONARCH MONTESSORI OF DENVER CHARTER

BASIC FINANCIAL STATEMENTS

June 30, 2015

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FINANCIAL SECTION

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JOHN CUTLER & ASSOCIATES

Board of Directors
Monarch Montessori of Denver Charter
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Monarch Montessori of Denver Charter (the School), component unit of the Denver Public School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Monarch Montessori of Denver Charter as of and for the year ended June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 22-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

September 11, 2015

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Management's Discussion and Analysis

As management of Monarch Montessori of Denver Charter School (MMDC), we offer readers of Monarch Montessori of Denver Charter School's financial statements our narrative overview and analysis of the financial activities of MMDC for the fiscal year ended June 30, 2015, the third year of operations as a school.

Financial Highlights

The year ended June 30, 2015 is the third year of operations with students for MMDC. The net position of the school decreased to (\$531,998) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Based on the timing of implementing the regulation in 2014, the Beginning Net Position of the Government Type Activities was restated for FY2015. Further information about GASB 68 is provided in Note 5 of the financial statements.

At the close of the fiscal year Monarch Montessori of Denver Charter School's governmental funds reported a combined ending fund balance of \$85,667.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Monarch Montessori of Denver Charter School's basic financial statements. Monarch Montessori of Denver Charter School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Monarch Montessori of Denver Charter School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Monarch Montessori of Denver Charter School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Monarch Montessori of Denver Charter School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of Monarch Montessori of Denver Charter School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Denver Public Schools). The governmental activities of Monarch Montessori of Denver Charter School include instruction and supporting services.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Monarch Montessori of Denver Charter School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Monarch Montessori of Denver Charter School are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Monarch Montessori of Denver Charter School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital reserve fund, because both are considered to be major funds.

Monarch Montessori of Denver Charter School adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-21.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Monarch Montessori of Denver Charter School, liabilities exceeded assets by \$559,866 in FY 2014-2015 due to the school including the Net Pension Liability per GASB No. 68.

Monarch Montessori of Denver Charter School's Net Position Governmental Activities

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
ASSETS		
Cash and investments	\$ 14,379	\$ 33,759
Cash Held by the District	50,067	42,878
Accounts Receivable	117,543	68,306
Prepaid Expenses	1,343	18,037
Total Assets	183,332	162,980
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	459,840	-
LIABILITIES		
Accounts Payable	844	-
Accrued Salaries & Benefits	96,821	75,495
Noncurrent Liabilities - Net Pension Liability	1,077,312	-
Total Liabilities	1,174,977	75,495
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	193	-
NET POSITION		
Restricted for Emergencies	58,400	30,000
Unrestricted	(590,398)	57,485
Total Net Position	\$(531,998)	\$ 87,485

The largest portion of Monarch Montessori of Denver Charter School's assets is in grants receivable @ 64% in 2015.

**Monarch Montessori of Denver Charter School's Change in Net Position
Governmental Activities**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Program Revenue:		
Charges for Services	42,656	137,511
Operating Grants and Cont.	310,957	270,321
Capital Grants and Cont.	39,564	16,787
Total Program Revenue	<u>393,177</u>	<u>424,619</u>
General Revenue:		
Per Pupil Revenue	1,612,173	1,302,067
Mill Levy Revenue	222,916	265,151
Total General Revenue	<u>1,835,089</u>	<u>1,567,218</u>
Total Revenue	<u>2,228,266</u>	<u>1,991,837</u>
Expenses:		
Current:		
Instruction	1,227,436	595,838
Supporting Services	1,071,273	1,407,832
Total Expenses	<u>2,298,709</u>	<u>2,003,670</u>
Increase/(Decrease) in Net Position	(42,575)	(11,833)
Net Position, Beginning, As Restated	<u>(489,423)</u>	<u>99,318</u>
Net Position, Ending	<u>\$(531,998)</u>	<u>\$ 87,485</u>

The largest portion of Monarch Montessori of Denver Charter School's revenues came from mill levy and per pupil revenue – 10% and 72%, respectively in 2015.

Financial Analysis of the Government's Funds

As noted earlier, Monarch Montessori of Denver Charter School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of Monarch Montessori of Denver Charter School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Monarch Montessori of Denver Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$ 85,667.

General Fund Budgetary Highlights

The School approves a final budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had slight variances between its final budgeted and actual activities. On the revenue side, the school recognized \$1,760 in fewer revenues due to slight variance in student fee revenues and state revenue funding. On the expense side, expenses remained \$32,191 mostly due health benefit expenses and participation in plan by employees being less than expected for the year. One budget amendment was made during the 2014-2015 year.

Capital assets & Long-Term Debt

Monarch Montessori of Denver Charter School has no investments in capital assets or long-term debt obligations.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Monarch Montessori of Denver Charter School is student enrollment. Enrollment for the 2014-2015 school year was 223.2 funded students. This information was analyzed as part of the 2015-2016 budget which is projecting a 236.85 funded student count.

Requests for Information

This financial report is designed to provide a general overview of Monarch Montessori of Denver Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the school:

Monarch Montessori of Denver Charter School
4985 Peoria Street,
Denver, CO 80239

BASIC FINANCIAL STATEMENTS

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF NET POSITION

As of June 30, 2015

	Governmental Activities	
	2015	2014
ASSETS		
Cash	\$ 14,379	\$ 33,759
Cash Held by the District	50,067	42,878
Accounts Receivable	117,543	68,306
Prepaid Expenses	1,343	18,037
TOTAL ASSETS	183,332	162,980
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	459,840	-
LIABILITIES		
Accounts Payable	844	-
Accrued Salaries and Benefits	96,821	75,495
Noncurrent Liabilities - Net Pension Liability	1,077,312	-
TOTAL LIABILITIES	1,174,977	75,495
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	193	-
NET POSITION		
Restricted for Emergencies	58,400	30,000
Unrestricted	(590,398)	57,485
TOTAL NET POSITION	\$ (531,998)	\$ 87,485

*

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Change In Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2015	2014
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 1,205,141	\$ 42,656	\$ 264,182	\$ -	\$ (898,303)	\$ (784,299)
Supporting Services	1,065,700	-	46,775	39,564	(979,361)	(794,752)
Total Governmental Activities	<u>\$ 2,270,841*</u>	<u>\$ 42,656</u>	<u>\$ 310,957</u>	<u>\$ 39,564</u>	(1,877,664)	(1,579,051)
GENERAL REVENUES						
Per Pupil Revenue					1,612,173	1,302,067
Mill Levy Override					222,916	265,151
TOTAL GENERAL REVENUES					<u>1,835,089</u>	<u>1,567,218</u>
CHANGE IN NET POSITION					(42,575)	(11,833)
NET POSITION, Beginning, As Restated					<u>(489,423)</u>	<u>99,318</u>
NET POSITION, Ending					<u>\$ (531,998)</u>	<u>\$ 87,485</u>

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	GENERAL FUND	
	2015	2014
ASSETS		
Cash	\$ 14,379	\$ 33,759
Cash Held by District	50,067	42,878
Accounts Receivable	117,543	68,306
Prepaid Expenses	1,343	18,037
TOTAL ASSETS	<u>\$ 183,332</u>	<u>\$ 162,980</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 844	\$ -
Accrued Salaries and Benefits	96,821	75,495
TOTAL LIABILITIES	<u>97,665</u>	<u>75,495</u>
FUND BALANCES		
Nonspendable	1,343	18,037
Reserved for Emergencies	58,400	30,000
Unassigned	25,924	39,448
TOTAL FUND BALANCES	<u>85,667</u>	<u>87,485</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$1,077,312), deferred outflows related to pensions of \$459,840, and deferred inflows related to pensions of (\$193).	(617,665)	-
Net position of governmental activities	<u>\$ (531,998)</u>	<u>\$ 87,485</u>

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	GENERAL FUND	
	2015	2014
REVENUES		
Local Sources	\$ 1,947,840	\$ 1,751,546
State and Federal Sources	280,426	240,291
TOTAL REVENUES	2,228,266	1,991,837
EXPENDITURES		
Current		
Instruction	1,172,536	1,172,536
Supporting Services	1,057,548	831,134
TOTAL EXPENDITURES	2,230,084	2,003,670
NET CHANGE IN FUND BALANCES	(1,818)	(11,833)
FUND BALANCES, Beginning	87,485	99,318
FUND BALANCES, Ending	\$ 85,667	\$ 87,485

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (1,818)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>(40,757)</u>
Change in net position of governmental activities	<u>\$ (42,575)</u>

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

* June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Monarch Montessori of Denver Charter (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the "District") in the State of Colorado. The School began classes in the fall of 2012.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

Based on the application of these criteria, the School does not include additional organizations within its reporting entity. However, the School is a component unit of the Denver Public School District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund—This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

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MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The School has no capital assets as of June 30, 2015.

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represent assets that do not have any third party limitation on their use. While School management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2015.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial coverage for these risks of loss. Settled claims have not exceeded this insurance in the last three years.

NOTE 2: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2015, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the School had deposits with financial institutions with a carrying amount of \$14,379. The bank balances with the financial institutions were \$29,023, which was covered by federal depository insurance.

Pooled Cash with the District

Cash deposits are pooled with the District's cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2015 the School's balance in equity in pooled cash of the District totaled \$50,067.

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The School has no policy for managing credit risk or interest rate risk.

The School had no investments as of June 30, 2015.

Restricted Cash and Investments

Cash in the amount of \$50,067 is restricted in the General Fund as an emergency reserve related to the TABOR amendment.

NOTE 4: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2015, were \$96,821 in the General Fund.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the DPS Division have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the Denver Public Schools Division Trust Fund (DPS Division)—a single-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the DPS Division.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the School are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate	13.75%	10.15%
Amount of Employer Contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP Offset as specified in C.R.S. § 24-51-412	(16.89%)	(15.97%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	3.50%	4.00%
Total Employer Contribution Rate to the DPS Division	3.14%	1.36%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from School were \$35,835 for the year ended June 30, 2015.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015 the School reported a liability of \$1,077,312 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The School's proportion of the net pension liability was based on School's contributions to the DPS Division for the calendar year 2014 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2014, the School's proportion was 0.17249%, which was an increase of 0.05786% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015 the School recognized pension expense of \$76,592. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	\$ 193
Net difference between projected and actual earnings on pension plan investments	\$ 61,190	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 384,901	N/A
Contributions subsequent to the measurement date	\$ 13,749	N/A
Total	\$ 459,840	\$ 193

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$13,749 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2015	
2016	\$ 111,475
2017	\$ 111,475
2018	\$ 111,476
2019	\$ 111,476

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90 – 10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The DPS Division's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the DPS Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$1,835,263	\$1,077,312	\$441,916

Pension plan fiduciary net position. Detailed information about the DPS Division's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits

Denver Public Schools Health Care Trust Fund

Plan Description – The School contributes to the Denver Public Schools Health Care Trust Fund ("DPS HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The DPS HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the DPS HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the DPS HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the DPS HCTF is established under Title 24, Article 51, Section 208(1)(f.5) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013 the School's contributions to the DPS HCTF were \$11,628, \$9,042 and \$4,676, respectively, equal to the required contributions for each year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The School contributed 9.84%, 10.8% and 11.36%, of covered payroll for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, to the District to cover its obligation relating to the PCOPs.

During the fiscal years ended June 30, 2015, 2014 and 2013 the School made contributions totaling \$111,560, \$95,688 and \$52,082, respectively, to the District towards its PCOPs obligation.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: **COMMITMENTS AND CONTINGENCIES**

Operating Lease Agreement

The School entered into a lease agreement with the Northeast Academy Building Corporation on August 1, 2013 for use of a building. This agreement is cancellable upon the School not appropriating revenues sufficient to pay all base rentals. The School is required to inform the Building Corporation as of June 1 each fiscal year if they are renewing the lease. The lease matures on May 1, 2037.

Total rent expense for the year ended June 30, 2015 for this agreement was \$168,706.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2015, the reserve of \$58,400 was recorded as a restriction of fund balance in the General Fund. The District also holds \$50,067 in pooled cash on behalf of the School for this reserve.

MONARCH MONTESSORI OF DENVER CHARTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: RESTATEMENT OF NET POSITION

The Beginning Net Position of the Government Type Activities was decreased by \$576,908 to (\$489,423) as the School implemented Governmental Accounting Standards Board Statement (GASB) No. 68.

NOTE 8: DEFICIT NET POSITION

The Net Position of the government type activities is in a deficit position of \$531,998 due to the School including the Net Pension Liability per GASB No. 68.

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REQUIRED SUPPLEMENTARY INFORMATION

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MONARCH MONTESSORI OF DENVER CHARTER

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

	2015			VARIANCE	2014
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 1,679,134	\$ 1,612,173	\$ 1,612,173	\$ -	\$ 1,302,067
Mill Levy Override	317,651	222,917	222,916	(1)	265,151
Tuition and Fees	166,360	39,268	42,656	3,388	137,511
Grants and Donations	73,997	61,315	70,095	8,780	46,817
State and Federal Sources					
Grants and Donations	226,945	290,833	280,426	(10,407)	240,291
TOTAL REVENUES	2,464,087	2,226,506	2,228,266	1,760	1,991,837
EXPENDITURES					
Salaries	1,104,109	1,095,026	1,107,119	(12,093)	923,837
Employee Benefits	287,837	319,557	263,151	56,406	231,638
Purchased Services	743,209	625,519	627,310	(1,791)	636,637
Supplies and Materials	131,125	124,423	161,507	(37,084)	145,275
Property	196,051	97,250	70,997	26,253	65,001
Other	500	500	-	500	1,282
TOTAL EXPENDITURES	2,462,831	2,262,275	2,230,084	32,191	2,003,670
CHANGE IN FUND BALANCES	1,256	4,231	(1,818)	(6,049)	(11,833)
FUND BALANCE, Beginning	87,485	87,485	87,485	-	99,318
FUND BALANCE, Ending	\$ 88,741	\$ 91,716	\$ 85,667	\$ (6,049)	\$ 87,485

See the accompanying independent auditors' report.

MONARCH MONTESSORI OF DENVER CHARTER
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>
School's proportionate share of the Net Pension Liability	0.179%	0.274%
School's proportionate share of the Net Pension Liability	\$ 596,186	\$ 1,077,312
School's covered-employee payroll	\$ 625,164	\$ 1,015,802
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	95.4%	106.1%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	83.9%

See the accompanying independent auditors' report.

MONARCH MONTESSORI OF DENVER CHARTER

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>
Statutorily required contributions	\$ 42,226	\$ 36,761
Contributions in relation to the Statutorily required contributions	<u>42,226</u>	<u>36,761</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 886,475	\$ 1,130,854
Contributions as a percentage of covered-employee payroll	4.76%	3.25%

*

See the accompanying independent auditors' report.

APPENDIX D

THE INDENTURE, THE LOAN AGREEMENT, THE DEED OF TRUST, AND THE LEASE

INDENTURE OF TRUST

By and Between

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY,
as Issuer

and

UMB BANK, N.A.,
as Trustee

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
(Monarch Montessori of Denver Charter School Project)
a Charter School Chartered through Denver County School District No. 1

\$8,620,000
Charter School Refunding and
Improvement Revenue Bonds
Series 2015A

\$195,000
Charter School Refunding and
Improvement Revenue Bonds
Taxable Series 2015B

Dated as of December 1, 2015

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of December 1, 2015 (this “Indenture”), is by and between the **COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY**, an independent public body politic and corporate constituting a public instrumentality (the “Authority”), and **UMB BANK, N.A.**, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”), being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America.

WITNESSETH:

WHEREAS, certain of the capitalized terms used in the preambles hereto are defined in Article I of this Indenture; and

WHEREAS, the Authority previously issued its Charter School Revenue Bonds (Northeast Academy Charter School Project) Series 2007A (the “Series 2007 Bonds”) in the original aggregate principal amount of \$5,155,000, which are currently outstanding in the principal amount of \$4,715,000, for the purpose of assisting the Corporation in financing and refinancing, among other things, the cost of acquiring, constructing and equipping educational facilities currently used by the Charter School (the “Facility”); and

WHEREAS, Monarch Building Corporation (the “Corporation”), a duly organized and validly existing Colorado nonprofit corporation, has requested the Authority issue its bonds and loan the proceeds therefrom to the Corporation in order to finance the costs of (a) advance refunding the Series 2007 Bonds; (b) constructing improvements to the Facility; (c) funding a bond reserve fund; and (d) paying the costs of issuance of the Bonds (collectively, the “Project”); and

WHEREAS, the Facility is expected to be leased to Monarch Montessori of Denver Charter School (the “Charter School”), a Colorado nonprofit corporation and a public charter school chartered through Denver County School District No. 1, established pursuant to Sections 22-30.5-101, et seq., C.R.S. (the “Charter Schools Act”), pursuant to the terms and provisions of a Lease Agreement, dated as of December 1, 2015 (the “Lease”), by and between the Corporation and the Charter School; and

WHEREAS, the Colorado Educational and Cultural Facilities Authority Act, constituting Article 15, Title 23, of C.R.S., authorizes the Authority to finance the Project; and

WHEREAS, in order to finance the cost of the Project, the Authority shall issue its Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Series 2015A in the original aggregate principal amount of \$8,620,000; and its Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Taxable Series 2015B in the original aggregate principal amount of \$195,000, pursuant to and secured by this Indenture; and

WHEREAS, the Bonds and the authentication certificates are to be substantially in the following form, with such necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture:

(FORM OF BONDS)

THIS BOND MAY ONLY BE TRANSFERRED TO EITHER A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “1933 ACT”), OR AN “ACCREDITED INVESTOR” AS DEFINED IN RULE 501 OF REGULATION D UNDER THE 1933 ACT.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
CHARTER SCHOOL REFUNDING AND IMPROVEMENT REVENUE BOND
(MONARCH MONTESSORI OF DENVER CHARTER SCHOOL PROJECT)
[TAXABLE] SERIES 2015[A][B]**

No. R-1 \$[PAR1][PAR2]

Maturity Date	Dated	Interest Rate	CUSIP
May 15, 20__	December __, 2015	___% per annum	19645R __

REGISTERED OWNER: CEDE & CO.

TAX IDENTIFICATION NUMBER: _____

PRINCIPAL AMOUNT: ** _____ **

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY, an independent public body politic and corporate constituting a public instrumentality (the “Authority”), for value received, hereby promises to pay, from the sources hereinafter described, the principal amount stated above in lawful money of the United States of America to the Registered Owner named above, or registered assigns, on the maturity date stated above (unless this bond shall have been called for prior redemption, in which case on such redemption date), upon the presentation and surrender hereof at the operations office of UMB Bank, n.a., as trustee, presently located in Kansas City, Missouri, or at such other location as it shall designate, or at the principal office of its successor in trust (the “Trustee”) under the Indenture of Trust, dated as of

December 1, 2015 (the “Indenture”), by and between the Authority and the Trustee, and to pay, from like sources, to the person who is the Registered Owner hereof on the thirtieth day of the month immediately preceding the month in which an interest payment date occurs (the “Regular Record Date”) by check or draft mailed on such payment date to such Registered Owner (except that registered owners of at least \$500,000 in aggregate principal amount of the Bonds (as defined below) outstanding may, by written request received by the Trustee at least ten (10) Business Days (as defined in the Indenture) prior to the Regular Record Date, receive payment of interest by wire transfer at the address specified in such request, which address must be in the United States of America) at his or her address as it last appears on the registration books kept for that purpose at the offices of the Trustee, interest on said sum in lawful money from the date hereof at the interest rate set forth above, payable semiannually on May 15 and November 15 of each year, commencing[May 15, 2016, until payment of the principal hereof has been made or provided for. Any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner hereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner hereof at the close of business on a Special Record Date for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owners of the Bonds not less than 10 days prior thereto.

This bond is one of a duly authorized series of the Authority’s “Colorado Educational and Cultural Facilities Authority Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) [Taxable] Series 2015[A][B]” (the “Series [A][B] Bonds”) in the original aggregate principal amount of \$[PAR1][PAR2]. The Bonds are being issued on a parity with the Colorado Educational and Cultural Facilities Authority Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) [Taxable] Series 2015[A][B] (the “Series [A][B] Bonds”) in the original aggregate principal amount of \$[PAR1][PAR2]. The Bonds are issued under and equally and ratably secured by the Indenture. The Bonds have been issued under the Colorado Educational and Cultural Facilities Authority Act, constituting Article 15, Title 23, of C.R.S. and the Supplemental Public Securities Act, constituting Part 2, Article 57, Title 11 of C.R.S. (collectively, the “Act”), to finance for Monarch Building Corporation, a Colorado nonprofit corporation (the “Corporation”), the cost of: (a) refunding the Authority’s Charter School Revenue Bonds (Northeast Academy Charter School Project) Series 2007A, originally issued in the aggregate principal amount of \$5,155,000, the proceeds from which were used to finance and refinance, among other things, the cost of acquiring, constructing and equipping educational facilities currently used by the Charter School (the “Facility”); (b) constructing improvements to the Facility; (c) funding a bond reserve fund; and (d) paying the costs of issuance of the Bonds (collectively, the “Project”).

This bond is a limited obligation of the Authority payable solely from and secured by (a) a pledge of certain rights of the Authority under and pursuant to the (i) Loan and Security Agreement, dated as of December 1, 2015 (the “Agreement”), by and between the Authority and the Corporation, the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2015, from the Corporation to the public trustee of the City and County of Denver, State of Colorado for the benefit of the Trustee (the “Deed of Trust”); and (ii) the Lease (as hereinafter defined); and (b) a pledge of the Funds and Revenues as defined in the

Indenture (other than the Rebate Fund) and (to the extent provided in the Indenture) all trust accounts created under the Indenture and the Agreement. The Loan Payments required by the Corporation under the Agreement are general obligations of the Corporation. The Facility is expected to be leased by the Corporation to Monarch Montessori of Denver Charter School (the “Charter School”), a Colorado nonprofit corporation and a public charter school duly organized and validly existing under the Charter Schools Act, Article 30.5 of Title 22 of the C.R.S. (the “Charter Schools Act”), pursuant to the terms and provisions of a Lease Agreement, dated as of December 1, 2015 (the “Lease”), by and between the Corporation and the Charter School. The Gross Revenues (as defined in the Agreement) are expected to consist of the payments received by the Corporation from the Lease.

The financing of the Project has been authorized by a resolution duly adopted by the Authority pursuant to the laws of the State of Colorado (the “State”). This bond shall not constitute or become an indebtedness, a debt or a liability of or a charge against the general credit or taxing power of the State, the General Assembly of the State, or any county, city, city and county, town, school district or other subdivision of the State or of any other political subdivision or body corporate and politic within the State other than the Authority (but only to the extent of the Revenues pledged in the Indenture) and none of the State, the General Assembly of the State, or any county, city, city and county, town, school district or other subdivision of the State except the Authority to the extent provided above shall be liable hereon; nor shall this bond constitute the giving, pledging or loaning of the faith and credit of the State, the General Assembly of the State, or any county, city, city and county, town, school district or other subdivision of the State or of any other political subdivision or body corporate and politic within the State but shall be payable solely from the funds pledged therefor. The issuance of this bond shall not, directly or indirectly or contingently, obligate the State or any subdivision of the State nor empower the Authority to levy or collect any form of taxes or assessments therefor or to create any indebtedness payable out of taxes or assessments or make any appropriation for the payment of this bond, and such appropriation or levy is prohibited. Nothing in the Act shall be construed to authorize the Authority to create a debt of the State within the meaning of the Constitution or statutes of the State or authorize the Authority to levy or collect taxes or assessments. The State shall not in any event be liable for the payment of the principal of, premium, if any, or interest on this bond or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by the Authority. No breach of any such pledge, mortgage, obligation or agreement shall impose any pecuniary liability upon the State or any charge upon its general credit or against its taxing power.

The State has pledged to and agreed with the registered owners of bonds, notes and other obligations issued under the Act, and with those parties who may enter into contracts with the Authority pursuant to the provisions of the Act, that the State will not limit, alter, restrict or impair the rights vested in the Authority to acquire, construct, reconstruct, maintain and operate any facility as defined in the Act or to establish, revise, charge and collect rates, rents, fees and other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of maintenance and operation thereof and to fulfill the terms of any agreements made with the registered owners of bonds, notes or other obligations authorized and issued by the Act and with the parties who may enter into contracts with the Authority pursuant to the Act and will not in any way impair the rights or remedies of the registered owners of such bonds, notes or other obligations of such parties until such bonds, notes and other obligations, together with

interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such registered owners, are fully met and discharged and such contracts are fully performed on the part of the Authority. Nothing in the Act precludes such limitation or alteration if and when adequate provision is made by law for the protection of the registered owners of such bonds, notes or other obligations of the Authority or those entering into such contracts with the Authority.

The Bonds are subject to redemption prior to maturity, at the option of the Corporation in Authorized Denominations (as defined in the Indenture) on May 15, 2017, and on any date thereafter, upon payment of par, plus accrued interest to the redemption date, without redemption premium.

The Bonds are also redeemable at the option and upon the written direction of the Corporation in whole at any time or in part on any interest payment date from and to the extent of funds on deposit under the Indenture and available for this purpose at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date upon the occurrence of any of the following events:

(a) The Facility shall have been damaged or destroyed in whole or in part to such extent that, as expressed in a Consulting Architect's Certificate filed with the Trustee, (i) the Facility cannot reasonably be restored within a period of six consecutive months to the condition thereof immediately preceding such damage or destruction, or (ii) the Corporation or its lessee are thereby prevented from carrying on its normal operations for a period of six consecutive months, or (iii) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.03 of the Agreement.

(b) Title to, or the temporary use of, all or any substantial part of the Facility shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title.

(c) As a result of any changes in the Constitution of the State of Colorado or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Corporation in respect to the Facility, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement. Redemption pursuant to this subsection (c) shall be in whole only.

The Bonds are also redeemable on or before the 60th day following the occurrence of a Determination of Taxability at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date as set forth in the Indenture.

Certain of the Bonds are subject to mandatory sinking fund redemption, on the dates and in the principal amounts set forth in the Indenture, at a redemption price equal to 100% of the principal amount of such Bonds being redeemed and accrued interest to the redemption date.

In the event less than all of the Bonds are to be redeemed, they shall be selected in such manner as the Corporation may determine (less than all of the Bonds of a single maturity to be selected by lot in such manner as the Trustee may determine). Notice of the call for redemption shall be given by the Trustee by transmitting a copy of the redemption notice by first-class mail, not less than 30 days prior to the redemption date, to the registered owner of the Bond to be redeemed in whole or in part at the address last showing on the registration books. Failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided funds for their payment are on deposit at the place of payment at the time. Any notice of redemption by the Trustee may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to the pay the redemption price of the Bonds so called for redemption, and that if funds are not available, such redemption shall be cancelled by written notice to the Registered Owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent interest payment date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Bonds.

This bond is fully transferable by the Registered Owner hereof in person or by his or her duly authorized attorney on the registration books kept by the Trustee, to either a "qualified institutional buyer" as defined in rule 144A promulgated under the Securities Act of 1933, as amended (the "1933 Act"), or an "accredited investor" as defined in rule 501 of regulation D under the 1933 Act, upon surrender of this bond together with a duly executed written instrument of transfer satisfactory to the Trustee; subject, however, to the terms of the Indenture which limit the transfer and exchange of Bonds during certain periods. Upon such transfer a new fully registered bond of Authorized Denomination or Denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor, all subject to the terms, limitations and conditions set forth in the Indenture. The Trustee and the Authority shall require the payment by any Registered Owner of this bond requesting exchange or transfer of the reasonable expenses of the Authority, if any, of a reasonable transfer or exchange fee and of any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Authority and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof, whether or not this bond shall be overdue, for the purpose of receiving payment and for all other purposes, except to the extent otherwise provided herein and in the Indenture with respect to Regular Record Dates and Special Record Dates for the payment of interest, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

To the extent permitted by, and as provided in, the Indenture, modifications or amendments of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Authority and of the registered owners of the Bonds may be made by the

Authority and the Trustee but without the consent of the registered owners of the Bonds in certain cases described in the Indenture, including any change which does not materially adversely affect the interests of the registered owners of the Bonds. Certain other amendments may be made by the Authority and the Trustee with the consent of the registered owners of not less than 66-2/3% in aggregate principal amount of the Bonds then outstanding; provided, however, that no such modification or amendment shall be made which will constitute an extension of the maturity of, or a reduction in the principal amount of, or a reduction of the rate of interest on or extension of the time of payment of interest on, or a reduction of any premium payable upon redemption of, any Bond, which are unconditional unless consented to by all registered owners adversely affected by such change. Any such consent by the Registered Owner of this bond shall be conclusive and binding upon such Registered Owner and upon all future registered owners of this bond and of any bond issued upon the transfer or exchange of this bond whether or not notation of such consent is made upon this bond.

The Registered Owner of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the pledge, assignment or covenants made therein or to take any action with respect to an event of default under the Indenture or to institute, appear in, or defend any suit, action or other proceeding at law or in equity with respect thereto, except as provided in the Indenture. In case an event of default under the Indenture shall occur, the principal of all the Bonds at any such time outstanding may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Indenture. The Indenture provides that such declaration may in certain events be rescinded by the Trustee, with the consent of the registered owners of a requisite principal amount of the Bonds then outstanding.

None of the members of the board of directors of the Corporation, the members of the board of directors of the Authority or any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

The liability of the Authority and obligations of the Authority under the Agreement and the Indenture with respect to all or any portion of the Bonds may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Agreement and the Indenture.

No covenant or agreement contained in the Bonds or in the Indenture shall be deemed to be the covenant or agreement of any appointed official, officer, agent, servant or employee of the Authority in his or her individual capacity or of any officer, agent, servant or employee of the Trustee in his or her individual capacity, and neither the members of the governing body of the Authority nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No covenant or agreement contained in the Agreement shall be deemed to be the covenant or agreement of any appointed official, officer, agent, servant or employee of the Authority or the Corporation in his or her individual capacity, and the members of the governing

bodies of the Authority and the Corporation shall not be liable personally or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution or statutes of the State or by the Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this bond exist, have happened and have been performed.

The Bonds are issued pursuant to the Supplemental Public Securities Act, constituting Part 2, Article 57, Title 11 of the C.R.S. (the "Supplemental Act"). This recital shall conclusively impart full compliance with all of the provisions of the Supplemental Act and shall be conclusive evidence of the validity and regularity of the issuance of the Bonds after their delivery for value and that all of the Bonds issued are incontestable for any cause whatsoever after their delivery for value.

Copies of the Indenture, the Agreement, the Lease and other documents relating to the Bonds are on file at the principal office of the Trustee, and reference is made to those instruments for the provisions relating, among other things, to the limited liability of the Corporation, the terms of and security for the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the registered owners of the Bonds, amendments, and the rights, duties and obligations of the Authority and the Trustee to all of which the Registered Owner hereof, by acceptance of this bond, assents.

This bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose until the Trustee shall have signed the certificate of authentication hereon.

NONE OF THE AUTHORITY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE TIMELY OR ULTIMATE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO REGISTERED OWNERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

IN WITNESS WHEREOF, the COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY has caused this bond to be signed in its name and on its behalf by the manual signature of its Assistant Vice Chair and its corporate seal to be affixed hereon and attested by the manual signature of its Executive Director.

COLORADO EDUCATIONAL AND
CULTURAL FACILITIES AUTHORITY

By _____
Assistant Vice Chair

(SEAL)

Attest:

By _____
Executive Director

(FORM OF CERTIFICATE OF AUTHENTICATION)

This is one of the Bonds described in the within mentioned Indenture of Trust.

Date of Authentication: December ____, 2015

UMB BANK, N.A., as Trustee

By _____
Authorized Signatory

(END OF FORM OF CERTIFICATE OF AUTHENTICATION)

(FORM OF LEGAL OPINION CERTIFICATE)

LEGAL OPINION CERTIFICATE

STATE OF COLORADO)
)
CITY AND COUNTY OF DENVER) ss. LEGAL OPINION CERTIFICATE
)
COLORADO EDUCATIONAL AND)
CULTURAL FACILITIES AUTHORITY)

I, Mark Heller, Executive Director of the Colorado Educational and Cultural Facilities Authority do hereby certify that the attached legal opinion of Kutak Rock LLP, Attorneys at Law, Denver, Colorado, is a true, perfect and complete copy of a manually executed and dated copy thereof on file in the records of the Authority.

By /s/ Mark Heller
Executive Director

(END OF FORM OF LEGAL OPINION CERTIFICATE)

(FORM OF ASSIGNMENT)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned, hereby sells, assigns and transfers unto _____ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ to transfer the within bond on the books kept for registration thereof with full owner of substitution in the premises.

Please insert social security or other identifying number of assignee:

Dated: _____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

NOTICE: Signature must be guaranteed by a member of a Medallion Signature Program. Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or a trust company.

(END OF FORM OF ASSIGNMENT)

(END OF FORM OF BONDS)

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the Authority and to constitute this Indenture a valid, binding and legal instrument for the security of the Bonds in accordance with its terms, have been done and performed.

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the Authority, in consideration of the premises and of the mutual covenants contained and of the purchase and acceptance of the Bonds by the Registered Owners thereof and of the sum of One Dollar to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time Outstanding under this Indenture, according to their tenor and effect, to secure the performance and observance of all the covenants and conditions in the Bonds and herein contained, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, has executed and delivered this Indenture and has granted, bargained, sold, alienated, assigned, pledged, set over and confirmed, and by these presents does grant, bargain, sell, alien, assign, pledge, set over and confirm unto UMB Bank, n.a., as Trustee, for the benefit of the Registered Owners from time to time of the Bonds, and to its successors and assigns forever, all and singular the following described property, franchises and income (said property being herein referred to as the "Trust Estate"):

(a) The rights and interests of the Authority under the Loan and Security Agreement, dated as of December 1, 2015, as amended from time to time (the "Agreement"), by and between the Authority and the Corporation, except all rights of the Authority pursuant to Sections 4.08, 5.02(f), 8.06, 10.04, 12.10 and 12.11 of the Agreement, and its right to receive certain reports and perform certain discretionary acts pursuant to the Agreement.

(b) The rights and interests of the Authority in the Facility, subject to Permitted Encumbrances, except as to all rights of the Authority under Section 4.08, 5.02(f), 8.06, 10.04, 12.10 and 12.11 of the Agreement.

(c) The Gross Revenues (as defined in the Agreement) and all rights and interests of the Authority in the Gross Revenues, subject to Permitted Encumbrances, except as to all rights of the Authority to such Gross Revenues under Sections 4.08, 5.02(f), 8.06, 10.04, 12.10 and 12.11 of the Agreement.

(d) The rights and interests of the Trustee, the Authority, and the Corporation under the Lease (except the rights of the Authority and the Corporation under Sections 10.07, 10.09 and 13.01 of the Lease).

(e) All Funds created in this Indenture (other than the Rebate Fund), except for moneys or obligations deposited with or paid to the Trustee for the payment or redemption of Bonds that are no longer deemed to be Outstanding hereunder, and all trust accounts containing all insurance and condemnation proceeds and all Revenues payable to the Trustee by or for the account of the Authority pursuant to the Agreement and this

Indenture, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture.

(f) Any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security hereunder by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same, subject to the terms hereof.

TOGETHER WITH the rights and interests of the Trustee in the Leases and the rights and interests of the Trustee under and pursuant to the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2015, from the Corporation to the Public Trustee of the City and County of Denver, Colorado encumbering the Corporation's fee interest in the Facility (said property, along with the property described in clauses (a) through (f) above being herein referred to as the "Trust Estate").

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Trustee and its successors in said trust and assigns forever.

IN TRUST, NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security and protection of all Registered Owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any other of the Bonds except as otherwise provided in Article VII hereof or with respect to moneys otherwise held to redeem or pay particular Bonds hereunder.

PROVIDED, HOWEVER, that if the Authority, its successors or assigns shall well and truly pay, or cause to be paid, the principal of the Bonds and the premium, if any, and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Principal Fund and the Bond Interest Fund as hereinafter required or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, or certain securities as herein permitted and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee, the Authority and the United States of America all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall cease, terminate, and be void; otherwise this Indenture to be and remain in full force and effect.

IT IS HEREBY EXPRESSLY ACKNOWLEDGED that the Authority has entered into this Indenture and issued the Bonds to fulfill the public purposes of the Act, and the Trustee hereby accepts such trust and covenants to enforce the provisions of this Indenture, the Agreement and the Deed of Trust so as to effect the public purposes of the Act.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights, interests, and revenues and funds hereby pledged, assigned and mortgaged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant with the Trustee for the benefit of the Registered Owners from time to time of the Bonds as follows:

ARTICLE I

DEFINITIONS; INDENTURE TO CONSTITUTE CONTRACT

Section 1.01. Definitions. All words and phrases defined in Article I of the Agreement shall have the same meaning in this Indenture. In addition, the following terms, except where the context indicates otherwise, shall have the respective meanings set forth below:

“Authorized Denomination” means, with respect to the Series 2015A Bonds, \$500,000 or any multiple of \$5,000 in excess thereof, and with respect to the Series 2015B Bonds, \$5,000 or any multiple of \$5,000 in excess thereof.

“Beneficial Owner” means any person for which a Participant acquires an interest in the Bonds.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated December 16, 2015, by and among the Authority, the Corporation, the Charter School and D.A. Davidson & Co., as the underwriter for the Bonds.

“Business Day” means any day other than a Saturday or Sunday or a day on which banking institutions in the State are authorized to close.

“Cede” means Cede & Co., the nominee of DTC, and any successor nominee of DTC.

“Colorado Charter School Intercept Program” means that certain intercept program described in § 22-30.5-406, C.R.S., or any successor statute thereto.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds bonds as securities depository.

“Fitch” means Fitch Ratings.

“Government Obligations” means (a) State and Local Government Series issued by the United States Treasury (“SLGS”); (b) United States Treasury bills, notes and bonds, as traded on the open market; and (c) Zero Coupon United States Treasury Bonds.

“Investment Obligations” means any investment permitted under Section 23-15-122, C.R.S., whether or not any such investment or reinvestment is authorized under any other law of the State, including but not limited to the following: money market funds, bonds or other obligations of the United States; bonds or other obligations, the payment of the principal and interest of which is unconditionally guaranteed by the United States; obligations issued or guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the congress of the United States; obligations issued or guaranteed by any state of the United States or any political subdivision of any such state; prime commercial paper; prime finance company paper; bankers' acceptances drawn on and accepted by commercial banks; repurchase agreements fully secured by obligations issued or guaranteed as to principal and interest by the United States or by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the congress of the United States; or certificates of deposit or time deposits issued by commercial banks or savings and loan associations that are insured by the federal deposit insurance corporation or its successor.

“Moody’s” means Moody’s Investors Service.

“Nominee” means Cede & Co., as nominee of DTC, the initial securities depository for the Bonds, and any successor nominee of DTC and, if another securities depository replaces DTC as securities depository hereunder, any nominee of such substitute securities depository.

“Outstanding” means when used with respect to the Bonds, as of any particular time, all Bonds which have been duly authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

- (b) Bonds for the payment or redemption of which cash funds (or securities to the extent permitted in Section 7.01 hereof) shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee;

- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.05 or 2.06 hereof; and

- (d) Bonds for which the conditions enumerated in Section 5.06 hereof have been met.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as a securities depository.

“Registered Owner” or *“Owner”* means the registered owner of any Bond.

“Regular Record Date” means the close of business on the thirtieth day of the month immediately preceding the month in which any interest payment date occurs.

“Representation Letter” means the representation letter from the Authority to DTC, dated January 25, 1999.

“Revenues” means all payments received by the Trustee for the account of the Authority pursuant to the Agreement, the Deed of Trust and this Indenture.

“Special Record Date” means a special record date, which shall be a Business Day, fixed to determine the names and addresses of Registered Owners for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in Section 2.03 hereof.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw–Hill Companies, Inc.

“State” means the State of Colorado.

“Trust Estate” means the property pledged, assigned and mortgaged to the Trustee pursuant to the granting clauses hereof.

Section 1.02. Indenture To Constitute Contract. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall own the same from time to time, the provisions of this Indenture shall be part of the contract of the Authority with the Registered Owners of the Bonds, and shall be deemed to be and shall constitute contracts among the Authority, the Trustee and the Registered Owners from time to time of the Bonds. The pledge made in this Indenture and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds except as otherwise provided in Article VII hereof or with respect to moneys otherwise held to redeem or pay particular Bonds hereunder. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or pursuant to this Indenture.

Section 1.03. Pledge and Agreement of the State of Colorado. By the enactment of Section 23-15-124 of the Act, the State has pledged to and agreed with the Registered Owners of any bonds, notes, and other obligations issued under the Act, and with those parties who may enter into contracts with the Authority pursuant to the provisions of the Act, that the State will not limit, alter, restrict or impair the rights vested in the Authority to acquire, construct, reconstruct, maintain and operate any facility as defined in the Act or to establish, revise, charge and collect rates, rents, fees and other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of maintenance and operation thereof and to fulfill the terms of any agreements made with the Registered Owners of bonds, notes or other obligations authorized and issued pursuant to the Act, and with the parties who may enter into contracts with the Authority pursuant to the Act, and will not in any way impair the rights or remedies of the Registered Owners of such bonds, notes or other obligations of such parties until such bonds, notes or other obligations, together with interest thereon, with interest on any unpaid installment

of interest and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged and such contracts are fully performed on the part of the Authority. Nothing in the Act precludes such limitation or alteration if and when adequate provision is made by law for the protection of the owners of such bonds, notes or other obligations of the Authority or those entering into such contracts with the Authority.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS

Section 2.01. Authorized Amount of Bonds. No Bonds may be issued under this Indenture except in accordance with this Article. The total principal amount of Bonds that may be issued hereunder is hereby expressly limited to \$8,815,000, except as provided in Sections 2.05 and 2.06 hereof.

Section 2.02. All Bonds Equally and Ratably Secured by Trust Estate; Limited Obligation of Bonds and Pledges Securing the Same. Except as provided herein, all Bonds issued under this Indenture and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority or distinction on account of the date or dates or the actual time or times of the issue or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture, and shall all be equally and ratably secured hereby.

The Bonds shall be limited obligations of the Authority payable solely out of the security specified in this Indenture. The Bonds shall not constitute or become an indebtedness, a debt or a liability of or a charge against the general credit or taxing power of the State, the General Assembly of the State, or of any county, city, city and county, town, school district or other subdivision of the State, or of any other political subdivision or body corporate and politic within the State other than the Authority (but only to the extent provided in this Indenture) and none of the State, the General Assembly of the State, or any county, city, city and county, town, school district or other subdivision of the State except the Authority to the extent provided above shall be liable thereon; nor shall the Bonds constitute the giving, pledging or loaning of the faith and credit of the State, the General Assembly of the State, or any county, city, city and county, town, school district or other subdivision of the State or of any other political subdivision or body corporate and politic within the State but shall be payable solely from the funds herein provided therefor. The issuance of the Bonds shall not, directly or indirectly or contingently, obligate the State or any subdivision of the State nor empower the Authority to levy or collect any form of taxes or assessments therefor or to create any indebtedness payable out of taxes or assessments or make any appropriation for their payment, and such appropriation or levy is prohibited. Nothing in the Act shall be construed to authorize the Authority to create a debt of the State within the meaning of the Constitution or statutes of the State or authorize the Authority to levy or collect taxes or assessments. Neither the members of the Authority nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. The State shall not in any event be liable for the payment of the principal of, premium, if any, or interest on the Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by the Authority. No breach of any such pledge, mortgage, obligation or agreement shall impose any

pecuniary liability upon the State or any charge upon its general credit or against its taxing power.

Section 2.03. Authorization of Bonds. There is hereby authorized to be issued hereunder and secured hereby an issue of bonds designated as the “Colorado Educational and Cultural Facilities Authority Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Series 2015A” in the aggregate principal amount of \$8,620,000; and the “Colorado Educational and Cultural Facilities Authority Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Taxable Series 2015B” in the aggregate principal amount of \$195,000. The Bonds shall be issuable as fully registered bonds in the Authorized Denominations. The Bonds shall be numbered separately and lettered, if at all, in such manner as the Trustee shall determine.

The Bonds shall be dated as of December 21, 2015. The Bonds shall bear interest on the basis of a 360-day year, consisting of twelve 30-day months, from their date until payment of principal has been made or provided for, payable on each May 15 and November 15 of each year, commencing May 15, 2016, except that Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent interest payment date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Bonds.

The Series 2015A Bonds shall mature on May 15, 2020 and shall bear interest at the per annum interest rate of 5.50%.

The Series 2015B Bonds shall mature on May 15, 2019 and shall bear interest at the per annum interest rate of 7.00%.

The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal operations office of the Trustee in Kansas City, Missouri, or at such other location as it shall designate, or at the principal office of its successor in trust, upon presentation and surrender of the Bonds. Payment of interest on any Bond shall be made to the Registered Owner thereof by check or draft mailed on each interest payment date by the Trustee to the Registered Owner at his or her address as it last appears on the registration records kept by the Trustee at the close of business on the Regular Record Date for such interest payment date (except that the Registered Owners of at least \$500,000 in aggregate principal amount of Bonds Outstanding may, by written request received at least 10 Business Days prior to the Regular Record Date, receive payment of interest by wire transfer at the address specified in such request, which address must be in the United States of America), but any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner thereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered Owners of the Bonds not less than 10 days prior thereto by first-class mail to each such owner as shown on the registration records on the date selected by the Trustee

stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. All such payments shall be made in lawful money of the United States of America.

The Bonds are subject to sinking fund redemption provisions of Section 5.03 hereof. The Bonds are otherwise subject to prior redemption as herein set forth. The Bonds shall be substantially in the form and tenor hereinabove recited with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

Section 2.04. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of the Chair, Vice-Chair or any Assistant Vice-Chair of the Authority and its corporate seal or a facsimile thereof shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Executive Director, the Vice-Chair or any Assistant Vice-Chair of the Authority. Any Bond may be signed (manually or by facsimile), sealed or attested on behalf of the Authority by any person who, at the date of such act, holds one of the aforementioned proper offices, notwithstanding that at the date of authentication, issuance or delivery, such person may have ceased to hold such office.

Section 2.05. Registration, Transfer and Exchange of Bonds; Persons Treated as Registered Owners. The Authority shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee. Upon surrender for transfer of any Bond at the principal office of the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like series and aggregate principal amount of the same maturity. The Bonds may only be transferred to either a “qualified institutional buyer” as defined in rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or an “accredited investor” as defined in rule 501 of regulation D under the 1933 Act.

The Bonds may be exchanged at the principal operations office of the Trustee, or at such other location as it shall designate of the Trustee, for a like series and aggregate principal amount of Bonds of the same maturity in Authorized Denominations. The Authority shall execute and the Trustee shall authenticate and deliver Bonds which the Registered Owner making the exchange is entitled to receive, bearing numbers not contemporaneously Outstanding. The execution by the Authority of any Bond of any Authorized Denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such Bond.

The Trustee shall not be required to transfer or exchange any Bond subject to redemption during the period of five days next preceding the mailing of notice of redemption as herein provided except that Bonds not subject to redemption pursuant to Section 5.03 hereof may be transferred or exchanged during such period in the event of redemption pursuant to Section 5.03 hereof. After the giving of such notice the Trustee shall not be required to transfer or exchange any Bond, which Bond or portion thereof has been called for redemption.

As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, except to the extent otherwise

provided herein with respect to Regular Record Dates and Special Record Dates for the payment of interest, and payment of either principal or interest on any Bond shall be made only to or upon the written order of the Registered Owner thereof or his legal representative but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

The Trustee and the Authority shall require the Registered Owner requesting exchange or transfer to pay the reasonable expenses of the Authority, if any, of a reasonable transfer or exchange fee and of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Section 2.06. Lost, Stolen, Destroyed and Mutilated Bonds. Upon receipt by the Trustee of evidence satisfactory to it of the ownership of and the loss, theft, destruction or transfer of any Bond and, in the case of a lost, stolen or destroyed Bond, of indemnity satisfactory to the Trustee and the Authority, and upon surrender and cancellation of the Bond in accordance with the customary practices of the Trustee, if mutilated, (a) the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same series, date, maturity and Authorized Denomination in lieu of such lost, stolen, destroyed or mutilated Bond; or (b) if such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the Trustee may pay such Bond. Any such new Bond shall bear a number not contemporaneously Outstanding. The applicant for any such new Bond may be required to pay all expenses and charges of the Authority and of the Trustee in connection with the issuance of such Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities.

Section 2.07. Delivery of Bonds. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds and deliver them to the initial purchaser thereof as directed by the Authority and as hereinafter in this Section provided. The Trustee shall be entitled to conclusively rely upon such direction and authorization from the Authority as to the names of the purchasers and the amount of such purchase price.

Prior to the delivery by the Trustee of any of the Bonds, there shall have been filed with or delivered to the Trustee the following:

- (a) A resolution duly adopted by the Authority, certified by the Executive Director thereof, authorizing the execution and delivery of the Agreement, the Tax Regulatory Agreement, and this Indenture and the issuance of the Bonds.
- (b) A duly executed copy of this Indenture, the Tax Regulatory Agreement, the Agreement, the Deed of Trust, the Lease and the Sublease.
- (c) The written order of the Authority as to the delivery of the Bonds, signed by an Authorized Representative of the Authority.

(d) An opinion of nationally recognized municipal bond counsel substantially to the effect that the Bonds constitute legal, valid and binding obligations and the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes.

(e) A commitment for title insurance naming the Trustee as an insured party.

Section 2.08. Authentication Certificate. The authentication certificate upon the Bonds shall be substantially in the form and tenor hereinbefore provided. No Bond shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless the certificate of authentication, substantially in such form, has been duly executed by the Trustee; and such certificate of the Trustee upon any Bond shall be conclusive evidence and the only competent evidence that such Bond has been authenticated and delivered hereunder. The certificate of authentication shall be deemed to have been duly executed if manually signed by an authorized signatory of the Trustee, but it shall not be necessary that the same authorized signatory sign the certificate of authentication on all of the Bonds issued hereunder.

Section 2.09. Cancellation and Destruction of Bonds. Whenever any Outstanding Bonds shall be delivered to the Trustee for the cancellation thereof pursuant to this Indenture, upon payment of the principal amount thereof or for replacement pursuant to Section 2.06 hereof, such Bonds shall be promptly cancelled and destroyed by the Trustee in accordance with the customary practices of the Trustee and applicable retention laws.

Section 2.10. Reserved.

Section 2.11. Additional Bonds. No additional bonds secured by and payable solely from the Trust Estate may be issued on a parity with the Bonds.

Section 2.12. Book-Entry System; Limited Obligation of Authority.

(a) The Bonds shall be initially issued in the form of single, certificated, fully registered Bonds for each maturity. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Trustee in the name of Cede.

(b) With respect to Bonds registered in the name of Cede or held by a depository, neither the Authority nor the Trustee shall have any responsibility or obligation to any Participant or Beneficial Owner including, without limitation, any responsibility or obligation with respect to: (i) the accuracy of the records of the depository or any Participant concerning any ownership interest in the Bonds; (ii) the delivery to any Participant, Beneficial Owner, or person other than the Registered Owner, of any notice concerning the Bonds, including notice of redemption; and (iii) the payment to any Participant, Beneficial Owner, or person other than the Registered Owner, of the principal of, premium if any, and interest on the Bonds. The Authority and the Trustee may treat the Registered Owner of any Bond as the absolute owner of such Bond for the purpose of payment of the principal of, premium if any, and interest on such Bond, for purposes of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium if

any, and interest on or in connection with the Bonds only to or upon the order of the Registered Owners, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the same. No person, other than a Registered Owner, shall receive a certificated Bond evidencing the obligations of the Authority pursuant to this Indenture.

(c) DTC may determine to discontinue providing its service as depository with respect to the Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon the termination of the services of DTC, a substitute depository which is willing and able to undertake the system of book-entry transfers upon reasonable and customary terms may be engaged by the Authority or, if the Authority determines in its sole and absolute discretion that it is in the best interests of the Beneficial Owners or the Authority that the Beneficial Owners should be able to obtain certificated Bonds, the Bonds shall no longer be restricted to being registered in the name of Cede or other nominee of a depository but shall be registered in whatever name or names the Beneficial Owners shall designate at that time, and fully registered Bond certificates shall be delivered to the Beneficial Owners.

(d) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Authority determines that:

(i) DTC is unable to discharge its responsibilities with respect to the Bonds; or

(ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration records kept by the Trustee in the name of Cede or any other nominee of DTC, is not in the best interest of the beneficial owners of the Bonds.

(e) Upon the termination of the services of DTC with respect to the Bonds pursuant to Section 2.12(c) or (d) hereof, after which no substitute securities depository is appointed to undertake the functions of DTC hereunder the Trustee is obligated at the written direction of the Authority to deliver Bond certificates at the expense of the Beneficial Owners of the Bonds and the Bonds shall no longer be restricted to being registered in the registration records kept by the Trustee in the name of Cede as nominee of DTC, but may be registered in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

ARTICLE III

REVENUES AND FUNDS

Section 3.01. Pledge of Trust Estate. Subject only to the rights of the Authority to apply amounts under the provisions of this Article; a pledge of the Trust Estate to the extent

provided herein is hereby made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds. The pledge hereby made shall be valid and binding from and after the time of the delivery by the Trustee of the first Bond authenticated and delivered under this Indenture. The security so pledged and then or thereafter received by the Authority shall immediately be subject to the lien of such pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the Authority with respect to the Trust Estate and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

Section 3.02. Establishment of Funds. The Authority hereby establishes and creates the following funds, which shall be special trust funds held by the Trustee:

- (a) Bond Principal Fund.
- (b) Bond Interest Fund.
- (c) Bond Reserve Fund.
- (d) Project Fund.
- (e) Issuance Expense Fund.
- (f) Rebate Fund.

The Trustee shall apply the proceeds of the Bonds in the manner set forth in Section 4.01 of the Agreement.

Section 3.03. Payments into the Bond Principal Fund and the Bond Interest Fund. There shall be deposited into the Bond Principal Fund or the Bond Interest Fund, as appropriate, and as and when received (a) all payments by the Corporation pursuant to Sections 5.02(a) and 5.06 of the Agreement; (b) all moneys transferred to the Bond Principal Fund or Bond Interest Fund pursuant to Sections 3.07, 3.13, 3.18 or 6.03 hereof; (c) all other moneys deposited into the Bond Principal Fund or Bond Interest Fund pursuant to the Agreement, the Deed of Trust, the Lease or this Indenture (including without limitation State Education Fund Capital Construction Funds); and (d) all other moneys received by the Trustee when accompanied by directions from the Corporation not inconsistent with the Agreement or this Indenture that such moneys are to be paid into the Bond Principal Fund or Bond Interest Fund. There shall also be retained in the Bond Principal Fund and Bond Interest Fund, respectively, interest and other income received on investment of moneys in the Bond Principal Fund and Bond Interest Fund to the extent provided in Section 6.03 hereof.

If the Trustee does not receive payments into the Bond Principal Fund and the Bond Interest Fund pursuant to Section 5.02(a) of the Agreement by the fifth day after any required payment date pursuant to Section 5.02(a) of the Agreement, the Trustee will immediately notify the Authority and the Corporation of such nonpayment; and if such payments are not received within five days thereafter, the Trustee shall notify the Registered Owners of the Bonds.

Section 3.04. Use of Moneys in the Bond Principal Fund and the Bond Interest Fund. Any accrued or capitalized interest deposited into the Bond Interest Fund pursuant to the first sentence of Section 3.03 hereof shall be used to pay interest on the Bonds. Except as provided in this Section and in Sections 3.18, 3.23, 6.03 and 8.05 hereof, moneys in the Bond Principal Fund shall be used, subject to the provisions of this section, solely for the payment of the principal of and premium, if any, on the Bonds, and moneys in the Bond Interest Fund shall be used, subject to the provisions of this section, solely for the payment of the interest on the Bonds. Whenever the total amount in the Bond Principal Fund, the Bond Interest Fund and the Bond Reserve Fund is sufficient to redeem all of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption, and redemption premium, if any, the Trustee, subject to the requirements of the Agreement and written direction from the Corporation, covenants to take and cause to be taken the necessary steps to redeem all of the Bonds on the redemption date for which the required redemption notice has been given.

Subject to Section 6.03 hereof, the Trustee shall calculate on June 30 of each year, or upon the written request of the Corporation, the amount held in the Bond Principal Fund and Bond Interest Fund, and shall transfer to the Charter School as soon as reasonably possible following the Trustee's calculation that any such moneys exist, all or such portion of any moneys deposited with the Trustee by or on behalf of the Charter School pursuant to Section 6.02 of the Lease, which are not necessary to meet the monthly Loan Payments required pursuant to Sections 5.02(a) and 5.06 of the Agreement so long as (a) there has been no Event of Default hereunder; (b) the Lease Term has not expired, ended or been terminated; (c) none of the moneys in the Bond Principal Fund or Bond Interest Fund are necessary or required for payment of all or any portion of the Bonds for a redemption pursuant to Article V hereof; and (d) the Trustee is not in possession of any Net Proceeds, the Trustee shall, within five Business Days following the date of maturity or sinking fund redemption of any of the Bonds, transfer to the Charter School the balance of any moneys on deposit in the Bond Principal Fund and the Bond Interest Fund which is not required to be held pursuant to Section 3.20 hereof.

The Trustee shall, during the Lease Term (as defined in the Lease), take or cause to be taken such actions, in accordance with the terms of the Agreement and this Indenture, as necessary and appropriate, upon the direction of the Charter School, the Charter Authorizer or the State Treasurer, to cause direct payment of Base Rents to be made to the Trustee by the State Treasurer or, if the State Treasurer does not so agree, by the Charter Authorizer, pursuant to and in accordance with the Colorado Charter School Intercept Program.

Section 3.05. Custody of the Bond Principal Fund and the Bond Interest Fund. The Bond Principal Fund and the Bond Interest Fund shall be in the custody of the Trustee, but in the name of the Authority and the Authority authorizes and directs the Trustee to withdraw sufficient funds from the Bond Principal Fund to pay the principal of and premium, if any, on the Bonds as the same become due and payable, to withdraw sufficient funds from the Bond Interest Fund to pay the interest on the Bonds as the same becomes due and payable and to withdraw sufficient excess funds from the Bond Interest Fund or the Bond Principal Fund to make permissible transfers to the Charter School authorized in Section 3.04 hereof.

Section 3.06. Payments into the Bond Reserve Fund. There shall be deposited into the Bond Reserve Fund pursuant to Section 4.01 of the Agreement, proceeds from the sale of the

Bonds an amount equal to the Bond Reserve Requirement. There shall be deposited into the Bond Reserve Fund all moneys required to be paid by the Corporation to the Trustee pursuant to Section 5.02(b) of the Agreement. In addition, there shall also be deposited into the Bond Reserve Fund (a) all moneys transferred to the Bond Reserve Fund from the Bond Principal Fund or the Bond Interest Fund pursuant to Section 6.03 hereof; (b) all other moneys required to be deposited therein pursuant to the Agreement or this Indenture; and (c) all other moneys received by the Trustee when accompanied by directions not inconsistent with the Agreement, the Deed of Trust or this Indenture that such moneys are to be paid into the Bond Reserve Fund. There also shall be retained in the Bond Reserve Fund interest and other income received on investments of Bond Reserve Fund moneys to the extent provided in Section 6.03 hereof.

In the event the Corporation shall deliver a Reserve Fund Insurance Policy in substitution for the cash or Investment Obligations then on deposit in the Bond Reserve Fund pursuant to Section 5.05 of the Agreement (together with the opinion required thereby), the Trustee is hereby authorized to release to the Corporation or its designee cash and Investment Obligations in an amount (including accrued but unpaid interest on such Investment Obligations, if any) equal to the face amount of such Reserve Fund Insurance Policy. In addition, the Trustee is hereby authorized to release any Reserve Fund Insurance Policy from the Trust Estate in the event the Corporation shall deliver to the Trustee for deposit to the Bond Reserve Fund cash and Investment Obligations (exclusive of accrued but unpaid interest thereon) in an amount equal to the amount then available to be drawn under such released Reserve Fund Insurance Policy.

Section 3.07. Use of Moneys in the Bond Reserve Fund. Except as provided in Sections 3.18 and 3.23 hereof, moneys in the Bond Reserve Fund shall be used by the Trustee promptly and solely for the payment of the principal of, premium, if any, and interest on the Bonds in the event moneys in the Bond Principal Fund and Bond Interest Fund are insufficient to make such payments when due, whether on an interest payment date, sinking fund redemption date, maturity date or otherwise in an amount necessary to cure such Event of Default and notwithstanding any other provision of this Indenture. Upon the occurrence of an Event of Default hereunder and the exercise by the Trustee of the remedy specified in Section 10.02(a) of the Agreement or under the Deed of Trust and under Section 8.02(a) hereof, any moneys in the Bond Reserve Fund shall be transferred by the Trustee to the Bond Interest Fund, and with respect to any moneys in excess of the amount required to be transferred to the Bond Interest Fund, to the Bond Principal Fund and applied in accordance with Section 8.05 hereof. On the final maturity date of the Bonds any moneys in the Bond Reserve Fund may be used to pay the principal of and interest on the Bonds on such final maturity date. In the event of the redemption of the Bonds in whole, any moneys in the Bond Reserve Fund shall be transferred to the Bond Principal Fund and applied to the payment of the principal of and premium, if any, on the Bonds. The Trustee shall value the Investment Obligations in the Bond Reserve Fund semiannually on May 15 and November 15 of each year of each year at their market value. If on any valuation date the amount in the Bond Reserve Fund (determined pursuant to this Section) is greater than the Bond Reserve Requirement, such excess shall be transferred by the Trustee to the Bond Interest Fund and applied to the payment of the interest on the Bonds; provided, however, that the amount remaining in the Bond Reserve Fund (determined pursuant to this Section) immediately after such transfer shall not be less than the Bond Reserve Requirement on that date. If on any valuation date the amount in the Bond Reserve Fund (determined pursuant to this

Section) is less than the Bond Reserve Requirement, the Trustee shall notify the Corporation of its obligation pursuant to Section 5.02(b) of the Agreement.

At such times as moneys are to be transferred out of the Bond Reserve Fund for deposit into the Bond Principal Fund or the Bond Interest Fund pursuant to this Section or to the Rebate Fund pursuant to Section 3.18 hereof, the Trustee shall use cash, Investment Obligations or amounts derived from or drawn on a Reserve Fund Insurance Policy in such order of priority as the Corporation shall direct in writing. The Trustee shall apply amounts in the Bond Reserve Fund first to interest due and owing on the Bonds and second to principal on the Bonds. Any Reserve Fund Insurance Policy shall be valued for all purposes of this Indenture at the amount available to be drawn under such policy.

Within five Business Days of any transfer of funds from the Bond Reserve Fund to the Bond Principal Fund or the Bond Interest Fund, the Trustee shall notify the Authority and the Corporation in writing of such transfer and of the amount of the deficiency, if any, of amounts then on deposit in the Bond Reserve Fund as of such date.

Section 3.08. Custody of the Bond Reserve Fund. The Bond Reserve Fund shall be in the custody of the Trustee but in the name of the Authority and the Authority hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Reserve Fund to pay the principal of, premium, if any, and interest on the Bonds and for the purpose described in Section 3.18 hereof, which authorization and direction the Trustee hereby accepts. In the event there shall be a deficiency in the Bond Principal Fund or the Bond Interest Fund on any payment date for the Bonds, the Trustee shall promptly make up such deficiency from the Bond Reserve Fund so that the amount therein is equal to such deficiency.

Section 3.09. Reserved.

Section 3.10. Reserved.

Section 3.11. Payments into and Use of Moneys in the Project Fund. There shall be deposited into the Project Fund from the Bond proceeds, pursuant to Section 4.01 of the Agreement, an amount equal to the Project Fund Initial Deposit.

The Project Fund shall be in the custody of the Trustee but in the name of the Authority, and the Authority authorizes and directs the Trustee to withdraw sufficient funds from the Project Fund for the purposes set forth in Section 4.03 of the Agreement, which authorization and direction the Trustee hereby accepts.

Section 3.12. Payments into and Use of Moneys in the Issuance Expense Fund. There shall be deposited into the Issuance Expense Fund from the Bond proceeds, pursuant to Section 4.01 of the Agreement, an amount which shall not be less than the Issuance Expense Fund Initial Deposit (provided that such amount may be reduced by amounts allocated to issuance expenses but paid directly by the Underwriter). There shall also be retained in the Issuance Expense Fund interest and other income received on investments of Issuance Expense Fund moneys as provided in Section 6.03 hereof. Except as provided in Sections 3.13 and 3.18 hereof, such moneys shall be expended to pay issuance expenses in accordance with the provisions of Section 4.04 of the Agreement; provided however, amounts necessary to pay for

invoiced fees of nationally recognized municipal bond counsel, the Authority and the Trustee may be paid by the Trustee without additional documentation. The Trustee is hereby authorized and directed to issue its checks on or make wire payments from the Issuance Expense Fund for each payment in accordance with Section 4.04 of the Agreement.

The Trustee shall keep and maintain adequate records pertaining to the Issuance Expense Fund and all payments therefrom, which shall be open to inspection by the Corporation or their duly authorized agents during normal business hours of the Trustee. After all expenses incurred in connection with the issuance of the Bonds have been paid and a certificate of payment of all costs filed as provided in Section 3.13 hereof, the Trustee shall file a statement of income in the form of its customary trust statement and disbursements with respect thereto with the Corporation and the Authority.

Section 3.13. Termination of Issuance Expense Fund. Upon the earlier of either (a) receipt by the Trustee of a certificate signed by an Authorized Representative of the Corporation stating that all expenses incurred in connection with the issuance of the Bonds have been paid; or (b) March 31, 2016, any moneys remaining in the Issuance Expense Fund shall be transferred by the Trustee to the Bond Interest Fund.

Section 3.14. Custody of the Issuance Expense Fund. The Issuance Expense Fund shall be in the custody of the Trustee but in the name of the Authority and the Authority authorizes and directs the Trustee to withdraw sufficient funds from the Issuance Expense Fund for the purposes set forth in Section 4.04 of the Agreement and Section 3.12 hereof, which authorization and direction the Trustee hereby accepts.

Section 3.15. Reserved.

Section 3.16. Reserved.

Section 3.17. Reserved.

Section 3.18. Rebate Fund. There shall be deposited into the Rebate Fund investment income on moneys in the Funds to the extent provided in the written direction of the Corporation pursuant to Section 4.07 of the Agreement and subject to the limitations in Section 6.03 hereof, moneys received from the Corporation pursuant to Section 5.02(e) of the Agreement, moneys transferred to the Rebate Fund from the Issuance Expense Fund, the Bond Reserve Fund, the Project Fund, the Bond Principal Fund or the Bond Interest Fund pursuant to the provisions of this Section and all other moneys received by the Trustee when accompanied by written directions from the Corporation not inconsistent with the Agreement or this Indenture that such moneys are to be paid into the Rebate Fund. The Trustee shall cause amounts on deposit in the Rebate Fund to be forwarded to the United States Treasury (at the address provided in the Tax Regulatory Agreement) at the times and in the amounts set forth in the Corporation's written direction pursuant to Section 4.07 of the Agreement.

If, upon receipt of the certification pursuant to Section 4.07 of the Agreement, the moneys on deposit in the Rebate Fund are insufficient for the purposes thereof, notwithstanding Section 6.03 hereof, the Trustee shall transfer moneys to the Rebate Fund from the following Funds in the following order of priority: the Issuance Expense Fund, the Bond Reserve Fund, the

Project Fund, the Bond Principal Fund and the Bond Interest Fund. The Trustee shall provide notice to the Authority if the certificate referred to in Section 4.07 of the Agreement is not received by the Trustee as provided in Section 4.07 of the Agreement. Upon receipt by the Trustee and the Authority of an opinion of a nationally recognized rebate analyst acceptable to the Authority to the effect that the amount in the Rebate Fund is in excess of the amount required to be therein, such excess shall be transferred to the Bond Interest Fund.

Section 3.19. Custody of the Rebate Fund. The Rebate Fund shall be in the custody of the Trustee but in the name of the Authority and the Authority authorizes and directs the Trustee to withdraw funds from the Rebate Fund for the purposes set forth in Section 3.18 hereof, which authorization and direction the Trustee hereby accepts.

Section 3.20. Nonpresentment of Bonds. In the event any Bonds, or portions thereof, shall not be presented for payment when the principal thereof becomes due, either at maturity, the date fixed for redemption thereof, or otherwise, if funds sufficient for the payment thereof, including accrued interest thereon, shall have been deposited into the Bond Principal Fund and Bond Interest Fund or otherwise made available to the Trustee for deposit therein, then on and after the date said principal becomes due, all interest thereon shall cease to accrue and all liability of the Authority to the Registered Owner or Registered Owners thereof for the payment of such Bonds, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds in a separate trust account for the benefit of the Registered Owner or Registered Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her or their part under this Indenture with respect to said Bond, and the Trustee will hold such fund or funds without liability for interest thereon. Such moneys shall not be required to be invested during such period by the Trustee. If any Bond shall not be presented for payment within the period of three years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall return to the Corporation the funds theretofore held by it for payment of such Bond and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Corporation. The obligations of the Trustee under this Section shall be subject, however, to any law applicable to the unclaimed funds or the Trustee providing other requirements for the disposition of unclaimed property.

Section 3.21. Moneys To Be Held in Trust. All moneys required to be deposited with or paid to the Trustee under any provision of this Indenture shall be held by the Trustee in trust for the purposes specified in this Indenture, and, except for moneys deposited with or paid to the Trustee for the payment or redemption of specific Bonds and moneys held by the Trustee in the Rebate Fund and in the separate trust accounts pursuant to Section 3.20, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof. Moneys held in the Rebate Fund shall be held in trust by the Trustee and shall be applied as provided in Section 3.18 hereof.

Section 3.22. Insurance and Condemnation Proceeds. Reference is hereby made to the provisions of the Agreement wherein it is provided that under certain circumstances the Net Proceeds of insurance payments and condemnation awards are to be paid to the Trustee and to be disbursed and paid out as therein provided. The Trustee hereby accepts and agrees to perform such duties and obligations of the Trustee specified in the Agreement, with respect to insurance

payments and condemnation awards. The Trustee shall fully cooperate with the Corporation in the handling and conduct of any prospective or pending insurable event or condemnation proceeding with respect to the Facility or any part thereof.

Section 3.23. Repayment to the Corporation from the Funds. Any amounts remaining in the Funds after payment in full of the Bonds (or making provision for such payment), the fees and expenses of the Trustee, the Annual Fees and all other amounts required to be paid hereunder and under the Agreement to the Authority and all other amounts required to be paid hereunder and under the Agreement (including payments into the Rebate Fund and to the United States of America) shall be paid to the Corporation upon the expiration of the term of the Agreement.

ARTICLE IV

COVENANTS OF THE AUTHORITY

Section 4.01. Performance of Covenants. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond and in all proceedings of the Authority pertaining thereto. The Authority covenants, represents, warrants and agrees that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds and to execute this Indenture, to pledge the Trust Estate in the manner and to the extent herein set forth, that all actions on its part required for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken or will be duly taken as provided herein, and that this Indenture is a valid and enforceable instrument of the Authority and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Authority according to the terms thereof, except as the enforceability thereof may be limited by insolvency, bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or against public corporations such as the Authority and by the application of general principles of equity.

Section 4.02. Instruments of Further Assurance. The Authority covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging and hypothecating unto the Trustee all and singular the Trust Estate to the payment of the principal of, premium, if any, and interest on the Bonds.

Section 4.03. Payment of Principal, Premium, if any, and Interest. The Authority will promptly pay or cause to be paid the principal of, premium, if any, and interest on all Bonds issued hereunder according to the terms hereof. The principal, premium, if any, and interest payments are payable solely from the Trust Estate, which is hereby specifically pledged to the payment thereof in the manner and to the extent herein specified. Nothing in the Bonds or in this Indenture shall be considered or construed as pledging any funds or assets of the Authority other than those pledged hereby or creating any liability of the Authority's directors, employees or other agents.

Section 4.04. Conditions Precedent. Upon the date of issuance of any of the Bonds, the Authority hereby covenants that all conditions, acts and things required by the Constitution or statutes of the State or by the Act or by this Indenture to exist, to have happened, or to have been performed precedent to or in the issuance of the Bonds shall exist, have happened and have been performed.

Section 4.05. Rights Under the Agreement and the Deed of Trust. The Trustee and the Authority will observe all of the obligations, terms and conditions required on its part to be observed or performed under the Agreement and the Deed of Trust. The Authority agrees that whenever the Agreement or the Deed of Trust gives the Trustee some right or privilege, or in any way attempts to confer upon the Trustee the ability for the Trustee to protect the security for payment of the Bonds, that such part of the Agreement or the Deed of Trust, as applicable, shall be as though it were set out in this Indenture in full.

The Authority agrees that the Trustee, as assignee of the Agreement and as Beneficiary under the Deed of Trust, may enforce, in its name or in the name of the Authority, all rights of the Authority and all obligations of the Corporation under and pursuant to the Agreement (subject to certain exceptions stated in the granting clauses hereof) or the Deed of Trust for and on behalf of the Registered Owners, whether or not the Authority is in default hereunder.

Section 4.06. Actions Under the Charter School Facilities Financing Act. The Authority will take all permissible actions necessary pursuant to the provisions of the Charter School Facilities Financing Act, when applicable, in order to make application for the direct payment of the Bonds by the State Treasurer pursuant to the Colorado Charter School Intercept Program.

ARTICLE V

REDEMPTION OF BONDS PRIOR TO MATURITY

Section 5.01. Optional Redemption of Bonds. The Bonds are subject to redemption prior to maturity, at the option of the Corporation in Authorized Denominations on May 15, 2017, and on any date thereafter, upon payment of par, plus accrued interest to the redemption date, without redemption premium.

Section 5.02. Redemption of Bonds Upon Occurrence of Certain Events.

(a) The Bonds are also redeemable at the option and upon the written direction of the Corporation in whole at any time or in part (only Net Proceeds of insurance or a condemnation award shall be used for a partial redemption of Bonds pursuant to paragraphs (i) or (ii) of this Section) on any interest payment date from and to the extent of funds on deposit under this Indenture and available for this purpose at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date upon the occurrence of any of the following events:

(i) The Facility shall have been damaged or destroyed in whole or in part to such extent that, as expressed in a Consulting Architect's Certificate filed with the Trustee (A) the Facility cannot reasonably be restored within a period of

six consecutive months to the condition thereof immediately preceding such damage or destruction, or (B) the Corporation or its lessee are thereby prevented from carrying on its normal operations for a period of six consecutive months, or (C) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.03 of the Agreement.

(ii) Title to, or the temporary use of, all or any substantial part of the Facility shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title.

(iii) As a result of any changes in the Constitution of the State of Colorado or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Agreement or Deed of Trust shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Corporation in respect to the Facility, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement. Redemption pursuant to this paragraph shall be in whole only.

(b) The Bonds are also redeemable on or before the 60th day following the occurrence of a Determination of Taxability at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date. Redemption pursuant to this paragraph shall be in whole only.

Section 5.03. Sinking Fund. The Series 2015A Bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. Pursuant to the provisions of the Agreement, the Corporation is required to provide funds for deposit into the Bond Principal Fund and Bond Interest Fund sufficient to redeem the following principal amount of the Series 2015A Bonds maturing plus accrued interest thereon to the redemption date:

May 15 of the Year	Principal Amount
2019	\$ 55,000
2020 ¹	8,565,000

¹ Maturity Date.

The Series 2015B Bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. Pursuant to the provisions of the Agreement, the Corporation is required to

provide funds for deposit into the Bond Principal Fund and Bond Interest Fund sufficient to redeem the following principal amount of the Series 2015B Bonds maturing plus accrued interest thereon to the redemption date:

May 15 of the Year	Principal Amount
2018	\$ 120,000
2019 ¹	75,000

¹ Maturity Date.

Not more than 45 days nor less than 30 days prior to the sinking fund payment date for the Bonds, the Trustee is required to proceed to select for redemption (by lot in such manner as the Trustee may determine) from all outstanding Bonds, a principal amount of Bonds equal to the aggregate principal amount of Bonds, redeemable with the required sinking fund payment and is required to call such Bonds for redemption from the sinking fund on the next May 15 and give notice of such call.

Section 5.04. Method of Selecting Bonds. In the event that less than all of the Outstanding Bonds shall be redeemed, the Bonds redeemed shall be selected in such manner as the Corporation may determine. In the event that less than all of the Bonds of a single maturity shall be redeemed, the particular bonds shall be selected by Trustee by lot in such manner as the Trustee may determine.

Section 5.05. Notices of Redemption. Bonds shall be called for optional redemption by the Trustee as herein provided upon receipt by the Trustee at least 45 days prior to the redemption date (unless such period is waived by the Trustee) of a certificate of the Corporation specifying the principal amount of the Bonds to be called for redemption, the applicable redemption price or prices, the provision or provisions of this Indenture pursuant to which such Bonds are to be called for redemption, and, in the case of redemption of less than all of the Outstanding Bonds pursuant to Section 5.01 hereof, the method of selection of Bonds chosen by the Corporation; provided that such certificate shall not be required with respect to a sinking fund redemption pursuant to Section 5.03 hereof and Bonds shall be called for redemption by the Trustee pursuant to such Section without the necessity of any action by the Corporation. In the case of every redemption, or in the case of any defeasance, the Trustee shall cause notice of such redemption or defeasance by mailing by first-class mail a copy of the redemption notice or defeasance notice to the Authority and the Registered Owners of the Bonds designated for redemption or defeasance in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not less than 30 days prior to the redemption date or defeasance date, provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption or defeasance of such Bonds. Any notice of redemption by the Trustee may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to the pay the redemption price of the Bonds so called for redemption, and that if funds are not available, such redemption shall be cancelled by written notice to the Registered Owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue and include a statement as to the impact of the redemption on any redemption rights of the Corporation. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof to be redeemed. If less than all of the Outstanding Bonds are redeemed, the Trustee shall calculate the revised sinking fund schedule based on a pro rata share of the Bonds then Outstanding.

Section 5.06. Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue. On or before the thirtieth day prior to the redemption date specified in any notice of redemption of the Corporation delivered pursuant to Section 5.05 hereof (provided that such notice shall not be required with respect to a sinking fund redemption pursuant to Section 5.03 hereof), an amount of money sufficient to redeem all the Bonds called for redemption at the appropriate redemption price, including accrued interest to the date fixed for redemption, shall be deposited with the Trustee by the Corporation; unless a conditional notice of redemption has been provided by the Trustee as provided for in Section 5.05 above. On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date and redemption premium, if any, shall become due and payable; and from and after such date, notice having been given and deposit having been made in accordance with the provisions of this Article (except the last sentence of the first paragraph of Section 5.05 hereof), then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given and such deposit having been made) the Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the Authority shall be under no further liability in respect thereof, except as provided in Section 3.20 hereof.

Section 5.07. Cancellation. All Bonds which have been redeemed and all Bonds delivered to the Trustee by the Corporation for cancellation shall be cancelled by the Trustee and destroyed as provided in Section 2.09 hereof.

Section 5.08. Partial Redemption of Bonds. Upon surrender of any Bond for redemption in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Registered Owner thereof, the cost of which shall be paid by the Corporation, a new Bond or Bonds of the same maturity and of Authorized Denominations, in an aggregate principal amount equal to that portion of the Bond not redeemed. The Trustee, at the cost of the Corporation, shall subscribe for new CUSIP numbers, if necessary, in connection with such partial redemption of Bonds.

Section 5.09. No Partial Redemption in Event of Default. Notwithstanding any provisions of this Article, the Bonds shall not be subject to partial redemption pursuant to Section 5.01 hereof if an Event of Default has occurred hereunder and has not been cured or otherwise waived by the Trustee for the purpose of making any such redemption payment.

ARTICLE VI

INVESTMENTS

Section 6.01. Investment of Bond Principal Fund, Bond Interest Fund, Bond Reserve Fund, Project Fund, Issuance Expense Fund and Rebate Fund. Pursuant to written instructions signed by an Authorized Representative of the Corporation and delivered to the Trustee, any moneys held as part of the Funds shall be invested by the Trustee in Investment Obligations (a) with respect to the Issuance Expense Fund and Project Fund maturing in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable as estimated by an Authorized Representative of the Corporation filed with the Trustee; (b) with respect to the Bond Principal Fund, the Bond Interest Fund and the Rebate Fund maturing in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable as determined by the Trustee; and (c) with respect to the Bond Reserve Fund maturing at such times as determined in writing by an Authorized Representative of the Corporation. All such Investment Obligations purchased shall mature or be redeemable on a date or dates prior to the time when the moneys so invested will be required for expenditure. In the event the Trustee does not receive written investment instructions from the Corporation, the Trustee is directed to invest moneys held as part of the Funds in money market funds permitted pursuant to this Indenture. The Trustee may conclusively rely upon the Authorized Representative of the Corporation's written instructions as to both the suitability and the legality of the directed investments.

Unless otherwise confirmed or directed in writing, an account statement delivered periodically by the Trustee to the Authorized Representative of the Corporation shall confirm that the investment transactions identified therein accurately reflect the investment directions of the Corporation, unless the Corporation notifies the Trustee in writing to the contrary within 30 days of the date of such statement. Absent investment direction from the Authorized Representative of the Corporation, the Trustee is specifically authorized to purchase or invest in, shares of any investment company that (i) is registered under the Investment Company Act of 1940, as amended (including both corporations and Massachusetts business trusts, and including companies for which the Trustee may provide advisory, administrative, custodial, or other services for compensation); (ii) invests substantially all of its assets in short-term high-quality money-market instruments, limited to obligations issued or guaranteed by the United States; and (iii) maintains a constant asset value per share; provided that at the time of such investment therein, such investments are Investment Obligations; and, provided further that, the Trustee may implement its automated cash investments system to assure that cash on hand is invested and to charge reasonable cash management fees, which may be deducted from income earned on investments.

The Trustee shall value the Investment Obligations held within the Funds on each May 15 and November 15 of each year, commencing May 15, 2016. In computing for any purpose hereunder the amount in any Fund on any date, Investment Obligations purchased shall be valued at the lesser of their market value or cost (with the exception of the Bond Reserve Fund, which shall be valued at its market value). The Trustee shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in a Fund is insufficient for the purposes of such Fund. The Trustee shall not be responsible for any depreciation in the value of any

Investment Obligation or for any loss resulting from the sale of any Investment Obligation. The Trustee may make any and all investments permitted by the provisions of this Section through its trust or investment departments or its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees.

The Trustee hereby agrees to retain the documentation with respect to investments of moneys in the Funds as required by and as described in the Tax Regulatory Agreement.

Section 6.02. Tax Status of the Interest on the Bonds. The Authority hereby acknowledges that in order to insure that the tax status of the interest on the Bonds is not adversely affected, it has secured from the Corporation the covenant set forth in Section 4.08 of the Agreement.

Section 6.03. Allocation and Transfers of Investment Income. Any investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Fund from which the investment was made. Any loss resulting from such investments shall be charged to such Fund. Any interest or other gain from any Fund from any investment or reinvestment pursuant to Section 6.01 hereof realized shall be retained therein or shall be allocated and transferred as follows:

(a) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Bond Principal Fund and the Bond Interest Fund shall be retained in the respective Fund unless a deficiency exists at the time such interest is received or other gain is realized in the Bond Reserve Fund, in which case such interest or other gain shall be paid into the Bond Reserve Fund forthwith.

(b) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Bond Reserve Fund shall be credited to the Bond Reserve Fund if the amount therein is less than the Bond Reserve Requirement. If the amount in the Bond Reserve Fund is equal to or greater than the Bond Reserve Requirement immediately subsequent to any valuation required pursuant to Section 3.07 hereof, such amount in excess of the Bond Reserve Fund Requirement shall be paid into the Bond Interest Fund.

(c) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Project Fund shall be retained in the Project Fund unless a deficiency exists at the time such interest is received or other gain is realized in the Bond Reserve Fund, in which case such interest or other gain shall be paid in the Bond Reserve Fund forthwith.

(d) Any interest or other gain realized as a result of any investments or reinvestments of moneys in the Issuance Expense Fund shall be retained in the Issuance Expense Fund.

Notwithstanding the provisions of this Section, any interest or other gain from any Fund shall be transferred to the Rebate Fund to the extent required by the written direction of the Corporation pursuant to Section 4.07 of the Agreement, except that no such transfer shall be made from any Fund if such transfer would cause the amount then on deposit in such Fund to be

less than required by the provisions of this Indenture. Except as otherwise provided in the Tax Regulatory Agreement, any interest or other gain realized as a result of any investments or reinvestments of moneys in the Rebate Fund shall be retained in the Rebate Fund.

ARTICLE VII

DISCHARGE OF INDENTURE

Section 7.01. Discharge of this Indenture. If and when the Bonds secured hereby shall be paid in accordance with their terms (or payment of the Bonds has been provided for in the manner set forth in the following paragraph), together with all other sums payable hereunder, all amounts payable to the Authority and the Trustee under the Agreement and/or under the Deed of Trust, as the case may be, and all amounts payable to the United States of America pursuant to the Code, then this Indenture and the Trust Estate and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. Also if all Outstanding Bonds secured hereby shall have been purchased by the Corporation and delivered to the Trustee for cancellation, and all other sums payable hereunder, all amounts payable to the Authority under the Agreement, and all amounts payable to the United States pursuant to Section 148 of the Code have been paid, or provision shall have been made for the payment of the same, then this Indenture and the Trust Estate and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such events, upon the written request of the Corporation, the Trustee shall assign and transfer to the Corporation all property then held by the Trustee hereunder and shall execute such documents as may be reasonably required by the Corporation and shall turn over to the Corporation any surplus in any Fund pursuant to Section 3.23 hereof, except to the extent otherwise required by Section 4.08 of the Agreement and Section 3.20 hereof.

Payment of any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been provided for within the meaning and with the effect expressed in this Section if: (a) in case said Bond is to be redeemed on any date prior to its maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give on a date in accordance with the provisions of Section 5.05 hereof notice of redemption of such Bond on said redemption date, such notice to be given in accordance with the provisions of Section 5.05 hereof; (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said Bond on and prior to the redemption date or maturity date thereof, as the case may be; (c) there shall have been delivered to the Trustee and the Authority a certificate from a firm of certified public accountants certifying as to the sufficiency of the deposit made pursuant to the preceding clause (b); (d) there shall have been delivered an opinion of nationally recognized bond counsel satisfactory to the Authority that such payment does not adversely affect the exclusion from gross income of interest on the tax-exempt Bonds and the defeasance is in accordance with the requirements of this Indenture; and (e) in the event said Bond is not by its terms subject to redemption within the next 45 days, the Corporation shall have given the Trustee

in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to Section 5.05 hereof, a notice to the Authority and the Registered Owner of such Bond that the deposit required by clause (b) above has been made with the Trustee and that payment of said Bond has been provided for in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bond and stating whether any redemption provisions relating to the Bonds will remain in effect. Neither such securities nor moneys deposited with the Trustee pursuant to this Section or principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bond; provided any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities of the type described in clause (b) of this paragraph maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, and interest to become due on said Bond on or prior to such redemption date or maturity date thereof, as the case may be. At such time as payment of a Bond has been provided for as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of any payment from such moneys or securities deposited with the Trustee.

The release of the obligations of the Authority and Corporation under this Section shall be without prejudice to the right of the Trustee or the Authority to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements incurred on or about the administration of the trust hereby created and the performance of its powers and duties hereunder.

Section 7.02. Liability of Authority Not Discharged. Upon compliance with the provisions of Section 7.01 hereof with respect to all Bonds then Outstanding, this Indenture may be discharged in accordance with the provisions of this Article but the liability of the Authority in respect of such Bonds shall continue provided that the Registered Owners thereof shall thereafter be entitled to payment only out of the moneys or securities deposited with the Trustee as provided in Section 7.01 hereof.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following is hereby defined as and shall be deemed an “Event of Default”:

- (a) default in the payment by the Authority of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, on a sinking fund payment date or upon proceedings for redemption;
- (b) default in the payment by the Authority of any installment of interest on any Bond when the same shall become due and payable;

(c) default shall be made in the observance or performance of any covenant, agreement, contract or other provision in the Bonds or this Indenture contained (other than as referred to in subsection (a) or (b) of this Section) and such default shall continue for a period of 30 days after written notice to the Authority, the Corporation and the Trustee from the Registered Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding or to the Authority and the Corporation from the Trustee, subject to Section 9.01(h) hereof, specifying such default and requiring the same to be remedied, provided, with respect to any such failure covered by this subsection (c), no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby;

(d) the occurrence of an “event of default” under Section 10.01 of the Agreement; or

(e) material, inaccuracy, misrepresentation or failure to comply regarding the statements and certifications made pursuant to the Project Fund Requisition Certificate, the form of which is attached to the Agreement.

Section 8.02. Remedies on Events of Default. Upon the occurrence of an Event of Default, the Trustee shall have the following rights and remedies:

(a) ***Acceleration.*** The Trustee (i) may by notice in writing given to the Authority and the Corporation; or (ii) shall, upon the written request of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable. Upon any declaration of acceleration hereunder, the Authority and the Trustee shall immediately declare all Loan Payments under the Agreement to be immediately due and payable as provided in Section 10.02 of the Agreement.

(b) ***Receivership.*** Upon the filing of foreclosure under the Deed of Trust (whether or not concurrent with foreclosure and not dependent upon the filing of any such foreclosure to enforce the rights of the Trustee and of the Registered Owners), the Trustee shall be entitled as a matter of right (on an ex parte basis and without notice) to the appointment of a receiver or receivers of the Trust Estate, and of the rents, revenues, income, products and profits thereof, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to the Trustee.

(c) ***Foreclosure.*** Foreclosure under the Deed of Trust on or against all or any portion of the Facility or any interest of the Trustee therein with the power of sale as and to the extent permitted of a mortgagee or beneficiary by the laws of the State and exercise all of the rights and remedies of a secured party under the Uniform Commercial Code of

the State with respect thereto, and to realize upon the security interest in the Gross Revenues and exercise all of the rights and remedies of a secured party under the Uniform Commercial Code of the State with respect thereto.

(d) ***Suit for Judgment on the Bonds.*** The Trustee shall be entitled to sue for and recover judgment, either before or after or during the pendency of any proceedings for the enforcement of the lien of this Indenture, for the enforcement of any of its rights, or the rights of the Registered Owners, but any such judgment against the Authority shall be enforceable only against the Trust Estate. No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of this Indenture or any rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the Registered Owners of the Bonds, but such lien, rights, powers and remedies of the Trustee, and of the Registered Owners shall continue unimpaired as before. The obligations of the Corporation under the Agreement are general obligations of the Corporation.

In the event written notice is given by the Registered Owners or the Trustee under Section 8.01(c) hereof, the Trustee shall immediately give written notice with respect to such default to the Corporation under Section 10.01(d) of the Agreement.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute.

If any Event of Default shall have occurred and if requested by the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and indemnified as provided in Section 9.01 hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Registered Owners.

Section 8.03. Direction of Remedies. Anything in this Indenture to the contrary notwithstanding, the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver, or any other proceedings or remedies hereunder provided that such direction shall not be otherwise than in accordance with the provisions hereof. The Trustee shall not be required to act on any direction given to it pursuant to this Section unless indemnified as provided in Section 9.01 hereof.

Section 8.04. Rights and Remedies of Registered Owners. No Registered Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in Section 9.01(h) hereof, or of which by Section 9.01(h) hereof it is deemed to have notice, nor unless such default shall have become an Event of Default and the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then

Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless they have also offered to the Trustee indemnity as provided in Section 9.01 hereof nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request, and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Registered Owners of the Bonds shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the Registered Owners of the Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Registered Owner of Bonds to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of, premium, if any or interest on any Bond at and after the maturity thereof, or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Registered Owners of the Bonds at the time and place, from the source and in the manner herein and in the Bonds expressed. For purposes of this Section, so long as the Bonds are held by DTC pursuant to the provisions of Section 2.12 hereof, the Trustee shall be permitted to accept direction from the beneficial owners of the Bonds, rather than the Registered Owner, upon receipt of appropriate certification of such beneficial ownership by the Trustee.

Section 8.05. Application of Moneys. Notwithstanding anything herein to the contrary, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article and any other moneys held as part of the Trust Estate shall, after payment of the actual and reasonable costs and expenses of the proceedings resulting in the collection of such moneys and the fees and expenses, liabilities and advances incurred or made by the Trustee, including any unpaid fees or attorneys' fees, be held or deposited into the Bond Principal Fund and the Bond Interest Fund during the continuance of an Event of Default and shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST, to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

SECOND, to the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are

held pursuant to the provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon all of the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, in its reasonable discretion, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Registered Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds, the premium, if any, and interest thereon have been paid under the provisions of this Section and all expenses and fees of the Trustee and the Annual Fee and all other amounts to be paid to the Authority hereunder or under the Agreement have been paid, any balance remaining in the Funds shall be applied as provided in Section 3.23 hereof.

Section 8.06. Trustee May Enforce Rights Without Bonds. All rights of action and claims under this Indenture or any of the Bonds Outstanding may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds.

Section 8.07. Trustee To File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or

other judicial proceedings affecting the Trust Estate or the Corporation, the Authority or the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and the Authority, and of the Registered Owners allowed in such proceedings for the entire amount due and payable by the Authority under this Indenture, or by the Corporation, as the case may be, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Registered Owner to file a claim in his or her own behalf.

Section 8.08. Delay or Omission No Waiver. No delay or omission of the Trustee or of any Registered Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 8.09. No Waiver of One Default To Affect Another. No waiver of any default hereunder, whether by the Trustee or the Registered Owners, shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon.

Section 8.10. Discontinuance of Proceedings on Default; Position of Parties Restored. In case the Trustee or the Registered Owners shall have proceeded to enforce any rights under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or the Registered Owners, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former position and rights hereunder with respect to the Trust Estate, and all rights, remedies, and powers of the Authority, the Trustee and the Registered Owners shall continue as if no such proceedings had been taken.

Section 8.11. Waivers of Events of Default. The Trustee may waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which a default exists; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds at the date of maturity or redemption thereof or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of the principal and premium, if any, and all reasonable fees and expenses of the Trustee, and all amounts to be paid to the Authority hereunder and under the Agreement, in connection with such default shall have been paid or provided for; or (b) any default in the payment of amounts set forth in Section 5.02(e) of the Agreement. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

ARTICLE IX

CONCERNING THE TRUSTEE

Section 9.01. Duties of the Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In the case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs in exercising any rights or remedies or performing any of its duties hereunder.

(b) The Trustee may execute any of the trusts hereof or powers hereunder and perform any of its duties by or through attorneys or receivers but shall not be answerable for the conduct of the same appointed or chosen in accordance with the standards specified above and in subsection (g) of this Section, as the case may be, and shall be entitled to act upon the advice or an Opinion of Counsel concerning all matters of the trust hereof and its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the advice or an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such legal advice or Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for insuring the Facility or collecting any insurance moneys or for the validity of the execution by the Authority of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the recording or rerecording, filing or refiling of this Indenture or any security agreement in connection therewith (excluding the continuation of Uniform Commercial Code financing statements as provided in subsection (q) below) or for the value of or title to the Facility, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Authority, or on the part of the Corporation, except as hereinafter expressly set forth; but the Trustee may require of the Corporation full information and advice as to the performance of the covenants, conditions, and agreements contained herein, and as to the condition of the Facility, in the Agreement or under the Deed of Trust. The Trustee shall not be responsible or liable for

any loss suffered in connection with any investment of funds made by it in accordance with Section 6.01 hereof.

(d) The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof (except for funds or investments held by the Trustee), or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee, in its individual or any other capacity, may become the Registered Owner or Beneficial Owner of the Bonds with the same rights which it would have if not Trustee. The Trustee shall not be accountable for the use or application by the Authority or the Corporation of the proceeds of any of the Bonds or of any money paid to or upon the order of the Authority or Corporation under any provision of this Indenture, the Lease or the Agreement.

(e) The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee may rely conclusively on any such certificate or other paper or document and shall not be required to make any independent investigation in connection therewith. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bonds shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Authority by an Authorized Representative of the Authority or on behalf of the Corporation by an Authorized Representative of the Corporation or such other person as may be designated for such purpose by the Authority or the Corporation as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct and shall not be answerable for any negligent act of its attorneys or receivers which have been selected by the Trustee with due care.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Corporation to cause to be made any of the payments to the Trustee required to be made hereunder unless the Trustee has actual notice thereof or the Trustee shall be specifically notified in writing of such default by the Authority or the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the principal office of the Trustee, or at such other location as it shall designate, and, in the absence of such notice so delivered, the Trustee may conclusively assume that there is no default except as aforesaid.

(i) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Indenture or law. The Trustee shall not be under any liability for interest on any moneys received hereunder.

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, but shall not be required, to inspect any and all of the Trust Estate, including all books, papers and records of the Authority and Corporation pertaining to the Facility, the Project and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(k) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Authority or the Corporation to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee.

(m) Before taking any action under this Indenture other than making payment of moneys on deposit in any of the funds as provided for herein, the Trustee may require that indemnity satisfactory to it be furnished to it for the reimbursement of all costs and expenses (including reasonable attorneys' fees and expenses) which it may incur and to protect it against all liability, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

(n) The Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder unless it has received assurances satisfactory to it that it will be repaid.

(o) The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum, remarketing circular or other disclosure material prepared or distributed with respect to the Bonds.

(p) The Trustee makes no representations as to the validity or sufficiency of this Indenture (except as to the Trustee), the Agreement, the Deed of Trust, the Lease or the Bonds, assumes no responsibility for the correctness of the same, and shall incur no responsibility in respect to such validity or sufficiency.

(q) The Trustee shall be responsible for filing any UCC continuation statements necessary to preserve the security interest securing payment of the Bonds.

(r) The Trustee shall provide any information received pursuant to Section 10.09 of the Lease or Section 8.05 of the Agreement as provided in the Continuing Disclosure Agreement.

(s) The Trustee may inform the Registered Owners of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and, in such event no fiduciary duty exists which imposes any obligation for the Trustee to foreclose upon, manage, maintain or operate the Facility, if the Trustee in its individual capacity, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not been adequately indemnified.

(t) Notwithstanding any other provision of this Indenture to the contrary, any provision relating to the conduct of, intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee, shall be interpreted to include any action of the Trustee, whether it be deemed to be in its capacity as Trustee, registrar, or paying agent.

Section 9.02. Fees and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for its reasonable fees for its ordinary services rendered hereunder as and when the same become due (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and all advances, agent fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, including legal fees and expenses, as and when the same become due. In the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided, that if such extraordinary services or extraordinary expenses are occasioned by the negligence or willful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefore.

Section 9.03. Notices to Registered Owners. If an Event of Default occurs of which the Trustee is by Section 9.01(h) is deemed to have notice or is required to take notice, or if notice of an Event of Default is given as provided in said Section, then the Trustee shall, within 30 days, give written notice thereof to the Registered Owners of all Bonds then Outstanding, unless such Event of Default has been cured or waived.

Section 9.04. Resignation or Replacement of Trustee. The present or any future Trustee may resign by giving to the Authority, the Corporation and the Registered Owners 30 days' notice of such resignation. Such resignation shall take effect immediately on the appointment of a successor. The present or any future Trustee may be removed at any time by an instrument in writing by the Authority or by the Registered Owners of a majority in aggregate principal amount of the Bonds and such removal shall take effect immediately on the appointment of a successor. The Trustee may also be removed at any time for any breach of the trust set forth herein. If no successor is appointed within 30 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning or removed Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Registered Owners of a majority in aggregate principal amount of the Bonds Outstanding by an instrument or concurrent instruments signed by such Registered Owners, or their attorneys-in-fact duly appointed; provided that the Authority (with the consent of the Corporation so long as the Corporation is not in default under the Agreement) may appoint a successor until a new successor shall be appointed by the Registered Owners as herein authorized. The Authority upon making such appointment shall forthwith give notice thereof to the Registered Owners and the Corporation, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the Authority shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Every successor shall always be a bank or trust company in good standing, be qualified to act hereunder, be subject to examination by a federal or state authority and have capital and surplus of not less than Seventy-Five Million Dollars. Any successor appointed hereunder shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder, and thereupon such successor shall, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein and thereupon the duties and obligations of the predecessor shall cease and terminate; but the Trustee retiring shall, nevertheless, on the written demand of its successor, and upon the payment of the fees and expenses owed to the predecessor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the predecessor, who shall duly assign, transfer and deliver to the successor all properties and moneys held by it under this Indenture. Should any instrument in writing from the Authority be reasonably required by any successor for such vesting and confirming, the Authority shall execute, acknowledge and deliver the said deeds, conveyances and instruments on the request of such successor.

The notices provided for in this Section to be given to the Registered Owners shall be given by the Trustee by mailing to the Registered Owners of the Bonds at their addresses as the same shall last appear upon the registration records. The notices provided for in this Section to be given to the Authority, the Corporation and the retiring Trustee shall be given in accordance with Section 11.07 hereof.

The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been filed and/or recorded.

Section 9.05. Conversion, Consolidation or Merger of Trustee. Any bank or trust company into which the Trustee or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole shall be the successor of the Trustee under this Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any of the Bonds to be issued hereunder shall have been authenticated, but not delivered, any successor Trustee may adopt the certificate of any predecessor Trustee, and deliver the same as authenticated; and, in case any of such Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of such successor Trustee.

Section 9.06. Direct Payment by State Treasurer or Charter Authorizer to Trustee. The Trustee shall, during the Lease Term (as defined in the Lease), take or cause to be taken such actions, in accordance with the terms of the Agreement and this Indenture, as appropriate to cause direct payment of Base Rents to be made to the Trustee by the State Treasurer or, if the State Treasurer does not so agree, by the Charter Authorizer, pursuant to and in accordance with the Colorado Charter School Intercept Program.

ARTICLE X

SUPPLEMENTAL INDENTURES AND AMENDMENTS OF THE AGREEMENT, DEED OF TRUST AND THE LEASE

Section 10.01. Supplemental Indentures Not Requiring Consent of Registered Owners. The Authority and the Trustee may, without the consent of, or notice to, the Registered Owners, enter into such indentures supplemental hereto (which supplemental indentures shall thereafter form a part hereof) for any one or more or all of the following purposes:

- (a) to add to the covenants and agreements in this Indenture contained other covenants and agreements thereafter to be observed for the protection or benefit of the Registered Owners;
- (b) to cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this Indenture, or to make any provisions with respect to matters arising under this Indenture or for any other purpose if such provisions are necessary or desirable and do not materially adversely affect the interests of the Registered Owners of the Bonds;
- (c) to subject to the lien of this Indenture additional revenues, properties or collateral; or

(d) to modify, alter, amend or supplement this Indenture in such a manner as shall permit the qualification hereof under the Trust Indenture Act of 1939, as from time to time amended.

Section 10.02. Supplemental Indentures Requiring Consent of Registered Owners.

Exclusive of supplemental indentures covered by Section 10.01 hereof, the Registered Owners of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee, at the written direction of the Corporation, of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying altering amending adding to, or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that without the consent of the Registered Owners of all the Bonds at the time Outstanding and adversely affected thereby nothing herein contained (exclusive of supplemental indentures covered by Section 10.01 hereof) shall permit, or be construed as permitting:

(a) an extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Bond;

(b) the deprivation of the Registered Owner of any Bond then Outstanding of the lien created by this Indenture (other than as permitted hereby when such Bond was initially issued);

(c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds; or

(d) a reduction in the aggregate principal amount of the Bonds, if any, required for consent to such supplemental indenture or amendment to the Agreement.

If at any time the Authority shall request the Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being reasonably indemnified by the Corporation with respect to expenses, mail by first-class mail notice of the proposed execution of such supplemental indenture to the Registered Owners of the Bonds at their addresses as the same shall last appear upon the registration records. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Registered Owners. If, within 60 days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Registered Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 10.03. Execution of Supplemental Indentures. The Trustee is authorized to join with the Authority in the execution of any such supplemental indenture and to make further

agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such supplemental indenture which materially adversely affects its rights, duties, or immunities under this Indenture. The Trustee shall require delivery of an opinion of nationally recognized municipal bond counsel addressed to the Trustee and the Authority to the effect that each such supplemental indenture (a) has been validly authorized and duly executed by the Authority and is enforceable against the Authority in accordance with its terms, (b) will not adversely affect the qualification of the Bonds as obligations which may be issued pursuant to the Act, (c) will not adversely affect the exclusion from gross income of interest on the tax-exempt Bonds for federal income tax purposes, and (d) is permitted pursuant to the terms of this Indenture. Any supplemental indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such supplemental indenture as to any provision authorized to be contained therein shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any supplemental indenture, express reference may be made thereto in the text of the Bonds issued thereafter, if any.

Section 10.04. Consent of Corporation. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article shall not become effective unless and until the Corporation shall have consented to the execution and delivery of such supplemental indenture, unless an Event of Default has occurred and is continuing under the Agreement.

Section 10.05. Consent of Charter School. Anything herein to the contrary notwithstanding, so long as the Lease is in effect and no Event of Default (as defined in the Lease) has occurred and is continuing thereunder, a supplemental indenture under this Article shall not become effective unless and until the Charter School shall have consented to the execution and delivery of such supplemental indenture unless an Event of Nonappropriation or an Event of Default shall have occurred under the Lease.

Section 10.06. Amendments, Etc., of the Agreement or Deed of Trust Not Requiring Consent of Registered Owners. The Authority and the Trustee may, without the consent of or notice to the Registered Owners, consent to any amendment, change or modification of the Agreement or the Deed of Trust as such amendment may be required (a) by the provisions of the Agreement or this Indenture, (b) to conform such documents or otherwise for the purpose of curing any ambiguity or formal defect or omission, or (c) in connection with any other change therein which does not materially adversely affect the interests of the Trustee or the Registered Owners of the Bonds.

Section 10.07. Amendments, Etc., of the Agreement or Deed of Trust Requiring Consent of Registered Owners. Except for the amendments, changes or modifications referred to in Section 10.06 hereof, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Agreement or Deed of Trust without giving notice to and receiving the written approval or consent of the Registered Owners of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding, subject to the same limitations set forth in Section 10.02 hereof. Such notice and consent shall be given and procured as provided in Section 10.02 hereof. If at any time the Authority and the Corporation shall request the consent of the Trustee to any such proposed amendment, change or

modification of the Agreement or the Deed of Trust, the Trustee shall, upon being reasonably indemnified by the Corporation with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Registered Owners. If, within 60 days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution of the agreement reflecting such amendment, change or modification thereof as herein provided, no Registered Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 10.08. Execution of Amended Agreement or Deed of Trust. The Trustee shall, prior to its consent to any supplemental amendment or change to the Agreement or Deed of Trust, require delivery of an opinion of (a) nationally recognized municipal bond counsel addressed to the Trustee and the Authority to the effect that such supplemental amendment or change to the Agreement or Deed of Trust (i) will not adversely affect the qualification of the Bonds as obligations which may be issued pursuant to the Act, (ii) will not adversely affect the exclusion from gross income of interest on the tax-exempt Bonds for federal income tax purposes, and (iii) is permitted pursuant to the terms of this Indenture; and (b) counsel to the Corporation to the effect that such supplemental amendment or change to the Agreement or Deed of Trust has been validly authorized and duly executed by the Corporation, and is enforceable against the Corporation in accordance with its terms and counsel to the Authority to the effect that such supplemental amendment or change to the Agreement has been validly authorized and duly executed by the Authority. After execution thereof, any supplemental amendment, modification or change to the Agreement or Deed of Trust executed in accordance with the provisions of this Article shall thereafter form a part of the Agreement or Deed of Trust (as applicable) and all the terms and conditions contained in any such amendment, modification or change to the Agreement or Deed of Trust (as applicable) as to any provision authorized to be contained therein shall be deemed to be part of the Agreement or Deed of Trust (as applicable) for any and all purposes.

Section 10.09. Amendments, Etc., of the Lease Not Requiring Consent of Registered Owners. The Authority and the Trustee may, without the consent of or notice to the Registered Owners, consent to any amendment, change or modification of the Lease as may be required (a) by the provisions of the Lease or this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) in connection with any other change therein which does not materially adversely affect the interests of the Trustee or the Registered Owners of the Bonds.

Section 10.10. Amendments, Etc., of the Lease Requiring Consent of Registered Owners. Except for the amendments, changes or modifications referred to in Section 10.09 hereof, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Lease without giving notice to and receiving the written approval or consent of the Registered Owners of not less than 66-2/3% in aggregate principal amount of the Bonds at

the time Outstanding, subject to the same limitations set forth in Section 10.02 hereof. Such notice and consent shall be given and procured as provided in Section 10.02 hereof. If at any time the Corporation shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease, the Trustee shall, upon being reasonably indemnified by the Corporation with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Registered Owners. If, within sixty days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution of the agreement reflecting such amendment, change or modification thereof as herein provided, no Registered Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 10.11. Execution of Amended Lease. The Trustee shall, prior to its consent to any supplemental amendment or change to the Lease, require delivery of an opinion of (a) nationally recognized municipal bond counsel addressed to the Trustee and the Authority to the effect that such supplemental amendment or change to the Lease (i) will not adversely affect the qualification of the Bonds as obligations which may be issued pursuant to the Act, (ii) will not adversely affect the exclusion from gross income of interest on the tax-exempt Bonds for federal income tax purposes, and (iii) is permitted pursuant to the terms of this Indenture; and (b) counsel to the Corporation and/or Charter School to the effect that such supplemental amendment or change to the Lease has been validly authorized and duly executed by the Charter School and the Corporation, as applicable, and is enforceable against the Charter School and the Corporation in accordance with its terms, as applicable. After execution thereof, any supplemental amendment, modification or change to the Lease executed in accordance with the provisions of this Article shall thereafter form a part of the Lease and all the terms and conditions contained in any such amendment, modification or change to the Lease as to any provision authorized to be contained therein shall be deemed to be part of the Lease for any and all purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Evidence of Signature of Registered Owners and Ownership of Bonds. Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Registered Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Registered Owners in person or by their attorneys appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or the Registered Ownership of Bonds shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may,

nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Registered Owner or his or her attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public.

(b) The Registered Ownership of any Bond and the amount and numbers of such Bonds and the date of owning the same shall be proved by the registration records of the Authority kept by the Trustee.

Any request or consent of the Registered Owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Authority or the Trustee in accordance therewith.

Section 11.02. Parties Interested Herein. With the exception of rights herein expressly conferred on the Corporation, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon or to give to, any person other than the Authority, the Trustee and the Registered Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee and the Registered Owners of the Bonds.

Section 11.03. Titles, Headings, Etc. The titles and headings of the articles, sections, and subsections of this Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 11.04. Severability. In the event any provision of this Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.05. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State, regardless of the location of the principal or any other office of the Trustee.

Section 11.06. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.07. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when (a) mailed by certified or registered mail, postage prepaid; (b) deposited with any nationally recognized overnight delivery service that routinely issues receipts; or (c) personally delivered by any courier service that routinely issues receipts: if to the Authority, at 1981 Blake Street, Denver, Colorado 80202, Attention: Executive Director, Colorado Educational and Cultural Facilities Authority; if to the

Corporation, to Monarch Building Corporation, 4895 Peoria Street, Denver, Colorado 80239, Attention: President; if to the Charter School, to Monarch Montessori of Denver Charter School, 4895 Peoria Street, Denver, Colorado 80239, Attention: Executive Director; and if to the Trustee, at UMB Bank, n.a., 1670 Broadway, Denver, Colorado 80202, Attention: Corporate Trust & Escrow Services. A duplicate copy of each notice, certificate, or other communication given hereunder by the Authority or the Trustee, shall also be given to the Corporation. The Authority, the Corporation and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.08. Payments Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day unless otherwise provided herein with the same force and effect as if done on the nominal date provided in this Indenture.

Section 11.09. No Personal Liability of Officials of the Authority or the Trustee. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any appointed director, officer, agent, servant or employee of the Authority in his or her individual capacity or any officer, agent, servant or employee of the Trustee in his or her individual capacity, and neither the members of the governing body of the Authority nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 11.10. No Pecuniary Liability of the Authority. No provision, covenant or agreement contained in this Indenture or any obligations herein imposed upon the Authority, or the breach thereof, shall constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit. In making the agreements, provisions and covenants set forth in this Indenture, the Authority has not obligated itself except with respect to the application of the Trust Estate for payment of the Bonds under this Indenture.

Section 11.11. Bonds Owned by the Authority or the Corporation. In determining whether Registered Owners of Bonds in the requisite aggregate principal amount have concurred in any direction, consent or waiver under this Indenture, Bonds which are owned by the Authority or the Corporation or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Corporation (unless the Authority, the Corporation or such person owns all the Bonds which are then Outstanding) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only the Bonds which the Trustee knows are so owned shall be so disregarded. The Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Authority or the Corporation or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Corporation. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel as to matters of law shall be full protection to the Trustee.

Section 11.12. Retention of Records. The Trustee will retain all of its records relating to the Bonds and this Indenture (including but not limited to any investments, rebate calculations and payments) for a period of four years after the later of (a) payment in full of the Bonds or (b) payment in full of any bonds issued to refund the Bonds.

Section 11.13. Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Indenture to be executed in their respective corporate names and attested by their duly authorized officers, all as of the date first above written.

COLORADO EDUCATIONAL AND
CULTURAL FACILITIES AUTHORITY

By _____
Assistant Vice Chair

[SEAL]

Attest:

By _____
Executive Director

UMB BANK, n.a., as Trustee

By _____
Authorized Officer

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2015, by _____, as Assistant Vice Chair of the Colorado Educational and Cultural Facilities Authority, an independent public body politic and corporate constituting a public instrumentality and by Mark Heller, as Executive Director of the Colorado Educational and Cultural Facilities Authority, an independent public body politic and corporate constituting a public instrumentality.

Witness my hand and official seal.

Notary Public for the State of Colorado

(SEAL)

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2015, by _____, as _____ of UMB Bank, n.a.

Witness my hand and official seal.

Notary Public for the State of Colorado

(SEAL)

After Recording Please Return to:

Kutak Rock LLP
1801 California Street, Suite 3000
Denver, Colorado 80202
Attention: Hester M. Parrot, Esq.

LOAN AND SECURITY AGREEMENT

by and between

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

and

MONARCH BUILDING CORPORATION

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
(Monarch Montessori of Denver Charter School Project)
a Charter School Chartered through Denver County School District No. 1

\$8,620,000
Charter School Refunding
and Improvement Revenue Bonds
Series 2015A

\$195,000
Charter School Refunding
and Improvement Revenue Bonds
Taxable Series 2015B

Dated as of December 1, 2015

This Loan and Security Agreement also is a security agreement with respect to certain accounts and is secured by a deed of trust lien on real estate. Certain rights of the Colorado Educational and Cultural Facilities Authority hereunder have been assigned to UMB Bank, Denver, Colorado, as trustee (the "Trustee") under an Indenture of Trust, dated as of December 1, 2015, by and between the Colorado Educational and Cultural Facilities Authority and the Trustee.

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LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT, dated as of December 1, 2015 (this “Agreement”), is by and between the **COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY**, an independent public body politic and corporate constituting a public instrumentality (the “Authority”), and **MONARCH BUILDING CORPORATION**, a Colorado nonprofit corporation (the “Corporation”).

WITNESSETH:

WHEREAS, certain of the capitalized terms used in the preambles hereto are defined in Article I of this Agreement; and

WHEREAS, the Authority is authorized by the Colorado Educational and Cultural Facilities Authority Act, constituting Article 15, Title 23 of the C.R.S., to make secured or unsecured loans to persons, educational institutions and cultural institutions operating in the State of Colorado, for the purpose of financing or refinancing the costs of the acquisition, construction, reconstruction, repair, alteration, equipment, enlargement, improvement and extension of facilities required or useful for the operation of an educational institution or a cultural institution and the refunding or refinancing of any outstanding obligations incurred to finance such facilities; and

WHEREAS, the Authority previously issued its Charter School Revenue Bonds (Northeast Academy Charter School Project) Series 2007A (the “Series 2007 Bonds”) in the original aggregate principal amount of \$5,155,000, which are currently outstanding in the principal amount of \$4,715,000, for the purpose of assisting the Corporation in financing and refinancing, among other things, the cost of acquiring, constructing and equipping educational facilities currently used by the Charter School (the “Facility”); and

WHEREAS, the Corporation has requested the Authority issue its bonds and loan the proceeds therefrom to the Corporation in order to finance the costs of (a) advance refunding the Series 2007 Bonds; (b) constructing improvements to the Facility; (c) funding capitalized interest on the Bonds; (d) funding a bond reserve fund; and (e) paying the costs of issuance of the Bonds (collectively, the “Project”); and

WHEREAS, the Facility is expected to be leased to the Charter School pursuant to the terms and provisions of a Lease Agreement, dated as of November 1, 2015, by and between the Corporation and the Charter School; and

WHEREAS, pursuant to and in accordance with the Act, the Authority proposes to make a loan to the Corporation pursuant to this Agreement for purposes of financing the Project; and

WHEREAS, in order to finance the cost of the Project and fund such loan, the Authority shall issue its Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Charter School Project) Series 2015A (the “Series 2015A Bonds”) in the original aggregate principal amount of \$8,620,000; and its Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Taxable Series 2015B (the

“Series 2015B Bonds” and, together with the Series 2015A Bonds, the “Bonds”) in the original aggregate principal amount of \$195,000, under an Indenture of Trust, dated as of December 1, 2015, by and between the Authority and UMB Bank, n.a., solely in its capacity as trustee thereunder; and

WHEREAS, the Authority proposes to loan to the Corporation and the Corporation desires to borrow from the Authority the proceeds of the Bonds for purposes of financing the Project upon the terms and conditions hereinafter in this Agreement set forth;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

All terms defined in Article I of the Indenture shall have the same meaning in this Agreement. In addition, the following terms, except where the context indicates otherwise, shall have the respective meanings set forth below:

“*Accountant*” means any independent public accounting firm licensed to practice in the State (which may be the firm of accountants who regularly audit the books and accounts of the Corporation) from time to time selected by the Corporation.

“*Accountant’s Certificate*” means a report, certificate or opinion by the Accountant.

“*Act*” means the Colorado Educational and Cultural Facilities Authority Act, constituting Article 15, Title 23 of the C.R.S., and the Public Securities Act.

“*Agreement*” means this Loan and Security Agreement and any amendments and supplements hereto made in conformity with the requirements hereof and of the Indenture.

“*Annual Fee*” means the annual fee required to be paid by the Corporation to the Authority pursuant to Section 5.02(f) hereof.

“*Authority*” means the Colorado Educational and Cultural Facilities Authority, an independent public body politic and corporate constituting a public instrumentality, duly organized and existing under the laws of the State, or any public corporation succeeding to its rights and obligations under this Agreement.

“*Authorized Representative*” means, in the case of the Authority, the Chair, the Vice-Chair, any Assistant Vice-Chair or the Executive Director thereof or, in the case of the Corporation or the Charter School, the President, any Vice President, or any Secretary thereof and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

“Bond Interest Fund” means the Bond Interest Fund created in Section 3.02 of the Indenture.

“Bond Interest Fund Initial Deposit” means an amount equal to \$438,567.02.

“Bond Principal Fund” means the Bond Principal Fund created in Section 3.02 of the Indenture.

“Bond Reserve Fund” means the Bond Reserve Fund created in Section 3.02 of the Indenture.

“Bond Reserve Requirement” means an amount equal to \$529,100.

“Bonds” means the Series 2015A Bonds and the Series 2015B Bonds.

“Building” means that certain building or buildings and all other structures and facilities now owned or hereafter acquired (including, but not limited to, all fixtures, heating and air conditioning equipment and all other equipment and machinery affixed to the Land or Building, and parking areas and site improvements) which are located on the Land, as they may from time to time exist.

“Capital Improvements” means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions which, under Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items.

“Charter” means the charter contract between the Charter Authorizer and the Charter School at any time.

“Charter Authorizer” means Denver County School District No. 1, Colorado, or any successor Person pursuant to which the Charter School is granted the Charter under the Charter Schools Act.

“Charter School” means Monarch Montessori of Denver Charter School, a Colorado nonprofit corporation and a public charter school duly organized and validly existing under the Charter Schools Act, and any successor thereto.

“Charter Schools Act” means the Charter Schools Act, constituting Article 30.5 of Title 22 of C.R.S., or any successor act thereto.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations prescribed thereunder.

“Completion Date” means the date of completion of the Project as that date shall be certified as provided in Section 4.03 hereof.

“*Consultant*” means an independent consulting or management firm selected by the Corporation and not objected to by the Authority.

“*Consultant’s Certificate*” means a written opinion or report of a Consultant.

“*Consulting Architect*” means an individual or an independent engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Corporation for other purposes) selected by the Corporation.

“*Consulting Architect’s Certificate*” means a written opinion or report signed by the Consulting Architect.

“*Corporation*” means Monarch Building Corporation, a duly organized and validly existing Colorado nonprofit corporation.

“*Cost of the Project*” means the sum total of all reasonable or necessary costs incidental to the Project which may be financed pursuant to the Act.

“*C.R.S.*” means Colorado Revised Statutes, as amended.

“*Deed of Trust*” means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2015, from the Corporation to the City and County of Denver, Colorado, for the benefit of the Trustee, and any amendments and supplements thereto made in conformity with the requirements thereof and of the Indenture.

“*Default Rate*” means the lesser of (i) 3% per annum above the highest rate of interest borne by any of the Bonds or (ii) the maximum rate permitted by law if less than such rate.

“*Determination of Taxability*” means a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest paid or payable on the tax-exempt Bonds is or was includable in the gross income or alternative minimum tax of a Registered Owner of the tax-exempt Bonds for federal income tax purposes under the Code. However, no such decree or action will be considered final for this purpose unless the Authority, the Corporation and the Charter School have been given written notice and, if it is so desired and is legally allowed, have been afforded the opportunity to contest the same, either directly or in the name of any Registered Owners and until conclusion of any appellate review, if sought.

“*Environmental Requirements*” means all present and future federal, state or local laws, regulations, orders, judgments, decrees, agreements, authorizations, consents, licenses, permits and other governmental restrictions and requirements which apply to any actual, proposed or threatened storage, existence, release, generation, abatement, removal, disposal, handling or transportation of any Hazardous Substance from, under, into or on the Facility.

“*Escrow Agent*” means the Refunded Bonds Trustee.

“*Escrow Agreement*” means the Escrow Agreement dated as of December 21, 2015, by and between the Corporation and the Escrow Agent.

“Escrow Fund” means the Escrow Fund created in the Escrow Agreement.

“Event of Default” means those defaults specified in Section 10.01 hereof and in Section 8.01 of the Indenture.

“Facility” means, collectively, the Land and the Building and equipment therein financed with the Bonds, if any, for the educational facility of the Charter School.

“Fiscal Year” means the Corporation’s fiscal year, which currently begins on July 1 and ends on June 30 of the following calendar year.

“Funds” means the Bond Principal Fund, the Bond Interest Fund, the Bond Reserve Fund, the Rebate Fund, the Project Fund and the Issuance Expense Fund.

“Gross Revenue” means all revenues, rentals, fees, third-party payments, receipts, contributions or other income received by the Corporation, including the rights to receive such revenues (each subject to Permitted Encumbrances), all as calculated in accordance with sound accounting practices, including, but not limited to, any revenues received from rentals of the Facility, including, without limitation, rentals received pursuant to the Lease; proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Corporation which are derived from the Facility; and all donations, gifts, grants, bequests and contributions (including income and profits therefrom), to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for any of the payments required hereunder, all other income and revenues directly or indirectly derived by the Corporation.

“Gross Revenue of the Charter School” means all income and revenues directly or indirectly derived by the Charter School from its operations, including without limitation per pupil revenues and other funding received from the Charter Authorizer attributable to the Charter School students, or by virtue of the Charter; and all gifts, grants, bequests and contributions (including income and profits therefrom) made to the Charter School to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for payments required under the Lease.

“Guaranties” means all loan commitments of the Corporation and all obligations of the Corporation guaranteeing in any manner, whether directly or indirectly, any obligation of any Person which would, if such Person were the Corporation, constitute Indebtedness.

“Hazardous Substance” means, at any time, (a) any “hazardous substance” as defined in § 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) as amended at such time; and (b) any additional substances or materials which at such time are classified or considered to be hazardous or toxic under applicable federal, state or local laws, regulations, orders, judgments, decrees, agreements, authorizations, consents, licenses, permits and other governmental restrictions and requirements which apply to the Facility; provided, however, that “Hazardous Substance” shall not include any such substances used in or resulting from the ordinary operation of the Facility or for the cleaning of the Facility if such substances are stored, handled or disposed of in compliance with all applicable environmental laws and other applicable laws and regulations.

“Indebtedness” means all indebtedness of the Corporation for borrowed moneys, or which has been incurred or assumed in connection with the acquisition of Property, all indebtedness, no matter how created, including, without limitation, the Loan, indebtedness secured by Property, whether or not such indebtedness is assumed by the Corporation, and any leases required to be capitalized in accordance with generally accepted accounting principles, installment purchase obligations and Guaranties.

“Indemnified Parties” has the meaning ascribed to such term in Section 8.06 hereof.

“Indenture” means the Indenture of Trust, dated as of December 1, 2015, by and between the Authority and the Trustee, including any indentures supplemental thereto made in conformity therewith, pursuant to which the Bonds are authorized to be issued and secured.

“Insurance Consultant” means an independent insurance consultant and/or risk management firm or an insurance broker or an insurance agent (which may be a consultant, firm, broker or agent with whom the Corporation, the Authority or the Trustee regularly transacts business) selected by the Corporation.

“Irrevocable Deposit” means the irrevocable deposit in trust of cash in an amount (or non-callable Government Obligations, the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a specified portion of the principal of, premium, if any, and/or the interest on, as the same shall become due, any Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit shall have possession of any cash and securities (other than book-entry securities) and may be the Trustee or any other trustee authorized to act in such capacity.

“Issuance Expense Fund” means the Issuance Expense Fund created in Section 3.02 of the Indenture.

“Issuance Expense Fund Initial Deposit” means an amount equal to \$208,619.91.

“Land” means the real estate, interests in real estate, and other real property rights described in Exhibit A hereto, together with all real estate, interests in real estate and other real property rights made a part of the Land in connection with the substitution of such real estate and other real property rights pursuant to Section 8.11 hereof or as the result of replacement of property taken in condemnation, or otherwise, less such real estate, interests in real estate and other real property rights released under the provisions of Section 8.11 hereof or taken by the exercise of the power of eminent domain as provided in Section 7.02 hereof.

“Lease” means the Lease Agreement, dated as of December 1, 2015, by and between the Charter School and the Corporation, and any amendments or supplements thereto, pursuant to which all or substantially all of the Facility is expected to be leased by the Corporation to the Charter School.

“Lien” means the liens of the Deed of Trust, and any mortgage or pledge of, security interest in, or lien or encumbrance on, any Property which secures any Indebtedness or other obligation of the Corporation or which secures any obligation of any Person other than an

obligation to the Corporation excluding liens applicable to Property in which the Corporation has only a leasehold interest unless the lien secures Indebtedness.

“*Loan*” means the loan by the Authority to the Corporation of the proceeds from the sale of the Bonds pursuant to this Agreement.

“*Loan Payments*” means those payments required to be paid by the Corporation pursuant to Section 5.02(a) hereof.

“*Long-Term Indebtedness*” means all Indebtedness, the final maturity of which (taking into account any extensions available at the sole option of the Corporation) is greater than one year after the initial incurrence thereof.

“*Net Proceeds*” means, when used with respect to any insurance payment or condemnation award, the gross proceeds thereof less the expenses (including attorneys’ fees) incurred in the collection of such gross proceeds.

“*Net Revenue*” means Gross Revenue of the Charter School, plus the amount of unrestricted working capital balance of the Charter School operating fund in excess of the balance required pursuant to Section 10.08 of the Lease, less Operating Expenses, including lease or sublease revenues projected to be received if and as evidenced by executed lease or sublease documents customary in commercial real estate transactions.

“*Operating Expenses*” means all reasonable and necessary current expenses of the Charter School, paid or accrued, to operate the Charter School and provide educational services, including without limitation (a) salaries and administrative expenses, (b) the cost of instructional supplies and materials, (c) insurance premiums, (d) professional services, and (e) any payments made under the Lease which constitute Additional Rents; provided however, there shall be excluded from Operating Expenses (i) any allowance for depreciation; (ii) expenses incurred in connection with Capital Improvements; (iii) expenses paid from grants from state, federal or local sources, or from any Person, which were not included as part of Gross Revenue of the Charter School; and (iv) Base Rent payments and any similar rental payments made for the lease-purchase of Capital Improvements.

“*Opinion of Counsel*” means an opinion in writing of legal counsel, who may be counsel to the Authority, the Trustee, the Charter School or the Corporation.

“*Permitted Encumbrance*” means, as of any particular time, any of the following:

- (a) liens for taxes and special assessments on the Facility not then delinquent;
- (b) this Agreement, and the Indenture;
- (c) purchase money security interests with respect to any item of equipment related to the Facility;
- (d) the Lease, Sublease and any other leases of the Facility permitted pursuant to the terms of Section 8.11 hereof;

(e) utility, access, and other easements and rights-of-way, mineral rights and reservations, restrictions and exceptions which would not in the aggregate (i) materially interfere with or impair any present use of the Facility or any reasonably probable future use of the Facility; or (ii) materially reduce the value which would be reasonably expected to be received for the Facility upon any sale (including any foreclosure on the Deed of Trust);

(f) mechanics' and materialmen's liens related to the Facility when payment of the related bill is not overdue and as may be permitted by the Lease;

(g) mechanics' and materialmen's liens, security interests or other encumbrances related to the Facility to the extent permitted in Section 6.01 hereof;

(h) Liens arising by reason of good faith deposits with the Corporation in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Corporation 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;

(i) Liens arising by reason of deposits with, or the giving of any form of security to, any governmental agency as required by law or governmental regulation as a condition to any transaction or any business or the exercise of any privilege or license, or to enable the Corporation 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 similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(j) judgment Liens against the Corporation or the Charter School so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(k) rights reserved to or vested in any municipality, school district or public authority by the terms of any right, power, franchise, grant, license or permit, or provision of law, affecting the Facility, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Facility or materially and adversely affect the value thereof; or (B) purchase, condemn, appropriate, or recapture, or designate a purchaser of, the Facility; (i) Liens on the Facility for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with the Facility, which are not due and payable or which are not delinquent or which are being contested in good faith or with respect to liens of mechanics, materialmen and laborers, or have been due for less than 60 days; (ii) easements, rights of way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to the Facility which do not materially impair the use of the Facility or materially and adversely affect the value thereof; or (iii) rights

reserved to or vested in any municipality or public authority to control or regulate the Facility or to use the Facility in any manner, which rights do not materially impair the use of the Facility or materially and adversely affect the value thereof;

(l) Liens and any other restrictions, exceptions, leases, easements or encumbrances which are existing on the date of initial issuance and delivery of the Bonds and as described in the Title Policy delivered in accordance with Section 4.09 hereof, provided that no such Lien (or the amount of Indebtedness secured thereby), restriction, exception, lease, easement or encumbrance may be increased, extended, renewed or modified to apply to the Facility not subject to such Lien on such date, unless such Lien as so extended, renewed or modified or otherwise qualified as a Permitted Encumbrance hereunder;

(m) Liens arising by reason of an Irrevocable Deposit;

(n) Liens in favor of the Trustee on the proceeds of the Bonds prior to the applications of such proceeds;

(o) Liens securing the Bonds or any additional Indebtedness permitted by Section 8.13 hereof;

(p) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Facility and which would not in the aggregate (i) materially interfere with or impair any present use of the Facility or any reasonably probable future use of the Facility, or (ii) materially reduce the value which would be reasonably expected to be received for the Facility upon any sale (including any foreclosure of the Lien granted by the Deed of Trust); and

(q) the Lien of the Deed of Trust.

“*Person*” includes an individual, association, corporation, partnership, limited liability company, joint venture or a government or an agency or a political subdivision thereof.

“*Project*” means advance refunding the Series 2007 Bonds; constructing improvements to the Facility; funding capitalized interest on the Bonds; funding a bond reserve fund; and paying the costs of issuance of the Bonds.

“*Project Fund*” means the Project Fund created pursuant to Section 3.02 of the Indenture.

“*Project Fund Initial Deposit*” means an amount equal to \$2,900,000.

“*Property*” means any and all right, title and interest in and to any and all property of the Corporation whether real or personal, tangible or intangible and wherever situated and whether now owned or hereafter acquired.

“*Pro Rata Portion*” means when used with respect to a required deposit to the Bond Principal Fund or the Bond Interest Fund, the dollar amount derived by dividing the amount of

principal or interest to come due on the first principal or interest payment date, respectively, by the number of monthly deposits required to be made prior to such payment date.

“Public Securities Act” means the Supplemental Public Securities Act, constituting Part 2, Article 57, Title 11 of the C.R.S.

“Rebate Fund” means the Rebate Fund created in Section 3.02 of the Indenture.

“Refunded Bonds” means the outstanding Series 2007 Bonds.

“Refunded Bonds Trustee” means UMB Bank, n.a., in its capacity as trustee for the Refunded Bonds.

“Reserve Fund Insurance Policy” means any insurance policy, surety bond, letter of credit or similar instrument deposited in or credited to the Bond Reserve Fund as provided in Section 5.05 hereof in lieu of or in partial substitution for cash or Investment Obligations on deposit in the Bond Reserve Fund. Any such insurance policy, surety bond, letter of credit or similar instrument must be issued by an entity having a rating in one of the two highest rating categories assigned by Fitch, Standard & Poor’s or Moody’s at the time such policy, surety, bond, letter of credit or similar instrument is deposited in or credited to the Bond Reserve Fund.

“Series 2007 Bonds” means the Charter School Revenue Bonds (Northeast Academy Charter School Project) Series 2007A, in the original aggregate principal amount of \$5,155,000, which are currently outstanding in the principal amount of \$4,715,000.

“Series 2015A Bonds” means the Authority’s Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Series 2015A, issued in the original aggregate principal amount of \$8,620,000.

“Series 2015B Bonds” means the Authority’s Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Taxable Series 2015B, issued in the original aggregate principal amount of \$195,000.

“Sublease” means the Sublease Agreement, dated as of December 1, 2015, by and between the Charter School and the Sublessee and any amendments or supplements hereto, including all exhibits hereto and thereto.

“Sublessee” means Monarch Montessori of Denver, d/b/a First Steps at Monarch Montessori, a Colorado nonprofit corporation.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement, dated as of December 21, 2015, among the Authority, the Corporation, the Charter School and the Trustee executed in connection with the initial issuance and delivery of the Bonds, as amended or supplemented from time to time pursuant to its terms.

“Trustee” means UMB Bank, n.a., Denver, Colorado, in its capacity as trustee, being the paying agent, the registrar and the trustee under the Indenture, or any successor corporate trustee.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations by the Authority. The Authority represents that:

(a) The Authority is an independent public body politic and corporate constituting a public instrumentality duly organized and existing under the laws of the State. The Authority is authorized by the Act and the Public Securities Act to enter into this Agreement, the Tax Regulatory Agreement and the Indenture, and to carry out the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder and has duly authorized the execution and delivery of this Agreement, the Tax Regulatory Agreement and the Indenture.

(b) Consistent with the understanding between the Authority and the Corporation, the Authority will loan the Corporation the proceeds of the Bonds to provide for the financing of the Project, all for the purpose of providing adequate educational facilities.

(c) To finance the Cost of the Project, the Authority will issue the Bonds in the original aggregate principal amount of \$8,815,000. The Bonds shall mature, bear interest, be subject to redemption prior to maturity, be secured and have such other terms and conditions as are set forth in the Indenture.

(d) Neither the execution and delivery of this Agreement, the Tax Regulatory Agreement, or the Indenture, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, the Tax Regulatory Agreement or the Indenture, violates any law, conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which it is bound or constitutes a default under any of the foregoing or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority under the terms of any instrument or agreement.

(e) The Authority hereby approves the Corporation's estimate of the total Cost of the Project set forth in Section 2.02(c) hereof and hereby finds, based solely on the representations of the Corporation contained in Section 2.02(c) hereof, that the amount of the Loan does not exceed such estimated cost.

(f) The Authority will take all permissible actions necessary pursuant to the provisions of the Charter School Facilities Financing Act, Sections 22-30.5-401, et seq., C.R.S., when applicable, in order to make application for the direct payment of the Bonds by the Colorado State Treasurer pursuant to the Colorado Charter School Intercept Program.

Section 2.02. Representations by the Corporation. The Corporation represents and covenants that:

(a) The Corporation is a nonprofit corporation duly organized and in good standing under the laws of the State; is an “Educational Institution” within the meaning of the Act; is not a pervasively sectarian or theological institution (provided however, any use of the Facility primarily for sectarian purposes is subject to the further requirements of Section 8.12 hereof), has power to enter into and to perform and observe the covenants and agreements on its part contained in this Agreement, the Deed of Trust, the Lease, the Escrow Agreement and the Tax Regulatory Agreement; and by proper action has duly authorized the execution and delivery of this Agreement, the Deed of Trust, the Lease, the Escrow Agreement, and the Tax Regulatory Agreement.

(b) Neither the execution and delivery of this Agreement, the Deed of Trust, the Lease, the Escrow Agreement or the Tax Regulatory Agreement, the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, the Deed of Trust, the Lease, the Escrow Agreement or the Tax Regulatory Agreement violate any law or conflict with or result in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which it is bound or constitute a default under any of the foregoing or result in the creation or imposition of any prohibited Lien, charge or encumbrance of any nature whatsoever upon any of the Facility under the terms of any instrument or agreement, other than this Agreement, the Deed of Trust, the Lease, the Escrow Agreement and the Tax Regulatory Agreement.

(c) The total Cost of the Project is hereby determined to be not less than \$8,815,000 and the financing of such cost by the Authority will assist the Corporation in providing facilities which are expected to be leased to institutions of education or cultural institutions.

(d) The Corporation will, subject to Section 8.11 hereof, at all times to the expiration of the term of this Agreement make the Facility available for use by institutions of education or cultural institutions within the meaning of the Act and has complete lawful authority to lease the Facility for such purpose.

(e) The Loan Payments due under this Agreement are in an amount sufficient to pay the principal of and premium, if any, and interest on the Bonds; and this Agreement requires the Corporation to pay or provide for the payment of all costs of maintenance, repair, taxes, payments in lieu of taxes, assessments, insurance premiums, trustee’s fees and all other expenses relating to the Facility, so that the Authority will not incur any expenses on account of the Facility, other than those that are covered by the payments by the Corporation provided for herein.

(f) Except as described in writing delivered to the Authority, neither the Corporation nor, to the knowledge of the Corporation after due inquiry, any other Person has ever caused or permitted any Hazardous Substance to be placed, held, located or disposed of on, under or at the Facility or any part thereof. The Corporation hereby

warrants and represents that it will comply in all material respects with all applicable Environmental Requirements at the Facility. Except as described in writing to the Trustee and the Authority, to the knowledge of the Corporation after due inquiry, the Facility has not previously contained and does not contain any underground storage tanks other than in compliance with all applicable Environmental Requirements and has never been used by the Corporation or, to the knowledge of the Corporation, by any other Person, as a temporary or permanent storage or disposal site for any Hazardous Substance.

(g) There are no actions, suits or proceedings or investigations pending or, to the best of the knowledge of the officer executing this Agreement, threatened against the Corporation or the Property of the Corporation, or involving the enforceability of the Bonds, this Agreement, the Deed of Trust, the Lease, the Escrow Agreement, the Tax Regulatory Agreement or the Indenture, or the priority of the lien on Gross Revenues created hereby, at law or in equity, or before or by any governmental authority, except actions which, if adversely determined, would not materially impair the ability of the Corporation to perform its obligations under this Agreement, and to cause to be paid any amounts which may become payable under this Agreement. The Corporation is not in default in any material respect under any mortgage, deed of trust, lease, loan or credit agreement, partnership agreement or other instrument to which the Corporation is a party or by which it is bound.

(h) The Corporation is currently in compliance with and in the future will comply with all applicable federal and state nondiscrimination laws.

(i) The Corporation will take all permissible actions necessary to assist the Authority in utilizing the Colorado Charter School Intercept Program.

(j) The Corporation will comply with the provisions of Securities and Exchange Commission Rule 15c2-12.

ARTICLE III

TERM OF THE AGREEMENT

This Agreement shall remain in full force and effect from the date of delivery hereof until such time as all the Loan and any other amounts represented by the Indebtedness of the Bonds and/or any other amounts due under the Deed of Trust shall have been fully paid in full or provision is made for such payment pursuant to the Indenture, and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds, all fees and expenses of the Authority accrued and to accrue through final payment of the Bonds and all other liabilities of the Corporation accrued and to accrue through final payment of the Bonds under this Agreement and the Indenture have been paid or provision is made for such payments pursuant to the Indenture; provided, however, notwithstanding any other provision hereof (a) the indemnification provision of Section 8.06 hereof shall survive after the termination of the term of this Agreement; (b) all agreements, representations and certifications by the Corporation as to the exclusion from gross income of interest on the tax-exempt Bonds shall survive termination of the

term hereof until the expiration of statutes of limitation applicable to the liability of the Registered Owners of the Bonds for federal and state income taxes with respect to interest on the Bonds; and (c) upon the defeasance of the Indenture, all such indemnification provisions shall be enforceable by the Indemnified Parties, and all such agreements, representations and certifications regarding the exclusion from gross income of the interest on the tax-exempt Bonds shall be enforceable by the Registered Owners of the Bonds, directly against the Corporation.

ARTICLE IV

THE PROJECT; ISSUANCE OF THE BONDS

Section 4.01. Agreement To Issue Bonds; Application of Bond Proceeds and Other Moneys. In order to provide funds to make the Loan for payment of the Cost of the Project, the Authority will sell and cause to be delivered to the initial purchasers thereof the Bonds and will make such Loan and direct the Trustee to deposit the net proceeds of the Bonds in the amount of \$8,682,775, together with amounts on deposit with the Refunded Bonds Trustee equal to \$458,693.14, which total \$9,141,468.14, as follows:

(a) With the Escrow Agent the amount necessary to advance refund the Refunded Bonds, pursuant to the Escrow Agreement, which amount equals \$5,065,181.21, funded with Series 2015A Bond proceeds in the amount of \$4,606,488.07 and with moneys on deposit with the Refunded Bond Trustee in the amount of \$458,693.14.

(b) Into the Bond Reserve Fund an amount equal to the Bond Reserve Fund Requirement funded with proceeds of the Series 2015A Bonds.

(c) Into the Project Fund an amount equal to the Project Fund Initial Deposit funded with proceeds of the Series 2015A Bonds.

(d) Into the Bond Interest Fund an amount equal to the Initial Bond Interest Fund Deposit funded with Series 2015A Bond proceeds in the amount of \$410,319.10 and Series 2015B Bond proceeds in the amount of \$28,247.92.

(e) Into the Issuance Expense Fund the remaining proceeds of the Bonds, which amount shall not be less than the Issuance Expense Fund Initial Deposit.

Section 4.02. Disbursements from the Escrow Fund. The Corporation has, in the Escrow Agreement, authorized and directed the Escrow Agent, to disburse the moneys in the Escrow Fund to or on behalf of the Corporation to advance refund the Refunded Bonds.

Section 4.03. Disbursement from the Project Fund. The Authority has, in the Indenture, authorized and directed the Trustee to disburse the Loan moneys in the Project Fund to or on behalf of the Corporation for the Cost of the Project upon receipt by the Trustee of a completed requisition, in the form attached hereto as Exhibit C, signed by the Authorized Representative of the Corporation, which may be submitted to the Trustee by the Corporation no more frequently than twice per month to pay the Cost of the Project. The Trustee may conclusively rely on as to the completeness and accuracy of all statements in such requisition if

such requisition is signed by an Authorized Representative of the Corporation, and the Trustee shall not be required to make an independent investigation in connection therewith.

The completion date of the Project shall be evidenced to the Trustee by the furnishing of a certificate signed by the Authorized Representative of the Corporation or, if the Lease is in effect, a certificate signed by an Authorized Representative of the Charter School (as defined in the Lease), stating that the Project has been completed by the Corporation.

Any Loan moneys (including investment proceeds) remaining in the Project Fund on the date of the completion certificate may be used, at the direction of the Authorized Representative of the Corporation, to the extent indicated, for the payment, in accordance with the provisions of this Agreement, of any Cost of the Project not theretofore paid, as specified in the completion certificate.

Any Loan moneys (including investment proceeds) remaining in the Project Fund on the date of receipt of the completion certificate and not set aside for the payment of the Costs of the Project related to the Facility as specified above shall on such date be deposited by the Trustee in the Bond Interest Fund or the Bond Principal Fund upon the direction of the Corporation to be used to pay the principal of and interest on the Bonds.

In the event the Loan moneys in the Project Fund available for payment of the Cost of the Project should not be sufficient to pay the costs thereof in full, the Corporation will pay or deposit in the Project Fund moneys sufficient to pay the costs of completing the Project as may be in excess of the moneys available therefor in the Project Fund. NEITHER THE AUTHORITY NOR THE TRUSTEE MAKES ANY WARRANTY, EITHER EXPRESS OR IMPLIED (1) THAT THE MONEYS WHICH WILL BE PAID INTO THE PROJECT FUND AND WHICH, UNDER THE PROVISIONS OF THIS AGREEMENT, WILL BE AVAILABLE FOR PAYMENT OF THE COSTS OF THE PROJECT, WILL BE SUFFICIENT TO PAY ALL THE COSTS WHICH WILL BE INCURRED IN THAT CONNECTION; OR (2) AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE FACILITY OR THAT THE FACILITY IS OR WILL BE SUITABLE FOR THE CORPORATION'S PURPOSES OR NEEDS. The Corporation agrees that if after exhaustion of the moneys in the Project Fund or otherwise the Corporation should pay or deposit moneys in the Project Fund for the payment of any portion of the Cost of the Project pursuant to the provisions of this Section it shall not be entitled to any reimbursement therefor from the Authority or from the Trustee or from the Registered Owners of the Bonds, nor shall it be entitled to any diminution of the Loan Payments, or other amounts required to be paid under this Agreement.

Section 4.04. Disbursements from the Issuance Expense Fund. The Authority has, in the Indenture, authorized and directed the Trustee to make payments from the Issuance Expense Fund for the payment of issuance expenses as provided in this Section. Payments shall be made from the Issuance Expense Fund only for paying the costs of legal, accounting, organization, marketing or other special services and other fees and expenses, incurred or to be incurred by or on behalf of the Authority, the Trustee, the Corporation or the Charter School in connection with the issuance of the Bonds. The Authority does not make any warranty either express or implied that the moneys in the Issuance Expense Fund available for payment of the foregoing costs will be sufficient to pay such costs in full, and the Corporation agrees to pay that portion of such

costs in excess of the amount in the Issuance Expense Fund from any moneys legally available for such purpose. The Corporation shall not be entitled as a result of paying a portion of the issuance expenses pursuant to this Section to any reimbursement therefor from the Authority, the Trustee or the Registered Owners of the Bonds, nor shall it be entitled to any diminution in or postponement of the Loan Payments or other amounts required to be paid under this Agreement. The Trustee shall make payments from the Issuance Expense Fund in accordance with the closing memorandum prepared by D.A. Davidson & Co. dated as of the Closing Date and any moneys remaining in the Issuance Expense Fund following such payments and any other payments to be made from such fund shall be transferred to the Bond Interest Fund or the Bond Principal Fund, as directed by the Corporation.

Section 4.05. Reserved.

Section 4.06. Obligation of the Corporation To Cooperate in Furnishing Documents to Trustee. The Corporation agrees to cooperate with the Trustee in furnishing the requisitions referred to in Sections 4.03 and 4.04 hereof.

Section 4.07. Investment of Moneys. Any Loan moneys held as a part of the Funds shall be invested, reinvested and transferred to other Funds by the Trustee as provided in Article VI of the Indenture, at the written direction of the Corporation. In addition, the Corporation covenants that any money held as a part of the Funds shall be invested in compliance with the procedures established by the Tax Regulatory Agreement to the extent required to comply with its covenants contained in Section 4.08 hereof. The Corporation shall provide to the Trustee at least every five years from the date of issuance of the Bonds, as provided in the Tax Regulatory Agreement, a certificate of an Authorized Representative of the Corporation to the effect that (a) all requirements of the Agreement, the Indenture and the Tax Regulatory Agreement with respect to the Rebate Fund have been met on a continuing basis; (b) the proper amounts have been and are on deposit in the Rebate Fund; and (c) timely payment of all amounts due and owing to the United States Treasury have been made. If the certifications required by either (b) or (c) above cannot be made, the certificate shall so state and shall be accompanied by either money of the Corporation together with a direction to the Trustee to either deposit such money to the Rebate Fund or to pay such money over to the United States Treasury, as appropriate, or written directions to the Trustee to transfer investment income available in any Fund to the Rebate Fund or to the United States Treasury, as appropriate. The Corporation acknowledges the provisions of Section 6.03 of the Indenture which limit the amount of money to be so transferred from the Funds at its direction.

If the certificate described in the preceding paragraph is not delivered to the Trustee within 30 days following each computation date as provided in the Tax Regulatory Agreement, during the term of this Agreement, the Trustee shall provide the Authority with written notice of such failure to receive such certificate. The Trustee shall transfer moneys from other Funds as provided in Section 3.18 of the Indenture to the Rebate Fund or the United States Treasury if directed by the Rebate Analyst of the Corporation.

Section 4.08. Tax Covenant. The Corporation covenants for the benefit of the Authority and the Registered Owners of the Bonds, and their respective successors and assigns, that it will not take any action or omit to take any action with respect to the Bonds, the proceeds

thereof, any other funds of the Corporation or any of the Property of the Corporation, including the Facility, if such action or omission (a) would cause the interest on the tax-exempt Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code; (b) would cause interest on the tax-exempt Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code; or (c) would cause interest on the Bonds to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present Colorado law. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the expiration of statutes of limitations applicable to the liability of the Registered Owners of the Bonds for federal and state income taxes with respect to interest on the Bonds.

The Corporation further covenants, represents and warrants that the procedures set forth in the Tax Regulatory Agreement implementing the above covenant shall be complied with to the extent necessary under the Code to maintain the exclusion from gross income of interest on the tax-exempt Bonds for federal income tax purposes (except to the extent noted in the preceding paragraph) or to avoid the application of any penalties under the Code, subject to any applicable statute of limitations. The Corporation shall appoint a Rebate Analyst and any successor Rebate Analyst for the Bonds, subject to the conditions set forth in Article IV of the Tax Regulatory Agreement.

Section 4.09. Title Insurance. On or before the date of issuance of any Bonds and the making of the Loan, the Trustee shall be provided with (i) a copy of a standard owner's title insurance policy insuring the Corporation's ownership interest in the real property; and (ii) a standard title insurance policy insuring the Trustee's interest under the Deed of Trust in the Land and included in the Facility, subject only to Permitted Encumbrances, in an amount not less than the lesser of either (a) the principal amount of the Outstanding Bonds; or (b) the insurable value of the Facility, as completed. Each such policy shall be in the form of an ALTA extended policy of title insurance issued by Heritage Title Co. and may not permit the title insurer to purchase any Bonds in lieu of providing payment under the policy unless, upon purchase, all such Bonds are cancelled.

ARTICLE V

DEED OF TRUST AND SECURITY PROVISIONS; PROVISIONS FOR PAYMENT

Section 5.01. Deed of Trust and Security Agreement Provisions; Evidence of Loan Indebtedness. In order to secure the payment of the Loan and the payment of all other amounts payable hereunder and under the Deed of Trust and to secure the performance by the Corporation of all the covenants expressed or implied by this Agreement and the documents and instruments executed in connection herewith:

- (a) the Corporation shall execute and deliver the Deed of Trust concurrently with this Agreement, which Deed of Trust shall secure the Loan and all obligations hereunder in a first lien security position for the benefit of the Trustee and its successors and assigns, subject only to Permitted Encumbrances;

(b) the Corporation does hereby pledge to and grant to the Authority a present security interest, within the meaning of the Colorado Uniform Commercial Code and to the extent permitted by law, in all personal property, materials, equipment, fixtures or other property whatsoever now or hereafter attached or affixed to, or installed in, or used in connection with the buildings and other improvements now erected or hereafter to be erected on the Land or otherwise in connection with the Facility, all accounts, escrows, documents, instruments, chattel paper, claims, deposits and general intangibles, as the foregoing terms are defined in the Uniform Commercial Code, and all contract rights, franchises, books, contracts, certificates, records, plans, specifications, permits, licenses (to the extent assignable), approvals, actions, and causes of action which now or hereafter relate to, are derived from or are used in connection with the Facility, or the use, operation, construction, management, maintenance, occupancy, operation, or enjoyment thereof or the conduct of any business or activities thereon (hereinafter collectively called the "Intangibles"), insurance proceeds and all renewals or replacements of or substitutions for any of the foregoing comprising the Facility and together with and including all Gross Revenues and all the proceeds thereof, subject to Permitted Encumbrances, and all of the Corporation's right, title and interest, if any, in the Funds and in any trust accounts referred to in this Agreement or the Indenture. Nothing contained in this subsection shall create a pledge or grant of personal property owned by the Charter School; and

(c) the Liens of this Agreement and the Deed of Trust shall apply to all property related to the Land or the Facility acquired by the Corporation after the date of this Agreement which by the terms of this Agreement shall be subject to the Lien and/or the security interests created hereby, shall immediately upon the acquisition thereof by the Corporation and without further mortgage, encumbrance, conveyance, or assignment become subject to the Lien and security interests created by this Agreement, the Deed of Trust and any and all other documents and instruments delivered in connection therewith, including, without limitation, any Uniform Commercial Code Financing Statements. Nevertheless, the Corporation shall execute, acknowledge, deliver and record or file, as appropriate, all and every such further mortgages, deeds of trust, security agreements, financing statements and assurances as may be required for accomplishing the purposes of this Agreement. Failure of the Corporation to execute and deliver such requested documents shall be deemed a default hereunder and the Authority or the Trustee and their successors and assigns, as the beneficiary hereunder and under the Deed of Trust is hereby given the express authority to file any and all such financing statements, amendments and documents necessary to confirm the agreements set forth herein, which grant is coupled with an interest and is non-revocable.

Notwithstanding subsections (a), (b) and (c) above, the Authority and the Trustee shall terminate and release the Deed of Trust and the security interests granted, sold, bargained or conveyed unto the Authority and/or the Trustee when the Loan has been paid in full and the Bonds secured hereby and thereby are no longer Outstanding and all obligations under the Indenture and this Agreement have been satisfied.

For purposes of the Deed of Trust, this Agreement evidencing the Loan and Bonds issued pursuant hereto shall be deemed an “evidence of debt” as defined in Section 38-38-100.3(8), C.R.S.

This Agreement and the pledge hereunder shall be valid and binding from the date hereof and the issuance of the Bonds evidencing the funding of the Loan under this Agreement. To the extent any property covered by this Agreement consists of personal property, intangible interests or any right or interest, the perfection of which is governed by the Colorado Uniform Commercial Code, this Agreement constitutes a security agreement and financing statement and is intended when filed or when the Deed of Trust is recorded and/or any Uniform Commercial Code Financing Statements are filed, as and where required, to create a perfected security interest (to the extent that such security interest can be perfected by filing) in such property in favor of the Authority and the Trustee.

Section 5.02. Loan Payments and Other Amounts Payable.

(a) The Corporation shall pay (or cause to be paid) as repayment of the Loan until the principal of, premium, if any, and interest on the Bonds (and any other sums due hereunder) shall have been paid or provision for the payment thereof shall have been made in accordance with the Indenture (i) into the Bond Interest Fund on or before the fifteenth day of each month during the term of this Agreement, commencing in the first full month following the month in which the Bonds are issued, an amount (after taking into account any accrued and capitalized interest, if any, contained in the Bond Interest Fund) sufficient to pay 1/6th of the interest which will become due on the Bonds on the next succeeding interest payment date, and (ii) into the Bond Principal Fund on or before the fifteenth day of each month during the term of this Agreement, commencing June 15, 2017, an amount sufficient to pay 1/12th the principal which shall become due on the Bonds on the next succeeding principal payment date of May 15, 2018, and thereafter (whether at maturity, upon sinking fund redemption or otherwise); provided, however, that the final sinking fund redemption for the Series 2015A Bond payment due on May 15, 2020 shall be paid in full on May 15, 2020, and none of the foregoing payments shall be paid over the succeeding 12 months, unless payment is otherwise provided for in the Base Rents schedule attached to the Lease; and provided, further, however, that any amount in the Bond Interest Fund or the Bond Principal Fund in excess of the aggregate amount required to be held pursuant to this Section 5.02(a) shall be credited against the next succeeding Loan Payment due or otherwise transferred by the Trustee in accordance with the terms of the Indenture; provided further, in the event that the first full month following the month in which the Bonds are issued is not six months prior to the first interest payment date or twelve months prior to the first principal payment date an amount equal to the Pro Rata Portion of the interest or principal, respectively, to come due on the Bonds shall be substituted for the 1/6th payments otherwise required prior to the first interest payment date or the 1/12th payments otherwise required prior to the first principal payment date; except that, if the Charter School has entered into the Colorado Charter School Intercept Program, then all payments of principal of, premium, if any, and interest on the Bonds may be received on the 25th day (or the next Business Day thereafter) of each month during the term of this Agreement without being considered late. If by the 25th day (or next Business Day thereafter) of the month prior to any

principal or interest payment date on the Bonds or the date any other amounts are payable on the Bonds the amount held by the Trustee in the Bond Principal Fund and the Bond Interest Fund is insufficient to make the required payments of principal of, premium, if any, and interest on the Bonds, the Corporation shall upon notice of such deficiency from the Trustee forthwith pay or cause to be paid such deficiency as repayment of the Loan for deposit into the Bond Principal Fund or the Bond Interest Fund, as the case may be. All amounts deposited by the Trustee to the Bond Principal Fund or the Bond Interest Fund pursuant to Section 6.02 of the Lease shall be credited by the Trustee against the next succeeding Loan Payment due.

(b) In the event any moneys in the Bond Reserve Fund are transferred to the Bond Principal Fund or the Bond Interest Fund pursuant to Section 3.08 of the Indenture or to the Rebate Fund pursuant to Section 3.18 of the Indenture, or in the event the Trustee has notified the Corporation of a deficiency in the Bond Reserve Fund pursuant to Section 3.07 of the Indenture, the Corporation will in 12 equal monthly installments promptly deposit or cause to be deposited moneys and/or, subject to the provisions of Section 5.05 hereof, a Reserve Fund Insurance Policy, into the Bond Reserve Fund in an amount equal to the amount required to cause the total amount in the Bond Reserve Fund to equal the Bond Reserve Requirement. Subject to Section 5.05 hereof, the Corporation may utilize a Reserve Fund Insurance Policy and shall reimburse the provider of any such Reserve Fund Insurance Policy pursuant to its terms.

(c) The Corporation shall pay or provide for the payment of all taxes and assessments, general or special, concerning or in any way related to the Facility or any part thereof, during the term of this Agreement and any other governmental charges and impositions whatsoever, and all utility and other charges and assessments, in the manner, at the times and under the conditions more specifically provided in Section 6.02 hereof.

(d) The Corporation agrees to pay or cause to be paid to the Trustee the reasonable and necessary fees and expenses of the Trustee (as provided by Section 9.02 of the Indenture), including its attorney fees and expenses and expenses incurred under Section 10.04 hereof, as and when the same become due, upon submission of a statement therefor; provided that the Corporation may, without creating a default hereunder, contest in good faith any such fees or expenses.

(e) The Corporation shall pay or cause to be paid to the Trustee for deposit to the Rebate Fund all amounts required to be paid pursuant to the Tax Regulatory Agreement at the times and in the manner specified therein.

(f) The Corporation has heretofore paid the Authority an initial fee. The Corporation agrees to pay or cause to be paid to the Authority an Annual Fee in accordance with the preliminary agreement between the Corporation and the Authority, as the same may be amended from time to time, or such lesser amount as the Authority shall authorize from time to time, plus any amounts required to reimburse the Authority for any expenses incurred by the Authority, whether out-of-pocket or internal, in connection with this Agreement, the Indenture, the Bonds, the Tax Regulatory Agreement, the Purchase Contract, the Facility or any other instrument or action relating

to the foregoing, including fees and disbursements of attorneys of the Authority. The sum of such Annual Fee and initial fee shall at all times be in an amount which does not cause the Corporation to violate the provisions of Section 4.08 hereof.

In the event the Corporation should fail to make or cause to be made any of the payments required by this Section, the item or installment in default shall continue as an obligation of the Corporation until the amount in default shall have been fully paid, and the Corporation agrees to pay the same and, with respect to the payments required by subsections (a), (d) and (f) of this Section 5.02 hereof, to pay interest at the Default Rate.

Notwithstanding any other provision of this Agreement, all payments required to be made by the Corporation pursuant to this Agreement are general obligations of the Corporation.

Section 5.03. Payees of Payments. The Loan Payments provided for in Section 5.02(a) hereof shall be paid in funds immediately available in the city in which the principal office of the Trustee is located or at such other location as it shall direct, directly to the Trustee for the account of the Authority and shall be deposited into the Bond Principal Fund or the Bond Interest Fund as appropriate. The payments provided for in Section 5.02(b) hereof shall be paid to the Trustee for the account of the Authority and deposited into the Bond Reserve Fund. The payments provided for in Section 5.02(c) hereof shall be paid to the persons to whom due. The payments to be made to the Trustee under Section 5.02(d) hereof shall be paid directly to the Trustee for its own use. The payments provided for in Section 5.02(e) hereof shall be paid to the Trustee for the account of the Authority and deposited into the Rebate Fund. The payments to be made to the Authority under Section 5.02(f) hereof shall be paid directly to the Authority for its own use.

Section 5.04. Obligations of Corporation Hereunder Unconditional. The obligations of the Corporation to make the payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional. The Corporation (a) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for herein; (b) will perform and observe all of its other agreements contained in this Agreement; and (c) except as provided in Article XI hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure to complete the Project, failure of consideration, eviction or constructive eviction, destruction of or damage to the Facility, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of Colorado or any political subdivision of either, any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied. The Corporation may at its own cost and expense and in its own name or in the name of the Authority (without expense to the Authority and with the Authority's prior written consent), prosecute or defend any action or proceeding or take any other action involving third persons which the Corporation deems reasonably necessary in order to secure or protect its or its lessees' rights of possession, occupancy and use of the Facility; provided, however, that any such prosecution, defense or action taken by the Corporation in the

name of the Authority shall not preclude or prohibit in any way the Authority from prosecuting, defending, joining or intervening in such action or proceedings, or taking any other action it deems necessary, in its own name and of its own accord.

Section 5.05. Reserve Fund Insurance Policy. The Corporation may at any time substitute (a) cash or Investment Obligations for a Reserve Fund Insurance Policy; or (b) a Reserve Fund Insurance Policy for cash or Investment Obligations, so long as the amount on deposit in the Bond Reserve Fund after such substitution is at least equal to the Bond Reserve Requirement. In the event the Corporation shall substitute a Reserve Fund Insurance Policy for cash or Investment Obligations, the amount on deposit in the Bond Reserve Fund shall be that amount available to be drawn or otherwise paid pursuant to such policy at the time of calculation. Notwithstanding the foregoing, no Reserve Fund Insurance Policy shall be accepted by the Trustee for such substitution unless the Trustee and the Authority have received an opinion acceptable to the Authority of nationally recognized municipal bond counsel acceptable to the Authority to the effect that such substitution and the intended use by the Corporation of the cash or Investment Obligations to be released from the Bond Reserve Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the tax-exempt Bonds.

Section 5.06. Direct Payment by State Treasurer or Charter Authorizer. The Corporation agrees that, during the Lease Term (as defined in the Lease), the Corporation shall take or cause to be taken such actions as may be necessary to cause direct payment of Base Rents to be made to the Trustee by the State Treasurer or, if the State Treasurer does not so agree, by the Charter Authorizer. Further, during the Lease Term (as defined in the Lease) the Base Rents shall be payable at such times and payable in such amounts to make the Loan Payments.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

Section 6.01. Maintenance and Modifications of Facility by Corporation. The Corporation agrees that during the term of this Agreement the Facility shall be operated and maintained, in substantial compliance with all governmental laws, building codes, ordinances, and regulations and zoning laws as shall be applicable to such Facility. The Corporation agrees that during the term of this Agreement it will (or will require the lessee pursuant to the Lease) (a) keep the Facility in as reasonably safe condition as the operations at the Facility permit; and (b) keep the Facility in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof. The Corporation may dispose of portions of the Facility that the Corporation determines to be obsolete or not useful to operations of the Facility; provided, however, that there is not currently an Event of Default, and such disposition will not materially impact the ability of the Corporation to make payments under this Agreement, and such disposition will require the prior written consent of the Authority, and the prior written consent of the Charter School so long as the Lease is in effect. The Corporation may, also at its own expense, make from time to time any additions, modifications or improvements to the Facility it may deem desirable for its purposes that do not substantially reduce its value; provided that all such additions, modifications and improvements made by the Corporation which are affixed to

the Facility shall become a part of the Facility. The Corporation will not permit any Liens, security interests or other encumbrances other than Permitted Encumbrances to be established or to remain against the Facility for labor or materials furnished in connection with the Project or any additions, modifications, improvements, repairs, renewals or replacements made by it to the Facility; provided, that if the Corporation first notifies the Trustee of its intention to do so, and, if the Corporation posts a bond with the Trustee in form satisfactory to the Trustee, the Corporation may in good faith contest any mechanics' or other liens filed or established against the Facility and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Facility or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Authority will, at the expense of the Corporation, cooperate fully with the Corporation in any such contest. In the event that the Corporation shall fail to pay any of the foregoing items required by this Section to be paid by the Corporation, the Authority or the Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Authority or the Trustee shall become an additional obligation of the Corporation under this Agreement to the one making the advance, which amount the Corporation agrees to pay on demand together with interest thereon at the Default Rate, but solely from the Gross Revenues; provided, however, that any expenses resulting from cooperation by the Authority in any such contest as required by the preceding sentence shall be immediately paid or reimbursed directly by the Corporation, and any failure by the Corporation to pay or reimburse such expenses shall not constitute an advance by or an obligation of the Authority to pay such expenses.

Section 6.02. Taxes, Other Governmental Charges and Utility Charges. The Corporation will pay promptly, as the same become due, (a) all taxes and governmental charges of any kind whatsoever or payments in lieu of taxes that may at any time be lawfully assessed or levied against or with respect to the Facility or any interest therein, or any machinery, equipment, or other property installed or brought by the Corporation therein or thereon which, if not paid, will become a lien on the Facility or a charge on the Gross Revenues prior to or on a parity with the charge thereon under this Agreement; (b) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facility; and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Facility provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Corporation shall be obligated to pay only such installments as may have become due during the term of this Agreement.

The Corporation may, at its expense, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the opinion of the Trustee, upon the advice of counsel, the Facility shall be subject to loss or forfeiture, in which case such taxes, assessments or charges shall be paid promptly or secured by posting a bond with the Trustee in form satisfactory to the Trustee. The Authority at the expense of the Corporation shall cooperate fully with the Corporation in any such contest. In the event that the Corporation shall fail to pay any of the foregoing items required by this Section to be paid by the Corporation, the Authority or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the

Authority or the Trustee shall become an additional obligation of the Corporation payable solely from the Gross Revenues to the one making the advance, which amount the Corporation agrees to pay on demand together with interest thereon at the Default Rate; provided, however, that any expenses resulting from cooperation by the Authority in any such contest as required by the preceding sentence shall be immediately paid or reimbursed directly by the Corporation, and any failure by the Corporation to pay or reimburse such expenses shall not constitute an advance by or an obligation of the Authority to pay such expenses.

Section 6.03. Insurance Required. Throughout the term of this Agreement, the Corporation shall keep, or cause the lessee under the Lease to keep the Facility continuously insured (which insurance policies may be provided by the Charter School) against the following risks, paying as the same become due and payable all premiums with respect thereto:

(a) an ALTA title insurance policy in an amount equal to the lesser of (i) the principal amount of the Loan represented by the Bonds (if available in that amount) plus any other amounts specified to be due hereunder; or (ii) the insurable value of the Facility upon its completion in a form not unacceptable to the Trustee;

(b) insurance against loss or damage to the Facility and all improvements therein (including, during any period of time when the Corporation is making alterations, repairs or improvements to the Facility, improvements and betterment's coverage), naming the Trustee as an additional insured, all subject to standard form exclusions, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State, in an amount equal to the greater of the full replacement value of the Building once constructed or the aggregate principal amount of the Bonds then Outstanding, unless the insurable value is less than the aggregate principal amount of the Bonds Outstanding, in which event in an amount equal to the full replacement value of the Building;

(c) commercial general liability and automobile liability insurance against claims arising in, on or about the Facility, including in, on or about the sidewalks or premises adjacent to the Facility, providing coverage limits not less than the coverage limits customarily carried by owners or operators of facilities of similar size and character within the State and listing the Trustee as an additional insured thereunder, but only arising out of the Charter School's negligence;

(d) fidelity insurance or bonds on those of its officers and employees who handle funds of the Corporation or crime coverage that provides for theft of money or securities, both in such amounts and to such extent as are customarily carried by organizations similar to the Corporation and operating properties similar in size and character to the facilities of the Corporation;

(e) to the extent available for a commercially reasonable cost, rental value insurance or additional rental insurance that may be applied toward rent for alternative facilities covering all risks as to which insurance is required pursuant to (b) above, in an amount equal to not less than the amounts required to be paid pursuant to Section 5.02(a) hereof for a period of not less than 12 months to the extent commercially reasonable. If

any such loss or damage has occurred, the Corporation shall continue to be obligated to pay the amounts required to be paid pursuant to Section 5.02(a) hereof, and any proceeds of such insurance shall be applied against all or part of such payment obligations of the Corporation; and

(f) such other forms of insurance as the Corporation is required by law to provide with respect to the Facility, including, without limitation, any legally required worker's compensation insurance and disability benefits insurance.

All the insurance coverage required by this Section may be subject to deductible clauses in such amounts as are customary for facilities of similar size and character within the State. At least every five years from December 1, 2015, the Corporation shall employ (or cause to be employed), at its expense, an Insurance Consultant to review the insurance coverage required by this Section and to render to the Trustee and the Corporation a report as to the adequacy of such coverage and as to its recommendations, if any, for adjustments thereto. The insurance coverage provided by this Section may be reduced or otherwise adjusted by the Corporation without the prior written consent of the Trustee or the Authority, provided that all coverages after such reduction or other adjustment are certified by the Insurance Consultant to be adequate and customary for facilities of like size and type, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance and the effect of such terms and such cost upon the Corporation's fees, rentals and charges for the use of the Facility. The Trustee may conclusively rely upon the Insurance Consultant's evaluation and report as to the adequacy of the required insurance policies.

The insurance coverage provided by this Section shall be increased or otherwise adjusted by the Corporation if as a result of such review the Insurance Consultant finds that the existing coverage is inadequate, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance, and the effect of such terms and such cost upon the Corporation's costs and charges for its services. The insurance coverage required by this Section, and modification thereof permitted or required by this paragraph, shall at all times be adequate and customary for facilities of like size and type, and the Insurance Consultant shall so certify in the report required by this paragraph. Anything herein to the contrary notwithstanding, the Corporation is permitted to become self-insured for all or any part of the foregoing requirements, or to satisfy any or all of such requirements through the Charter School's self-insurance, if the Trustee has received a written evaluation with respect to such self-insurance programs from a nationally recognized Insurance Consultant stating that such self-insurance is consistent with sound risk management policies. The Trustee may conclusively rely upon the Insurance Consultant's evaluation as to the suitability of any self-insurance policy. The Corporation shall pay any fees charged by such nationally recognized Insurance Consultant. If the Corporation is self-insured, the Trustee and the Authority shall be included as insureds under the self-insurance trust agreement.

All policies maintained (or caused to be maintained) by the Corporation pursuant to this Section shall be taken out and maintained in generally recognized, responsible insurance companies, which may include "captive" insurance companies or governmental insurance pools, selected by the Corporation. The insurance policies required by subsections (a), (b) and (e) of this Section shall name the Trustee, the Authority and the Corporation as insureds as their

respective interests may appear (provided that with respect to insurance maintained pursuant to subsections (b), (c) and (e) of this Section, the Trustee shall also be named as an additional insured and loss payee thereunder), and, provided further that all insurance proceeds for losses, and except for worker's compensation, fidelity insurance and liability insurance, shall be paid directly to the Trustee. Such policies or certificates of insurance shall provide that (except as to insurance required pursuant to subsections (a), (d) and (f) of this Section) the insurer will endeavor to mail 30 days' written notice to the Trustee of any cancellation prior to expiration of such policy.

The Corporation shall deliver to the Trustee (a) upon the commencement of the term of this Agreement, the originals or certified copies thereof of all insurance policies (or certificates thereof) which the Corporation is then required to maintain pursuant to this Section together with evidence as to the payment of all premiums then due thereon; (b) at least 30 days prior to the expiration of any such policies evidence as to the renewal thereof, if then required by this Section, and the payment of all premiums then due with respect thereto; and (c) promptly upon request by the Authority or the Trustee, but in any case within 180 days after the end of each fiscal year, a certificate of an Authorized Representative of the Corporation setting forth the types and coverage as to all insurance policies maintained by the Corporation or by the Charter School pursuant to the Lease, required pursuant to this Section and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of this Section and that all premiums then due thereon have been paid.

Section 6.04. Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to subsection (a) of Section 6.03 hereof shall be applied as provided in Section 7.02 hereof and the Indenture. The Net Proceeds of the insurance carried pursuant to subsection (b) of Section 6.03 hereof shall be applied as provided in Section 7.01 hereof. The Net Proceeds of insurance carried pursuant to subsections (c) and (f) of Section 6.03 hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid. The Net Proceeds of the fidelity insurance carried pursuant to subsection (d) of Section 6.03 hereof shall be held by the Corporation to replace the funds lost. The Net Proceeds of the business interruption insurance carried pursuant to subsection (e) of Section 6.03 shall be applied against the payments required to be made by the Corporation pursuant to this Agreement during such period of business interruption.

Section 6.05. Advances by Authority or Trustee. In the event the Corporation shall fail to maintain the full insurance coverage required by this Agreement or shall fail to keep the Facility in as reasonably safe condition as their operating condition will permit, or shall fail to keep the Facility in good repair and good operating condition (except as otherwise herein permitted), the Authority or the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and all amounts advanced therefor by the Authority or the Trustee shall become an additional obligation of the Corporation under this Agreement to the one making the advance, which amounts the Corporation agrees to pay on demand together with interest thereon at the Default Rate.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01. Damage and Destruction. Unless the Corporation shall have exercised its option to prepay the Loan in full pursuant to Article XI hereof, if the Facility is destroyed or damaged by fire or other casualty to such extent that the claim for loss under any insurance policies resulting from such event of destruction or damage is less than \$250,000, the Net Proceeds of insurance resulting from such claims for losses shall be paid to the Corporation and shall be held or used by the Corporation for such purposes as the Corporation, in its discretion, may deem appropriate. The Corporation shall not by reason of the payment of Net Proceeds for such destruction or damage be entitled to any reimbursement from the Authority, the Trustee or the Registered Owners of the Bonds or any postponement, abatement or diminution of the Loan Payments and other payments required to be made under this Agreement.

Unless the Corporation shall have exercised its option to prepay the Loan in full pursuant to Article XI hereof, if the Facility is destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under any insurance policies resulting from such event of destruction or damage is \$250,000 or more, the Corporation shall promptly give written notice thereof to the Trustee and the Authority. All Net Proceeds of insurance resulting from such claims for losses of \$250,000 or more shall, in the event the value of the Building is less than the amount of the Bonds Outstanding, and for a period of 10 years following the date of Issuance of the Bonds, be held by the Trustee in a separate trust account, whereupon (a) the Corporation will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition as it existed prior to such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Corporation and as will not impair the Corporation's ability to operate the Facility in an efficient manner; and (b) the Trustee, upon receipt of a Consulting Architect's Certificate that such payment is required for such purpose, will apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration as the work progresses; and for the period after 10 years from the date of issuance of the Bonds shall at the option of the Corporation, with the consent of the Charter School so long as the Lease is in effect, either be used to redeem Bonds (but not in the event the value of the Building is less than the amount of Bonds outstanding after such redemption) or be used to repair, rebuild or restore the property as described above. Any balance of such Net Proceeds remaining after payment of all the costs of such repair, rebuilding or restoration shall be transferred to the Bond Principal Fund and applied to the payment of principal of the Bonds on the next payment date or dates thereof. In the event such Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the Corporation will nonetheless complete the work thereof and will pay any costs thereof in excess of the amount of said Net Proceeds. The Corporation shall not by reason of the payment of such excess costs be entitled to any reimbursement from the Authority, the Trustee or the Registered Owners of the Bonds or any postponement, abatement or diminution of the Loan Payments and other payments required to be made under this Agreement.

All Net Proceeds of insurance resulting from claims for losses specified in the first sentences of the two preceding paragraphs may be used to redeem Bonds (except as limited

thereby); provided (i) all of the Bonds are to be redeemed in accordance with the Indenture upon exercise of the option to prepay the Loan in full provided for in Article XI hereof; or (ii) in the event that less than all of the Bonds are to be redeemed, the Corporation shall furnish to the Trustee a Consulting Architect's Certificate stating (A) that the property forming a part of the Facility damaged or destroyed is not essential to the Corporation's use or occupancy of the Facility; or (B) that the Facility has been restored to a condition substantially equivalent to its condition prior to the damage or destruction; or (C) that improvements have been acquired which are suitable for operation as a facility (as defined in the Act) on the Land.

Section 7.02. Condemnation and Title Defects. Unless the Corporation shall have exercised its option to prepay the Loan in full pursuant to Article XI hereof, in the event that title to, or the temporary use of, the Facility or any part thereof shall be taken under the exercise of the power of eminent domain or because of a title defect, the Corporation shall be obligated to continue to make the Loan Payments and other payments required to be made under this Agreement. In the event that the Net Proceeds from any award made in such eminent domain proceedings or from any insurance policies purchased pursuant to Section 6.03(a) hereof is less than \$250,000, all of such Net Proceeds shall be paid to the Corporation and shall be held or used by the Corporation for such purposes as the Corporation, in its discretion, may deem appropriate. In the event that the Net Proceeds from any award made in such eminent domain proceedings or from any insurance policies purchased pursuant to Section 6.03(a) hereof is \$250,000 or more, all of such Net Proceeds shall be paid to and held by the Trustee in a separate trust account for the equal benefit of the Registered Owners of the Bonds, to be applied to one or more of the following purposes as shall be directed in writing by the Corporation, with the written consent of the Trustee and the Charter School so long as the Lease is in effect:

(a) the restoration of the Facility to substantially the same condition as it existed prior to such condemnation or without such title defect;

(b) the acquisition, by construction or otherwise, of other improvements suitable for operation as an educational or cultural facility on the Land; and

(c) the redemption of the Bonds; provided that such condemnation award or title insurance proceeds may be applied for such redemption only if (i) all of the Bonds are to be redeemed in accordance with the Indenture upon exercise of the option to prepay the Loan in full provided for in Article XI hereof; or (ii) in the event that less than all of the Bonds are to be redeemed, the Corporation shall furnish to the Authority and the Trustee a Consulting Architect's Certificate stating (A) that the property forming a part of the Facility taken by such condemnation proceedings or lost due to a defect in title is not essential to the Corporation's use or occupancy of the Facility; or (B) that the Facility has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or without such title defect; or (C) that improvements have been acquired which are suitable for the Corporation's operations at the Facility as contemplated by the foregoing subparagraph (b) of the first paragraph of this Section.

In the event the Corporation elects either of the options set forth in subparagraph (a) or (b) of the first paragraph of this Section, the Trustee, upon receipt of a Consulting Architect's

Certificate supervising such repair, rebuilding or restoration that payment is required for such purpose, will apply so much as may be necessary of the Net Proceeds of such condemnation award or title insurance proceeds to payment of the costs of such restoration, acquisition or construction, as the work progresses.

In the event the Corporation elects either of the options set forth in subparagraph (a) or (b) of the first paragraph of this Section, and the Net Proceeds received from eminent domain or title insurance proceeds are insufficient to pay in full the cost of restoring, acquiring or constructing improvements of substantially the same condition as the Facility prior to the taking or without such title defect, the Corporation will nonetheless complete the work thereof and will pay any costs thereof in excess of such Net Proceeds. The Corporation shall not by reason of the payment of such excess costs be entitled to any reimbursement from the Authority, the Trustee or the Registered Owners of the Bonds or any postponement, abatement or diminution of the Loan Payments and other payments required to be made under this Agreement.

Unless the Corporation has exercised its option to prepay the Loan in full pursuant to Article XI hereof, within 90 days from the date of a final order in any eminent domain proceeding granting condemnation or from the date of a taking pursuant to a title defect, the Corporation shall direct the Authority and the Trustee in writing which of the ways specified in this Section the Corporation elects to have the Net Proceeds of the condemnation award or insurance proceeds applied. Any balance of the Net Proceeds of the award in such eminent domain proceedings or insurance proceeds remaining after payment of all the costs of such restoration, acquisition or construction shall be applied to pay or redeem Bonds. The balance to be used to pay or redeem Bonds shall be transferred to the Bond Principal Fund and applied to the payment of the principal of the Bonds on the next payment date or dates thereof.

The Authority shall cooperate fully with the Corporation in the handling and conduct of any prospective or pending condemnation proceedings with respect to the Facility or any part thereof. In no event will the Corporation voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Facility or any part thereof without the written consent of the Authority.

Section 7.03. Corporation Entitled to Certain Net Proceeds. The Corporation shall be entitled to the Net Proceeds of any insurance payment or condemnation award or portion thereof attributable to damage or destruction or takings of its Property not included in the Facility, as reasonably determined by the Trustee.

Section 7.04. No Change in Loan Payments; No Liens. All buildings, improvements and equipment acquired in the repair, rebuilding or restoration of the Facility shall be deemed a part of the Facility and shall be available for use and occupancy by the Corporation, subject to the Lease, without the payment of any payments hereunder other than the Loan Payments and other payments required to be made under this Agreement, to the same extent as if they were specifically described herein; provided that no buildings, improvements or equipment shall be acquired subject to any lien or encumbrance other than Permitted Encumbrances.

Section 7.05. Investment of Net Proceeds. Any Net Proceeds of insurance payments or condemnation awards held by the Trustee pending restoration, repair or rebuilding shall be

invested in Investment Obligations in the same manner as provided in Section 6.01 of the Indenture. Any earnings or profits on such investments shall be considered part of the Net Proceeds.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.01. No Warranty of Condition or Suitability by the Authority. Neither the Authority nor the Trustee makes any warranty, either express or implied, as to the Facility or that the Facility will be suitable for the Corporation's purposes or needs or that the proceeds of the Bonds will be sufficient to pay the Cost of the Project.

Section 8.02. Consolidation, Merger, Sale or Conveyance. The Corporation agrees that during the term of this Agreement it will maintain its corporate existence, will continue to be a nonprofit corporation duly qualified to do business in the State, will not merge or consolidate with any Person, or sell or convey its interest in the Facility except as otherwise permitted in Section 8.15 hereof.

Section 8.03. Further Assurances. The Authority and the Corporation agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement, subject, however, to the terms and conditions of Section 10.04 of the Indenture.

Section 8.04. Audits. In the event that the Lease is terminated or not renewed by the Charter School, the Corporation agrees that it will have its books and records audited annually, commencing with the Fiscal Year in which the termination or non-renewal of the Lease occurs, by an Accountant as soon as practicable after the close of such Fiscal Year, and shall furnish within 180 days after the end of such Fiscal Year to the Authority and the Trustee (provided that neither the Authority nor the Trustee has any obligation to review such audit report) and each rating agency which has rated the Bonds, a copy of the audit report including the Accountant's statement as to the calculation of Gross Revenues certified by such Accountant.

Upon receipt by the Corporation of the Accountant's management letter, if any, the Corporation will notify the Authority and the Trustee, that such management letter has been received and is available for inspection by the Authority and the Trustee, at the offices of the Corporation.

Section 8.05. Financial Statements. The Corporation agrees that it will maintain proper books of records and accounts of the Facility with full, true and correct entries of all of its dealings substantially in accordance with generally accepted accounting principles, and that, in the event that the Corporation receives notice that the Lease will be terminated or not renewed by the Charter School, it will, commencing with the quarter in which such notice is received, furnish to the Authority (upon the Authority's request) and the Trustee, provided the Authority and the Trustee have no obligation to review such quarterly financial reports (which need not be audited) within 60 days after the close of each such quarter including a statement of current fund revenues

and expenses in comparative form with the Corporation's operating budget, and such other data and information as may reasonably be requested by the Authority and the Trustee from time to time. Upon the request of the Authority, the Corporation shall also provide to the Authority additional information concerning the Project and the operations, financial condition and any pending material transactions of the Corporation.

Section 8.06. Release and Indemnification Covenants. The Corporation agrees to protect and defend the Authority, the State, agencies of the State, current, former and future members, directors, servants, officers, employees, and other agents, now or hereafter, of said State or the Authority, the Trustee, and each person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management or policies, now or hereafter, of the State or the Authority (collectively, the "Indemnified Parties" and individually, the "Indemnified Party") and further agrees to release from, pay and hold the Indemnified Parties harmless from and against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and court costs, including those for post-judgment and appellate proceedings), judgments, claims, demands, suits, actions or other proceedings of whatsoever kind or nature including, without limitation, those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of, any person or any damage to property but excluding, with respect to the Authority, those arising or resulting from any intentional misrepresentation or any willful and wanton misconduct of the Authority and, with respect to the Trustee, any negligent act or willful misconduct of the Trustee, in any manner directly or indirectly (in any case, whether or not by the Corporation or its successors and assigns, or directly or indirectly through the agents, contractors, employees, licensees or otherwise of the Corporation or its successors and assigns) by any persons or entity whatsoever except the Authority, arising or purportedly arising from this Agreement, the Indenture, the Tax Regulatory Agreement, including, without limitation, any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable or any regulatory audit or inquiry regarding whether interest in the Bonds is taxable, the Bonds, the initial and any subsequent offers and sales of the Bonds, or the transactions contemplated thereby, the Project and the ownership or the operation by the Corporation of its Property and the Facility, the breach or violation of or any material inaccuracy or material omission in any agreement, covenant, representation or warranty of the Corporation set forth herein or in any document delivered pursuant hereto, the presence of any Hazardous Substances or underground storage tanks on or under the Property or the Facility or any escape, seepage, leakage, spillage, discharge, emission or release of any Hazardous Substances from the Property or the Facility, any liens against the Facility or Property permitted under or imposed by any Environmental Requirement, or any violation or actual or asserted liability or obligations of the Corporation under any Environmental Requirement, regardless of whether or not caused by, or within the control of, the Corporation, any actual or asserted liability or obligations of the aforesaid persons under any Environmental Requirement relating to the Facility or Property, regardless of whether or not caused by, or within the control of, the Corporation or any action or failure to act by an Indemnified Party with respect to any of the foregoing.

Any Indemnified Party shall give prompt written notice to the Corporation with respect to matters with respect to which indemnification pursuant to this Section is applicable. If the Corporation is not provided written notice of any such claim or demand, or if the Corporation is not afforded reasonable opportunity to participate in any such matter by reason of any action or

inaction of the Indemnified Party, the Corporation shall have no liability to such Indemnified Party under this Section with respect to such matter to the extent the Corporation has been prejudiced thereby. The Corporation shall not be liable for any settlement of any such lawsuit or other matter effected without the consent of the Corporation. An Indemnified Party shall have the right to employ, at the Corporation's expense, separate counsel in any lawsuit only if the Indemnified Party reasonably concludes that a potential conflict of interest exists between such Indemnified Party and the Corporation or unless the Corporation does not promptly assume the defense of any such action. All covenants, stipulations, promises, agreements, and obligations of the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements, and obligations of the Authority and not of any current, future or former member, director, officer, employee, or other agent of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any current, future or former member, director, officer, employee, or other agent of the Authority or any natural person executing the Bonds.

The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of this Agreement for any reason.

The foregoing release, protection, defense, hold harmless and indemnification provisions shall not apply to any claim, proceeding or action instituted by the Corporation against an Indemnified Party relating to any warranty, representation, covenant or obligation of such Indemnified Party under this Agreement, the Indenture or the Lease if it is ultimately determined by a court or government agency (from which an appeal is not available or with respect to which the time for appeal has expired) that such Indemnified Party breached or violated any such warranty, representation, covenant or obligation.

Notwithstanding the foregoing, the Charter School shall not be considered an "Indemnified Party" for purposes of this Section.

Section 8.07. Authority of Authorized Representative of the Corporation. Whenever under the provisions of this Agreement or the Indenture the approval of the Corporation is required, or the Authority or the Trustee is required to take some action at the request of the Corporation, such approval or such request shall be made by the Authorized Representative of the Corporation unless otherwise specified in this Agreement or the Indenture. The Authority or the Trustee shall be authorized to act on any such approval or request and the Corporation shall have no complaint against the Authority or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Agreement or the Indenture by an Authorized Representative of the Corporation shall be on behalf of the Corporation and shall not result in any personal liability of such Authorized Representative.

Section 8.08. Authority of Authorized Representative of the Authority. Whenever under the provisions of this Agreement or the Indenture the approval of the Authority is required, or the Corporation or the Trustee is required to take some action at the request of the Authority, such approval or such request shall be made by the Authorized Representative of the Authority

unless otherwise specified in this Agreement or the Indenture. The Corporation or the Trustee shall be authorized to act on any such approval or request and the Authority shall have no complaint against the Corporation or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Agreement or the Indenture by an Authorized Representative of the Authority shall be on behalf of the Authority and shall not result in any personal liability of such Authorized Representative.

Section 8.09. Licenses and Qualifications. The Corporation will do, or cause to be done, all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals and to comply, or cause its lessees to comply, with such permits, licenses and other governmental approvals necessary for operation of the Facility as a facility (as defined in the Act) (subject, however, to Section 8.11 hereof).

Section 8.10. Maintenance of Gross Revenues. So long as any Bonds are Outstanding, the Corporation covenants and agrees to manage the Facility on a revenue-producing basis. The Corporation also covenants during such period to use its best efforts to fix, revise (subject to the terms and provisions of the Lease and any other leases and other contractual commitments permitted hereunder), charge and collect such reasonable charges for the use and occupancy of the Facility, in amounts so that the Corporation shall receive Gross Revenues in each Fiscal Year that are sufficient to pay (a) currently all of the Corporation's expenses during such Fiscal Year for the operation, maintenance and repair of the Facility; (b) all payments under this Agreement; and (c) all other obligations imposed by this Agreement upon the Corporation payable during such Fiscal Year; provided, however, in the event that the Lease is no longer in effect, the Corporation shall not be deemed to be in default under this Section if the Gross Revenues in each Fiscal Year are not sufficient to make such payments so long as the Corporation provides the Authority and the Trustee with a report of a Consultant stating that the charges being fixed and collected by the Corporation for the use and occupancy of the Facility reflect current market charges for such use and occupancy. Notwithstanding the foregoing, the parties hereto agree that so long as Base Rents and Additional Rents (as defined in the Lease) are being paid and applied as provided in the Lease, this Agreement and the Indenture, the Corporation shall be deemed to be in compliance with the requirements of this Section 8.10.

Section 8.11. Lease of the Facility. The Corporation shall have the right to lease all or any part of the Facility pursuant to the Lease or, subject to the written consent of the Authority any future leases or subleases; provided, however, that the Corporation shall provide to the Authority and the Trustee an opinion of a nationally recognized bond counsel acceptable to the Authority that such lease will not adversely affect the tax-exempt status of the Bonds, and that the terms and provisions of any future leases or subleases or any future amendments or supplements to the Lease will allow the Corporation to comply with the provisions of this Agreement and contain the restrictions upon the use of the Facility contained in Sections 2.02(d) and 8.12 of this Agreement and will contain substantially similar provisions to Section 10.07 of the Lease; and provided further, in the event that direct payment of Base Rents are not being made to the Trustee in accordance with the requirements of Section 5.06 hereof, such future leases or subleases must provide for rental payments to be made directly to the Trustee to the extent of then current payments required under Section 5.02(a) hereof. Other than leases or

subleases permitted by this Section or as provided in Section 8.15 hereof, the Corporation agrees that it will not sell or otherwise dispose of the Facility.

Section 8.12. Nonsectarian Use. The Corporation agrees that, in the absence of the receipt by the Authority and the Trustee of a written opinion of nationally recognized municipal bond counsel acceptable to the Authority to the effect that such use will not affect adversely the exclusion from gross income for federal income tax purposes of interest on the tax-exempt Bonds, no proceeds of the tax-exempt Bonds shall be used to acquire, construct, install, or refinance any facilities which are intended to be used primarily for sectarian purposes. The Corporation will comply with all applicable state and federal laws concerning discrimination on the basis of race, creed, color, sex, sexual orientation, national origin, or religious belief and will respect, permit, and not interfere with the religious beliefs of persons working for the Corporation.

Section 8.13. Limitations on Incurrence of Additional Indebtedness. The Corporation shall not after the date hereof incur any additional Indebtedness that does not exist as of the date hereof secured in whole or in part by the Facility or the Gross Revenues.

Section 8.14. No Default Certificate. Within 90 days after the end of each Fiscal Year, the Corporation shall furnish to the Authority and the Trustee certificates of an Authorized Representative of the Corporation stating that no Event of Default under Section 10.01 hereof has occurred and is continuing and that he has no knowledge of an event which with the passage of time or the giving of notice, or both, would constitute an Event of Default under Section 10.01 hereof or an Event of Default under the Indenture, or describing any such Event of Default or event known to him.

Section 8.15. Release of Land. The Corporation, with the consent of the Charter School so long as the Lease is in effect, shall have the right to release portions of the Land from the lien of this Agreement provided that (a) no portion of the Building is located on such portion of the Land to be released; (b) such portion of the Land to be released is not necessary to the use, zoning or operation of the Building; (c) the Corporation pays to the Trustee for the payment or redemption of Bonds an amount (rounded up to the next \$5,000) equal to the fair market value (as determined in a written report of an independent appraiser who is a Member of the Appraisal Institute (MAI) (an "Appraiser")) of such Land to be released and provides the Trustee with irrevocable instructions to hold such funds in trust until the first available optional redemption date and pay or redeem Bonds in a principal amount equal to such payment on the first available redemption date; (d) after such release the fair market value of the Facility (as determined in a written report by an Appraiser) is equal to or greater than the amount of Bonds Outstanding immediately after such release; and (e) the Corporation provides the Authority and the Trustee with a written opinion of nationally recognized municipal bond counsel selected by the Corporation and acceptable to the Authority to the effect that such disposition will not adversely affect the validity of the Bonds or the exclusion from gross income for federal income tax purposes of the interest paid on the tax-exempt Bonds which opinion may rely on the related opinion of independent counsel as to matters set forth therein. Any counsel fees incurred in obtaining any such opinion shall be paid by the Corporation. Upon compliance with the provisions of this Section, Exhibit A hereto shall be amended to reflect the removal of such portion of the Land and the Authority and the Trustee shall execute and deliver all necessary

amendments hereto and releases necessary to remove such portion of the Land from the lien of this Agreement and the Deed of Trust.

Section 8.16. Limitations on Liens. The Corporation covenants that except as specifically provided in this Agreement, it shall not create, assume, incur or suffer to be created, assumed or incurred any Liens on the Facility (other than Permitted Encumbrances).

Section 8.17. Compliance With the Continuing Disclosure Agreement. The Corporation shall comply with Rule 15c2-12 of the Regulations under the Securities Exchange Act of 1934, as amended, and the disclosure requirements set forth in the Continuing Disclosure Agreement, dated as of December 21, 2015, by and between the Corporation and UMB Bank, n.a.

ARTICLE IX

ASSIGNMENT AND PLEDGING; REDEMPTION OF BONDS; ACKNOWLEDGEMENT OF LEASE

Section 9.01. Assignment by Corporation. This Agreement may not be assigned by the Corporation.

Section 9.02. Redemption of Bonds; Transfer of Facility. Upon the agreement of the Corporation to deposit moneys into the Bond Principal Fund and the Bond Interest Fund in an amount sufficient to redeem Bonds subject to redemption, the Trustee, at the written request of the Corporation and subject to Article V of the Indenture, shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds on the redemption date. At such time as the Bonds are no longer Outstanding, the Corporation covenants and agrees under the Agreement to transfer and convey fee simple title and its ownership interest in the Facility to the Charter School; provided however, if the Lease has been terminated or not renewed, or the Charter School is no longer existing as or operating as a public charter school, the Corporation covenants and agrees to transfer and convey fee simple title and its ownership interest in the Facility to (a) a governmental unit; or (b) an organization described under Section 501(c)(3) of the Code. Prior to the transfer and conveyance of fee simple title and ownership interest in the Facility to an organization described under Section 501(c)(3) of the Code, the Corporation shall obtain an approving opinion of nationally recognized bond counsel stating that such transfer and conveyance will not adversely effect the exclusion from gross income for federal income tax purposes of interest on the tax-exempt Bonds.

Section 9.03. Acknowledgement of the Lease. The parties to this Agreement acknowledge the Lease and the terms and provisions thereof and the Corporation's present expectation that some or all of the requirements of this Agreement will be complied with by action of the Charter School pursuant to the Lease and that the Charter School's compliance with the terms and provisions of the Lease will fulfill some or all of the Corporation's requirements under this Agreement, and that the Corporation may also comply with such requirements by

contract with future lessees under other leases; provided, however, such acknowledgements shall not in any way release the Corporation from any of its requirements under this Agreement.

Section 9.04. Assignment of the Lease. The Corporation hereby assigns all of its rights and interests in the Lease to the Authority. The Authority shall subsequently assign certain of such rights and interests in and under the Lease to the Trustee pursuant to the Indenture and the Deed of Trust as security for payment of the principal of, premium, if any, and interest on the Bonds. The Corporation hereby consents to such assignment.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Events of Default Defined. The following shall be “Events of Default” under this Agreement and the term “Event of Default” shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) failure by the Corporation to pay the Loan Payments required to be paid under Section 5.02(a) hereof and continuation thereof for a period of five days;

(b) failure by the Corporation to make payments into the Bond Reserve Fund required to be paid under Section 5.02(b) hereof when the same shall become due and payable;

(c) the occurrence of an “Event of Default” under the Deed of Trust;

(d) failure by the Corporation to observe and perform any covenant, condition or agreement on its part to be observed or performed herein other than as referred to in subsection (a) through (c) of this Section, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Corporation by the Authority or the Trustee; provided, with respect to any such failure covered by this subsection (d), no Event of Default shall be deemed to be continuing so long as a course of action to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby;

(e) the dissolution or liquidation of the Corporation, or failure by the Corporation promptly to lift any execution, garnishment, or attachment of such consequence as will impair its ability to meet its obligations with respect to the Facility or to make any payments under this Agreement;

(f) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Corporation in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and

the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(g) the commencement by the Corporation of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Corporation or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of the Corporation generally to pay its debts as such debts become due, or the taking of corporate action by the Corporation in furtherance of any of the foregoing;

(h) an “event of default” has occurred and is continuing under the Lease; or

(i) an “event of default” has occurred under the Tax Regulatory Agreement or the Indenture.

The foregoing provisions of subsection (d) of this Section are subject to the following limitations: If by reason of force majeure the Corporation is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the Corporation contained in Article V and in Sections 4.07, 4.08, 6.02, 6.03, 8.06, 8.12 and 10.04 hereof, the Corporation shall not be deemed in default during the continuance of such inability. The term “force majeure” as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, or officials, or any civil or military authority, including, without limitation, insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; any disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Corporation, but specifically excluding loss of the Charter School’s Charter through action of the Charter Authorizer. The Corporation agrees, however, if possible, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Corporation, and the Corporation shall not be required to make settlement of strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Corporation unfavorable to the Corporation.

Section 10.02. Remedies on Default. Whenever any Event of Default referred to in Section 10.01 hereof, shall have occurred and is continuing, the Authority, or the Trustee where so provided herein, may take any one or more of the following remedial steps:

(a) The Trustee (acting as assignee of the Authority) or the Authority (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may declare the Loan Payments payable hereunder for the

remainder of the term of this Agreement to be immediately due and payable, whereupon the same shall become due and payable.

(b) The Trustee may take any action permitted under the Indenture with respect to an Event of Default thereunder.

(c) The Trustee (acting as assignee of the Authority) or the Authority (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture may exercise its rights under the Deed of Trust and any assignment of the Lease, including, without limitation, the right to foreclose on the Facility under the Deed of Trust, and may realize upon the security interest in the Gross Revenues and may exercise all the rights and remedies of a secured party under the Colorado Uniform Commercial Code with respect thereto.

(d) The Trustee (acting as assignee of the Authority) or the Authority (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture or the Deed of Trust may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements, or covenants of the Corporation under this Agreement.

Notwithstanding the foregoing, prior to the exercise by the Authority or the Trustee of any remedy that would prevent the application of this paragraph, the Corporation may, at any time, pay all accrued payments hereunder (exclusive of any such payments accrued solely by virtue of declaration pursuant to subsection (a) of the first paragraph of this Section) and fully cure all defaults, and in such event, the Corporation shall be fully reinstated to its position hereunder as if such Event of Default had never occurred.

In the event that the Corporation fails to make any payment required hereby, the payment so in default shall continue as an obligation of the Corporation until the amount in default shall have been fully paid.

Any proceeds received by the Authority or the Trustee from the exercise of any of the above remedies, after reimbursement of any costs incurred by the Authority or the Trustee in connection therewith, shall be applied by the Trustee in accordance with the provisions of the Indenture.

If the Authority or the Trustee shall have proceeded to enforce their rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Authority or the Trustee, then and in every such case, the Corporation, the Authority and the Trustee shall be restored to their respective positions and rights hereunder, and all rights, remedies and powers of the Corporation, the Authority and the Trustee shall continue as though no such proceedings had been taken.

Section 10.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by

statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required herein or by applicable law. Such rights and remedies given the Authority hereunder shall also extend to the Trustee and the Registered Owners of the Bonds, subject to the Indenture.

Section 10.04. Agreement To Pay Attorneys' Fees and Expenses. In the event the Corporation should breach any of the provisions of this Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of Loan Payments or the enforcement of performance or observance of any obligation or agreement on the part of the Corporation herein contained, the Corporation agrees that it will on demand therefor pay to the Authority or the Trustee, as the case may be, the reasonable fee of such attorneys and such other reasonable expenses incurred by the Authority or the Trustee. The obligations of the Corporation arising under this Section shall continue in full force and effect notwithstanding the final payment of the Bonds or the termination of this Agreement for any reason.

Section 10.05. Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Authority's rights in and under this Agreement to the Trustee under the Indenture, the Authority shall retain its rights under Sections 5.02(f), 8.06, 10.04, 12.10 and 12.11 hereof and its right to receive certain reports and perform certain discretionary acts as described herein, but shall have no power to waive any Event of Default hereunder without the consent of the Trustee. Notwithstanding the foregoing, a waiver of an Event of Default under the Indenture or a rescission of a declaration of acceleration of the Bonds and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under this Agreement and a rescission and annulment of its consequences; provided, that no such waiver or rescission shall extend to or affect any subsequent or other default hereunder or impair any right consequent thereon.

Section 10.06. Reserved.

Section 10.07. No Duty To Mitigate Damages. The Authority shall not be required to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Corporation if any Event of Default shall occur hereunder.

ARTICLE XI

PREPAYMENT OF THE LOAN

Section 11.01. General Option To Prepay the Loan. The Corporation shall have and is hereby granted the option exercisable at any time to prepay all or any portion of the Loan by depositing with the Trustee an amount of money or securities to the extent permitted by Section 7.01 of the Indenture the principal and interest on which when due, will be equal to (giving effect to the credit, if any, provided by Section 11.03 hereof) an amount sufficient to pay the principal

of (in Authorized Denominations), premium, if any, and interest on any portion of the Bonds then Outstanding under the Indenture. The exercise of the option granted by this Section shall not be cause for redemption of Bonds unless such redemption is permitted at that time under the provisions of the Indenture and the Corporation specifies the date for such redemption. In the event the Corporation prepays all of the Loan pursuant to this Section, pays all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds as a result of such prepayment and all of its liabilities accrued and to accrue hereunder to the Authority through final payment of the Bonds as a result of such prepayment, and all other amounts due hereunder have been paid in full, then this Agreement shall terminate except as otherwise provided herein.

Section 11.02. Obligation To Prepay the Loan. All amounts due hereunder shall become immediately due and payable, without notice or demand, upon a Determination of Taxability and the Corporation shall thereafter have the immediate obligation to prepay all amounts due under this Agreement and the Loan with respect to the Bonds in whole, and not in part.

Section 11.03. Prepayment Credits. In the event of prepayment by the Corporation of the Loan in whole, the amounts then contained in the Bond Principal Fund, Bond Interest Fund, Issuance Expense Fund and Bond Reserve Fund shall be credited first to the Rebate Fund so that it is fully funded for the final payment to the federal government and then against the Corporation's prepayment obligation.

Section 11.04. Notice of Prepayment. In order to exercise the option granted by this Article, the Corporation shall give written notice to the Trustee which shall specify therein the date of making the prepayment, which date shall be not less than 45 days nor more than 90 days from the date the notice is mailed, unless such notice or time period is waived by the Trustee. In the case of any prepayment pursuant to this Article, the Corporation shall make arrangements with the Trustee for giving the required notice of redemption, if any, of any Bonds to be redeemed.

Section 11.05. Use of Prepayment Moneys. By virtue of the assignment of the rights of the Authority under this Agreement to the Trustee, the Corporation agrees to and shall pay any amount required to be paid by it under this Article directly to the Trustee (other than amounts to be paid to the Authority for its own account). The Trustee shall use the moneys so paid to it by the Corporation (other than amounts to be paid to the Trustee for its own account) as provided in this Agreement and in the Indenture.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when (a) mailed by certified or registered mail, postage prepaid; (b) deposited with any nationally recognized overnight delivery service that routinely issues receipts; or (c) personally delivered by any courier service that routinely issues receipts: if to the Authority, at 1981 Blake Street, Denver, Colorado 80202, Attention:

Executive Director, Colorado Educational and Cultural Facilities Authority; if to the Corporation, to Monarch Building Corporation, 4895 Peoria Street, Denver, Colorado 80239, Attention: President; if to the Charter School, to Monarch Montessori of Denver Charter School, 4895 Peoria Street, Denver, Colorado 80239, Attention: Executive Director; and if to the Trustee, at UMB Bank, n.a., 1670 Broadway, Denver, Colorado 80202, Attention: Corporate Trust & Escrow Services. A duplicate copy of each notice, certificate or other communication given hereunder by the Authority or the Corporation shall also be given to the Trustee. The Authority, the Corporation or the Trustee may, by notice hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.02. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority and the Corporation, and their respective successors and assigns, subject, however, to the limitations contained in Sections 9.01, 9.04 and 12.10 hereof.

Section 12.03. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.04. Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Funds upon expiration of the term of this Agreement shall belong to and be paid to the Corporation by the Trustee.

Section 12.05. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or in the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee.

Section 12.06. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.07. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State.

Section 12.08. Filing. The Corporation shall cause the Deed of Trust on the Facility granted by this Agreement to be recorded with the county clerk of the City and County of Denver, Colorado, as specified in each of the Deed of Trust. In addition, the Corporation shall cause the security interest in the rights to receive the Gross Revenues, the Funds and trust accounts referred to in Section 5.01 hereof granted to the Authority, the assignment of such security interest to the Trustee and the security interests otherwise described in this Agreement granted to the Trustee to be perfected by the filing of financing statements which fully comply with the Colorado Uniform Commercial Code in the office of the Secretary of State, the office of the Clerk and Recorder of the City and County of Denver, Colorado, and in such other office as is at the time provided by law as the proper place for the filing thereof. The parties further agree that all necessary continuation statements shall be filed by the Trustee, at the expense of and with the cooperation of the Corporation within the time prescribed by the Colorado Uniform Commercial Code in order to continue such security interests.

Section 12.09. Cancellation at Expiration of Term of Agreement. Upon the expiration of the term of this Agreement, the Authority shall deliver to the Corporation any documents and take or cause the Trustee to take such actions as may be necessary to evidence the termination of this Agreement and the discharge of the lien hereof under the Deed of Trust.

Section 12.10. No Pecuniary Liability of Authority. No provision, covenant, or agreement contained in this Agreement, or any obligations herein imposed upon the Authority, or the breach thereof, shall constitute an indebtedness or liability of the Authority within the meaning of any Colorado constitutional provision or statutory limitation or shall constitute or give rise to a pecuniary liability of the Authority or any director, member, employee, officer or agent of the Authority from time to time or a charge against the Authority's general credit. In making the agreements, provisions and covenants set forth in this Agreement, the Authority has not obligated itself except with respect to the application of the revenues, as hereinabove provided.

Section 12.11. No Personal Liability of Officials of the Authority, the Corporation or the Trustee. None of the covenants, stipulations, promises, agreements and obligations of the Authority or the Corporation contained herein shall be deemed to be covenants, stipulations, promises, agreements or obligations of any director, officer, agent or employee of the Authority or the Corporation in his or her individual capacity, and no recourse shall be had for the payment of the principal of or premium, if any, or interest on the Bonds or for any claim based thereon or any claim hereunder against any director, officer, agent or employee of the Authority from time to time or the Corporation, or any natural person executing any Bond, including any officer or employee of the Trustee.

Section 12.12. Prior Agreements Superseded. This Agreement, together with all agreements executed by the parties concurrently herewith or in conjunction with the initial issuance of the Bonds, shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Authority and the Corporation relating to the Bonds, the lending of money and the Project.

Section 12.13. Covenant by the Corporation with Respect to Statements, Representations and Warranties. It is understood by the Corporation that all such statements, representations and warranties made in this Agreement shall be deemed to have been relied upon by the Authority as an inducement to issue the Bonds, and that if any such statements, representations and warranties were false at the time they were made or (with respect to those representations and warranties which are to continue) are breached during the term hereof, such misrepresentation or breach shall constitute a breach of this Agreement which may give rise to an Event of Default hereunder.

Section 12.14. Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Agreement.

Section 12.15. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, is not a Business Day such payments may be made or act performed or right exercised on the next

succeeding Business Day unless otherwise provided herein, with the same force and effect as if done on the nominal date provided in this Agreement.

Section 12.16. Consent. Any consent or approval of the Authority or the Trustee required pursuant to this Agreement shall be in writing and shall not be unreasonably withheld, conditioned, or delayed. If such consent or approval is withheld, the Authority or the Trustee, as applicable, shall state its reasons in writing.

Section 12.17. Effective Date. This Agreement has been dated for convenience purposes only. Notwithstanding the stated date of this Agreement, this Agreement shall be effective on the date of funding of the Loan.

Section 12.18. No Violations of Law. Any other term or provision in this Agreement to the contrary notwithstanding, (a) in no event shall this Agreement be construed as (i) depriving the Authority of any right or privilege; or (ii) requiring the Authority or any director, agent, employee, representative, or advisor of the Authority to take or omit to take, or to permit or suffer the taking of, any action by itself or by anyone else, which deprivation or requirement would violate, or result in the Authority's being in violation of the Act or any other applicable state or federal law; and (b) at no time and in no event will the Corporation permit, suffer or allow any of the proceeds of the Bonds to be transferred to any Person in violation of, or to be used in any manner which is prohibited by, the Act or any other state or federal law.

Section 12.19. Maintenance of Records. The Corporation will maintain records relating to the use of the proceeds of the Bonds and the use and operation of the Facility for a period of four years after the later of (i) payment in full of the Bonds or (ii) payment in full of any bonds issued to refund the Bonds.

Section 12.20. Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

IN WITNESS WHEREOF, the Authority and the Corporation have caused this Agreement to be executed in their respective corporate names and to be attested by their duly authorized officers, all as of the date first above written.

COLORADO EDUCATIONAL AND
CULTURAL FACILITIES AUTHORITY

By _____
Assistant Vice Chair

[SEAL]

Attest:

By _____
Executive Director

MONARCH BUILDING CORPORATION

By _____
President

Attest:

By _____
Secretary

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2015, by Dan Willson, as Vice Chair of the Colorado Educational and Cultural Facilities Authority, an independent public body politic and corporate constituting a public instrumentality and by Mark Heller, as Executive Director of the Colorado Educational and Cultural Facilities Authority, an independent public body politic and corporate constituting a public instrumentality.

Witness my hand and official seal.

Notary Public for the State of Colorado

(SEAL)

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2015, by _____, as President, and _____, as Secretary, of Monarch Building Corporation, a Colorado nonprofit corporation.

Witness my hand and official seal.

Notary Public for the State of Colorado

(SEAL)

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

LEGAL DESCRIPTION

A PART OF LOT 1, BLOCK 6, OF MONTBELLO NO. 36, CITY AND COUNTY OF DENVER, STATE OF COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE SOUTH LINE OF THE SOUTHEAST 1/4 OF SECTION 14, TOWNSHIP 3 SOUTH, RANGE 67 WEST OF THE 6th PRINCIPAL MERIDIAN AND THE EAST LINE OF SAID LOT 1;

THENCE NORTHERLY ALONG THE EAST LINE OF SAID LOT 1 A DISTANCE OF 81.35 FEET TO THE POINT OF BEGINNING;

THENCE ON AN ANGLE TO THE LEFT OF 90 DEGREES 00 MINUTES 00 SECONDS, A DISTANCE OF 78.27 FEET;

THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS, A DISTANCE OF 156.49 FEET;

THENCE ON AN ANGLE TO THE LEFT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 100.07 FEET;

THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 212.02 FEET;

THENCE ON AN ANGLE TO THE LEFT OF 89 DEGREES 36 MINUTES 03 SECONDS A DISTANCE OF 251.17 FEET TO THE WEST LINE OF SAID LOT 1;

THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 375.73 FEET ALONG THE WEST LINE OF SAID LOT 2. TO A POINT OF CURVATURE;

THENCE ALONG THE ARC OF A CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 89 DEGREES 59 MINUTES 37 SECONDS, A RADIUS OF 30.00 FEET, AND AN ARC LENGTH OF 47.12 FEET TO A POINT OF TANGENCY ON THE NORTH LINE OF SAID LOT 1;

THENCE ALONG THE NORTH LINE OF SAID LOT 1 A DISTANCE OF 366.89 FEET TO A POINT OF CURVATURE;

THENCE ALONG THE ARC OF A CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 89 DEGREES 36 MINUTES 26 SECONDS, A RADIUS OF 30.00 FEET, AND AN ARC LENGTH OF 46.92 FEET TO A POINT OF TANGENCY ON THE EAST LINE OF SAID LOT 1;

THENCE ALONG THE EAST LINE OF SAID LOT 1 A DISTANCE OF 743.26 FEET TO
THE POINT OF BEGINNING.

EXHIBIT B

DESCRIPTION OF THE PROJECT

EXHIBIT B to Loan and Security Agreement, dated as of December 1, 2015 (the “Agreement”), by and between the Colorado Educational and Cultural Facilities Authority and Monarch Building Corporation. Capitalized terms are defined in the Agreement.

The Project includes funding the Bond Reserve Fund, funding capitalized interest on the Bonds, paying the costs of issuing the Bonds; advance refunding of the Series 2007 Bonds, and constructing improvements to the Facility.

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EXHIBIT C

FORM OF PROJECT FUND REQUISITION CERTIFICATE

Request No. _____

Date: _____

PROJECT FUND REQUISITION CERTIFICATE

TO: UMB BANK, N.A. (THE "TRUSTEE") AS TRUSTEE UNDER AND PURSUANT TO THE INDENTURE OF TRUST, DATED AS OF DECEMBER 1, 2015, BY AND BETWEEN THE COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY (THE "AUTHORITY") AND THE TRUSTEE, AND THE LOAN AND SECURITY AGREEMENT, DATED AS OF DECEMBER 1, 2015 (THE "AGREEMENT"), BY AND BETWEEN THE AUTHORITY AND MONARCH BUILDING CORPORATION (THE "CORPORATION").

The undersigned Authorized Representative of the Corporation hereby requests that the following amounts be paid to the following payees for the following costs of the construction of the Facility (as defined in said Agreement) (the "Costs"):

Payee and Address	Amount	Description
--------------------------	---------------	--------------------

The Corporation has attached hereto a copy of each payee's Form W-9 or Form W-8 as applicable (to the extent not previously provided). The Corporation further acknowledges the Trustee cannot issue payment pursuant to this requisition until the Trustee has received a valid Form W-9 or Form W-8.

The undersigned Authorized Representative of the Corporation hereby states and certifies that: (i) none of the items for which the payment or reimbursement is proposed to be made has been the subject of any payment or reimbursement theretofore made from the Project Fund; (ii) the item(s) for which payment or reimbursement is sought is or was reasonable and necessary in connection with the costs of the construction and/or equipping of the Facility, and in all cases is a proper charge against the Project Fund; (iii) upon payment or reimbursement of the amount requested in this Requisition Certificate, the amount remaining in the Project Fund, together with other legally available moneys of the Corporation, if any, will be sufficient to pay the portion of the costs of the construction and/or equipping of the Facility then unpaid; (iv) all previously disbursed amounts from the Project Fund have been spent, or used for reimbursement of amounts spent, in accordance with the related requisition thereto; and (v) no Event of Default under the Agreement has occurred or is continuing or will occur as a result of the payment on this Requisition Certificate.

MONARCH BUILDING CORPORATION

By _____
Authorized Representative

**DEED OF TRUST,
ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

Dated as of December 1, 2015

MONARCH BUILDING CORPORATION
("Grantor")

to

**THE PUBLIC TRUSTEE IN AND FOR THE CITY AND COUNTY OF DENVER,
COLORADO**

for the benefit of

UMB BANK, N.A.
("Beneficiary")

NOTICE: THIS INSTRUMENT COVERS REAL PROPERTY AND PERSONAL PROPERTY AND FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN AND IS TO BE FILED FOR RECORD IN THE RECORDS WHERE DEEDS OF TRUST ON REAL ESTATE ARE RECORDED. IN ADDITION, THIS INSTRUMENT SHOULD BE APPROPRIATELY INDEXED NOT ONLY AS A DEED OF TRUST, BUT ALSO AS A FINANCING STATEMENT COVERING PERSONAL PROPERTY AND GOODS THAT ARE TO BECOME FIXTURES (EXCEPT AS EXPRESSLY EXCLUDED HEREIN) ON THE REAL PROPERTY DESCRIBED HEREIN. THE MAILING ADDRESS OF THE GRANTOR (DEBTOR) AND LENDER (SECURED PARTY) ARE SET FORTH IN THIS INSTRUMENT.

Prepared by and after recording, return to:
Kutak Rock LLP
Attn: Hester M. Parrot, Esq.
1801 California Street, Suite 3000
Denver, CO 80202-2626

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**DEED OF TRUST,
ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Deed of Trust") is given as of December 1, 2015, by the Grantor named below to the Trustee named below, for the use and benefit of the Beneficiary named below.

**ARTICLE 1
PARTIES, PROPERTY AND DEFINITIONS**

Capitalized terms used in this Deed of Trust shall have the meanings given such terms where parenthetically defined or as set forth in this Article 1 and if not defined herein, shall have the meanings set forth in the Loan and Security Agreement, dated as of December 1, 2015 (the "Agreement"), by and between the Colorado Educational and Cultural Facilities Authority and Monarch Building Corporation. The following terms and references shall have the meanings indicated:

1.1 **Grantor:** Monarch Building Corporation, a Colorado nonprofit corporation, whose notice address is 4895 Peoria Street, Denver, Colorado 80239, and whose Colorado organizational identification number is 20151738820, and whose tax identification number is [_____], together with any future owner of the Premises or any part thereof or interest therein.

1.2 **Beneficiary:** UMB Bank, n.a., Attention: Corporate Trust Department, 1670 Broadway, Ste 100, Denver, Colorado 80202, together with any future trustee as defined under the Indenture of Trust, dated as of December 1, 2015 (the "Indenture"), by and between Colorado Educational and Cultural Facilities Authority and Beneficiary, as trustee thereunder.

1.3 **Trustee:** The Public Trustee of the City and County of Denver, State of Colorado.

1.4 **Evidence of Debt:** Grantor's obligations under the Agreement dated as of even date herewith, in the original principal amount of EIGHT MILLION, EIGHT HUNDRED AND FIFTEEN THOUSAND DOLLARS (\$8,815,000). All terms and provisions of the Secured Obligations under the Agreement are incorporated by this reference in this Deed of Trust.

1.5 **Premises:** The Premises shall mean all of Grantor's right, title and interest in and to real property located in the County of Denver, State of Colorado more particularly described on Exhibit A attached hereto, and each incorporated herein by this reference, (the "Real Property"), subject to the Permitted Exceptions listed in Exhibit B hereto, together with the following:

1.5.1 All buildings, structures, and improvements now or hereafter located thereon, as well as all rights-of-way, easements, and other appurtenances thereto;

1.5.2 All plans, permits, contracts and entitlements in or relative to the Real Property;

1.5.3 All machinery, apparatus, equipment, fittings, and fixtures (whether actually or constructively attached, and including all trade, domestic, and ornamental fixtures) now or hereafter located in, upon, or under the Real Property or improvements on the Real Property and used or usable in connection with any present or future operation thereof, including, but not limited to, all heating, air-conditioning, freezing, lighting, laundry, incinerating and power equipment, engines, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, and communications apparatus, boilers, water heaters, ranges, furnaces and burners, appliances, vacuum cleaning systems, elevators, escalators, shades, awnings, screens, storm doors and windows, stoves, refrigerators, attached cabinets, partitions, ducts and compressors, rugs and carpets, draperies, and all additions thereto and replacements therefor and excluding any personal property or fixtures owned by any tenant leasing the Real Property;

1.5.4 All of Grantor's right, title, and interest in any award or payment, including interest thereon, resulting from the exercise of any right of eminent domain or any other public or private taking of, injury to, or decrease in the value of, any of such property and any proceeds of insurance;

1.5.5 All other or greater rights and interests of every nature in the Real Property and in the possession or use thereof and income therefrom, whether now owned or subsequently acquired by Grantor;

1.5.6 All other personal property, interests and intangibles pledged to Beneficiary by Grantor under the Agreement; and

1.5.7 All proceeds of any of the foregoing, which term "proceeds" shall have the meaning given to it under the Code and shall additionally include whatever is received upon the use, lease, sale, exchange, transfer, collection or other utilization or any disposition or conversion of any of the foregoing, voluntary or involuntary, whether cash or non-cash, including proceeds of issuance, rental or lease payments, accounts, chattel paper, instruments, documents, contracts, rights, general intangibles, equipment and inventory.

1.6 **Chattels:** All goods, fixtures, building and other materials, supplies, and other tangible personal property of every nature now owned or hereafter acquired by Grantor and used, intended for use, or usable in the construction and development of the Premises, together with all accessions thereto, replacements and substitutions therefor, and proceeds thereof.

1.7 **Intangible Personality:** All accounts and all plans, specifications, licenses, permits, and other general intangibles (whether now owned or hereafter acquired, and including proceeds thereof) relating to or arising from Grantor's ownership, use, operation, leasing, or sale of all or any part of the Premises.

1.8 **Loan Documents:** The Agreement, the Indenture, the Bonds issued under and pursuant to the Indenture, this Deed of Trust, any financing statements executed or otherwise authorized in connection herewith, and each other document executed or delivered by Grantor as security for the Secured Obligations under the Agreement or in connection with the transactions under the Agreement have been completed and the Bonds issued under the Indenture have been executed and delivered. The term “Loan Documents” also includes all modifications, extensions, renewals, and replacements of each document referred to above.

1.9 **Secured Obligations:** All present and future obligations of Grantor to Beneficiary evidenced by or contained in the Agreement, whether stated in the form of promises, covenants, representations, warranties, conditions, or prohibitions or in any other form. If this Deed of Trust is foreclosed, either through Trustee or through the courts, the Secured Obligations shall include an amount equal to any prepayment fee or premium which would be payable under the terms of the Secured Obligations due and owing under the Agreement as if the Secured Obligations were prepaid in full on the date of the foreclosure sale, and together with all costs of collection and enforcement and any damages resulting from any such default.

ARTICLE 2

GRANTING CLAUSE

2.1 **Grant to Trustee.** As security for the Secured Obligations, Grantor hereby grants, bargains, encumbers, assigns and mortgages to Trustee, with power of sale, all of its estate, right, title and interest in, to and under the Premises, in trust for the use and benefit of Beneficiary, and subject to all provisions of this Deed of Trust and the Agreement.

ARTICLE 3

GRANTOR’S TITLE AND AUTHORITY

3.1 **Warranty of Title.** Grantor represents and warrants to Beneficiary that (a) it is the owner of title to the Premises; (b) that the Premises are subject only to the matters of record; and (c) that no interest in the Premises, Chattels and Intangible Personalty has been leased, conveyed to any third party other than the Permitted Exceptions. The warranties contained in this section shall survive foreclosure of this Deed of Trust, and shall inure to the benefit of and be enforceable by any person who may acquire title to the Premises pursuant to any such foreclosure.

3.2 **Waiver of Homestead and Other Exemptions; Commercial Obligation.** Grantor hereby waives all rights to any homestead or other exemption to which Grantor would otherwise be entitled under any present or future constitutional, statutory, or other provision of State of Colorado or other state or federal law. Grantor confirms and agrees that the Secured Obligations represent a commercial lending relationship and not a consumer loan.

3.3 **Due Authorization.** Each individual who executes this document on behalf of Grantor represents and warrants to Beneficiary that such execution has been duly authorized by all necessary corporate action on the part of Grantor.

3.4 **Priority Lien.** This Deed of Trust shall be prior to any and all leases of the Premises. Any and all leases, including the Lease, shall be expressly subordinated to the lien of this Deed of Trust.

ARTICLE 4

GRANTOR'S AFFIRMATIVE COVENANTS

4.1 **Payment of Secured Obligations under the Agreement; Future Advances.** Grantor will pay all principal, interest, and other Secured Obligations payable under the Agreement, on the date when each such payment is due, without notice or demand. This Deed of Trust also secures all future advances allowed pursuant to Section 38-39-106, C.R.S. For the purpose of this Deed of Trust, the maximum principal amount secured hereby (whether based on obligatory or optional advances), shall be \$10,578,000 (120% of par amount of Bonds).

4.2 **Maturity Date.** If not earlier paid in full, the Secured Obligations under the Agreement shall be paid in full on or before May 15, 2020 (the "Maturity Date").

4.3 **Performance of Other Obligations.** Grantor will promptly and strictly perform and comply with all other covenants, conditions, and prohibitions required of Grantor by the terms of the Loan Documents.

4.4 **Other Encumbrances.** Grantor will promptly and strictly perform and comply with all covenants, conditions, and prohibitions required of Grantor in connection with any other encumbrance affecting the Premises, the Chattels, or the Intangible Personalty, or any part thereof, regardless of whether such other encumbrance is superior or subordinate to the lien hereof, if the failure to perform the same shall materially adversely affect the lien of this Deed of Trust or Grantor's ability to perform the Secured Obligations. Grantor covenants and agrees to provide Beneficiary with written notice of any default or breach, whether or not such matters are timely cured, of any covenants, conditions or prohibitions required in any of the foregoing encumbrances including copies of any notices of such defaults or breaches received by Grantor in connection therewith.

4.5 **Payment of Taxes.**

4.5.1 **Property Taxes.** Grantor will pay or cause to be paid, before delinquency, all taxes and assessments, general or special, which may be levied or imposed at any time against the Premises (if any) as required under the Agreement.

4.5.2 **Intangible Taxes.** If by reason of any statutory or constitutional amendment or judicial decision adopted or rendered after the date hereof, any tax, assessment, or similar charge is imposed against the Beneficiary as a result of this Deed of Trust, or against any interest of Beneficiary in any real or personal property encumbered hereby, Grantor will pay such tax, assessment, or other charge before delinquency and will indemnify Beneficiary against all loss, expense, or diminution of income in connection therewith. In the event Grantor is unable to do so, either for economic reasons or because the legal provision or decision creating such tax, assessment, or charge forbids Grantor from doing so, then the Secured Obligations under

the Agreement will, at Beneficiary's option, become due and payable in full upon thirty (30) days' notice to Grantor.

4.6 Maintenance of Insurance.

4.6.1 Coverages Required, Application of Proceeds. Insurance requirements and the application of any proceeds therefrom shall be governed by the terms of the Agreement.

4.6.2 Successor's Rights. Any person who acquires title to the Premises or the Chattels upon foreclosure hereunder will succeed to all of Grantor's rights under all policies of insurance maintained pursuant to this section, to the extent that such policies provide coverage to such successor and are otherwise assignable.

4.7 **Maintenance and Repair of Premises and Chattels.** Grantor will cause the Premises and the Chattels to be maintained in good condition and repair.

4.8 Reserved.

4.9 **Mechanics' Liens.** Except for Permitted Exceptions, Grantor will keep the Premises free and clear of all liens and claims of liens by contractors, subcontractors, mechanics, laborers, materialmen, and other such persons directed to perform services or provide materials by Grantor, and will cause any recorded statement of any such lien arising by or through Grantor to be released of record within thirty (30) days after the recording thereof. Notwithstanding the preceding sentence, however, to the extent allowed under the Agreement, Grantor will not be deemed to be in default under this section if and so long as Grantor (a) contests in good faith the validity or amount of any asserted lien and diligently prosecutes or defends an action appropriate to obtain a binding determination of the disputed matter; and (b) provides Beneficiary with such security as Beneficiary may require to protect Beneficiary against all loss, damage, and expense, including reasonable attorneys' fees, which Beneficiary might incur if the asserted lien is determined to be valid, but in no event in excess of one hundred fifty percent (150%) of such lien amount.

4.10 **Defense of Actions.** Grantor will defend, at Grantor's expense, any action, proceeding or claim which affects any property encumbered hereby or any interest of Beneficiary in such property or in the Secured Obligations, and will indemnify and hold Beneficiary harmless from all loss, damage, cost, or expense, including reasonable attorneys' fees, which Beneficiary may incur in connection therewith.

4.11 **Expenses of Enforcement.** Grantor will pay all costs and expenses, including reasonable attorneys' fees, which Beneficiary may incur in connection with any effort or action (whether or not litigation or foreclosure is involved) to enforce or defend Beneficiary's rights and remedies under any of the Loan Documents including, but not limited to, all reasonable attorneys' fees and other expenses incurred by Beneficiary in securing title to or possession of, and realizing upon, any security for the Secured Obligations.

4.12 **Assembly of Chattels.** Upon the occurrence of any Event of Default hereunder, Grantor will, at Beneficiary's request, assemble the Chattels and make them available to

Beneficiary at any place designated by Beneficiary which is reasonably convenient to both parties.

4.13 Further Assurances; Estoppel Certificates. Grantor will, at its sole cost and expense, do, execute, acknowledge and deliver to Beneficiary upon demand, all and every such further acts, documents and assurances which Beneficiary may reasonably request to confirm or perfect the liens and security interests created or intended to be created hereby, or to confirm or perfect any evidence of the Secured Obligations, including, without limitation, financing statements and other security instruments. Beneficiary is hereby expressly authorized to file any and all financing statements deemed necessary by Beneficiary to perfect the security interests granted to Beneficiary hereunder. Grantor will also, within fifteen (15) Business Days (as defined in the Indenture) after any request by Beneficiary, deliver to Beneficiary a signed and acknowledged statement certifying to Beneficiary, or to any proposed transferee of the Secured Obligations, (a) the of principal, interest, and other sums made by Grantor under the Secured Obligations under the Agreement; and (b) whether Grantor claims to have any defenses with respect to the Secured Obligations and, if so, the nature of such offsets or defenses. Grantor's failure to provide such a statement within such fifteen (15) day period will result in Grantor's being conclusively bound by any representation which Beneficiary may make as to those matters so long as that representation is consistent with Beneficiary's records of this transaction.

ARTICLE 5

GRANTOR'S NEGATIVE COVENANTS

5.1 Waste and Alterations. Grantor will not commit or permit any waste with respect to the Premises or the Chattels. Grantor shall conduct only those uses permitted on the Premises as allowed by Applicable Laws (defined below) or Permitted Exceptions. Grantor shall not cause or permit any improvements that may be constructed upon the Premises including, but not limited to, any building, structure, parking lot, driveway, landscape scheme, or other ground improvement, to be removed, demolished, or materially altered without the prior written consent of Beneficiary, which shall not be unreasonably withheld, conditioned or delayed.

5.2 Zoning and Private Covenants. Grantor will not initiate, join in, or consent to any change in any zoning ordinance or classification, any change in any approved zoning plan or in any "zone lot" or "zone lots" (or similar zoning unit or units) presently comprising the Real Property, any transfer of development rights, any change in any private restrictive covenant, or any change in any other public or private restriction limiting or defining the uses which may be made of the Real Property or any part thereof without the express written consent of Beneficiary, which shall not be unreasonably withheld, conditioned or delayed. If under applicable zoning provisions the use of all or any part of the Real Property is or becomes a nonconforming use, Grantor will not cause or permit such use to be discontinued or abandoned without the express written consent of Beneficiary.

5.3 Interference with Lease. Grantor will not, without the prior written consent of Beneficiary other than the Permitted Exceptions (a) collect rent from all or any part of the Premises for more than two months in advance; (b) assign the rents from the Premises or any part thereof other than to Beneficiary; (c) consent to the cancellation or surrender of all or any part of the Lease, except that Grantor may in good faith and with the consent of Beneficiary

terminate any such Lease for nonpayment of rent or other material breach by the tenant thereunder; or (d) in any other manner impair the value of the Premises or the security of this Deed of Trust.

5.4 Transfer of Premises. Grantor will not transfer, either voluntarily or involuntarily, the Premises or any part thereof or interest therein, without the prior written consent of Beneficiary, which consent may be granted or denied in Beneficiary's sole discretion. If Beneficiary consents, any such transfer shall be subject to this Deed of Trust and any other documents which evidence or secure the loan secured hereby, and any such transferee shall assume all of Grantor's obligations hereunder and thereunder and agree to be bound by all provisions and perform all obligations contained herein and therein. Consent to one such transfer shall not be deemed to be a waiver of the right to require consent to future or successive transfers. As used herein, "transfer" shall include, without limitation, any sale, assignment (including, without limitation, any collateral or security assignment or transfer), ground lease or conveyance except leases entered into after the date hereof for occupancy subordinate to this Deed of Trust. Any permitted transfer by Grantor shall also comply with any private covenants and restrictions of record or binding upon Grantor or the Premises. For avoidance of doubt, absent the occurrence and continuation of an Event of Default, the Grantor may expend cash and sell and/or liquidate "investment property" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, without a requirement for Beneficiary consent.

5.5 Further Encumbrance of Premises. Grantor will neither create nor permit any encumbrance, either voluntarily or involuntarily, against the Premises or any part thereof or interest therein, without the prior written consent of Beneficiary, which consent may be granted or denied in Beneficiary's sole discretion. If Beneficiary consents, any such encumbrance shall be subject to this Deed of Trust and any other documents which evidence or secure the Secured Obligations. Consent to one such encumbrance shall not be deemed to be a waiver of the right to require consent to future or successive encumbrances. As used herein, "encumber" shall include, without limitation, the placing or permitting the placing of any mortgage, deed of trust, assignment of rents or other security device.

5.6 Transfer or Removal of Chattels. Grantor will not sell, transfer or remove from the Premises all or any part of the Chattels, unless the items sold, transferred, or removed are simultaneously replaced with similar items of equal or greater value.

5.7 Improper Use of Premises or Chattels. Grantor will not use the Premises or the Chattels for any purpose or in any manner which violates any applicable law, ordinance, or other governmental requirement (collectively, "Applicable Laws"), the requirements or conditions of any insurance policy, or any private covenant that is a Permitted Encumbrance.

ARTICLE 6

EVENTS OF DEFAULT

6.1 Each of the following events will constitute an Event of Default under this Deed of Trust and under each of the other Loan Documents:

6.1.1 Failure To Pay Secured Obligations under the Agreement. Grantor's failure to make any payment of any of the Secured Obligations when such payment is due under the terms of the Agreement, and such failure is not cured within any grace or cure period provided therein;

6.1.2 Violation of Other Covenants. Grantor's failure to perform or observe any other covenant, condition, or prohibition contained in any of the Loan Documents or in any of the documents evidencing and securing the Permitted Exceptions for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to Grantor by Beneficiary; provided, with respect to any such failure covered by this section 6.1.2, no Event of Default shall be deemed to be continuing so long as a course of action adequate to remedy such failure shall have been commenced within such thirty- (30-) day period and shall thereafter be diligently prosecuted to completion and the failure shall be remedied thereby; and provided further, however, that if any such Loan Document provides for a grace or cure period for the performance of the defaulted obligation, Beneficiary shall not be required to provide notice and opportunity to cure under this section 6.1.2;

6.1.3 Misrepresentation or Breach of Warranty. Beneficiary's determination that any statement or warranty contained in any of the Loan Documents is untrue or misleading in any material respect;

6.1.4 Unpermitted Transfer or Encumbrance. Grantor's transfer or further encumbrance of the Premises in violation of sections 5.4 and 5.5;

6.1.5 Assertion of Priority. The assertion (except by the owner of an encumbrance expressly excepted from Grantor's warranty of title herein) of any claim of priority over this Deed of Trust, by title, lien, or otherwise, unless Grantor within thirty (30) days after such assertion either causes the assertion to be withdrawn or provides Beneficiary with such security as Beneficiary may require to protect Beneficiary against all loss, damage, or expense, including attorneys' fees, which Beneficiary may incur in the event such assertion is upheld;

6.1.6 Dissolution, Insolvency, or Bankruptcy. The dissolution, termination, or liquidation of Grantor or of any other person or entity directly or indirectly liable for the Secured Obligations, or the making by any such person of any assignment for the benefit of creditors, or the appointment of a receiver, liquidation, or trustee of the property of any such person, or the filing of any petition for the bankruptcy, reorganization, or arrangement of any such person pursuant to the federal Bankruptcy Code or any similar state or federal statute, or the adjudication of any such person as bankrupt or insolvent; or

6.1.7 Default Under Any Other Encumbrance or Obligation under the Loan Documents. Grantor's breach or default under any other covenant, condition, restriction, obligation or encumbrance affecting the Property, including, without limitation any event of default or breach under the Loan Documents.

6.2 **Grace Periods for Certain Defaults.** In the event of any default under this Deed of Trust which does not involve failure to pay a sum of money when due, failure to maintain any required insurance, any prohibited transfer or further encumbrance of the Premises, or any waste or alterations of the Premises as limited hereunder, Beneficiary will not accelerate the maturity of the Secured Obligations if such failure is being cured in the manner and under the time frame set forth in the Agreement.

ARTICLE 7

BENEFICIARY'S REMEDIES

Subject to the cure rights set forth herein, upon the occurrence of any Event of Default hereunder, Beneficiary may exercise any remedy available at law or in equity including, but not limited to, those listed below and those listed in the other Loan Documents, in such sequence or combination as Beneficiary may determine in Beneficiary's sole discretion:

7.1 **Performance of Defaulted Obligations.** If Grantor fails to perform any of its covenants and agreements herein or in the Secured Obligations under the Agreement or any Loan Documents, and such failure is not remedied prior to the expiration of any grace and cure period provided in the document at issue, Beneficiary may, but shall not be obligated to, make any payment or perform any other obligation required by Grantor in any form and manner deemed expedient. Grantor hereby irrevocably appoints Beneficiary as the true and lawful attorney-in-fact entitling Beneficiary to make any such payment and perform any such obligation in the name of Grantor. All payments made and expenses (including reasonable attorneys' fees) incurred by Beneficiary in this connection, together with interest thereon at the "Default Rate" (as defined in the Secured Obligations under the Agreement), from the date paid or incurred until repaid, will be part of the Secured Obligations and will be immediately due and payable by Grantor to Beneficiary. In lieu of advancing Beneficiary's own funds for such purposes, Beneficiary may use any funds of Grantor which may be in Beneficiary's possession including, but not limited to, insurance or condemnation proceeds and amounts deposited for taxes, insurance premiums or other purposes.

7.2 **Specific Performance and Injunctive Relief.** Notwithstanding the availability of legal remedies, Beneficiary will be entitled to obtain specific performance, mandatory or prohibitory injunctive relief, or other equitable relief requiring Grantor to cure or refrain from repeating any default.

7.3 **Suit for Monetary Relief.** With or without accelerating the maturity of the Secured Obligations, Beneficiary may sue from time to time for any payment due under any of the Loan Documents, or for money damages resulting from Grantor's default under any of the Loan Documents.

7.4 Possession of Premises. Beneficiary may enter and take possession of the Premises in accordance with State law, may employ a managing agent for the Premises, may continue any and all construction of the Premises in accordance with any approved plans and specifications therefor, and may lease or rent all or any part of the Premises, either in Beneficiary's name or in the name of Grantor, and may collect the rents, issues, and profits of the Premises. Any revenues collected by Beneficiary under this section will be applied first toward payment of all expenses (including reasonable attorneys' fees) incurred by Beneficiary, together with interest thereon at the Default Rate from the date incurred until repaid, and the balance, if any, will be applied against the Secured Obligations.

7.5 Enforcement of Security Interests. Beneficiary may exercise all rights of a secured party under the State of Colorado Uniform Commercial Code with respect to the Goods, Chattels and the Intangible Personalty including, but not limited to, taking possession of, holding, and selling the Chattels and enforcing or otherwise realizing upon any accounts and general intangibles. Any requirement for reasonable notice of the time and place of any public sale, or of the time after which any private sale or other disposition is to be made, will be satisfied by Beneficiary's giving of such notice to Grantor at least ten (10) days prior to the time of any public sale or the time after which any private sale or other intended disposition is to be made.

7.6 Foreclosure Against Premises. Subject to the cure rights contained in the Secured Obligations under the Agreement and this Deed of Trust, upon an Event of Default by Grantor, at Beneficiary's option, all of the sums secured by this Deed of Trust shall be immediately due and payable ("Acceleration"). To exercise this option, Beneficiary may invoke the power of sale and any other remedies permitted by law. Beneficiary shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this Deed of Trust, including, but not limited to, reasonable attorney's fees and all Trustee's fees. If Beneficiary invokes the power of sale, Beneficiary shall give written notice to Trustee of such election in accordance with the laws then in effect in the State of Colorado. Trustee shall give such notice to Grantor of Grantor's of its cure rights as is then provided by Colorado law. Trustee shall record a copy of such notice as required by Colorado law. Trustee shall advertise the time and place of the sale of the Premises in a newspaper of general circulation in each county in which the Premises is situated, and shall mail copies of such notice of sale to Grantor and other persons, all as may be now or in the future prescribed by Colorado law. After the lapse of such time as may be required by law, Trustee, without demand on Grantor, shall sell the Premises at public auction to the highest bidder for cash at the time and at the place then authorized by law as may be specified in the notice of sale, in one or more parcels as Beneficiary may think best and in such order as Trustee may determine. Unless otherwise required under Colorado law, under the Indenture or under the Agreement, Trustee shall apply the proceeds of the sale in the following order: (a) to all costs of sale as set forth in the Colorado statutes governing foreclosures in the State of Colorado; (b) reasonable costs for Beneficiary's attorney's fees and costs of title evidence; (c) to reduce or discharge the Secured Obligations in such order as Beneficiary may elect; and (d) the excess, if any, to the person or persons legally entitled thereto. Upon abandonment of the Premises or upon the order of a court of competent jurisdiction, Beneficiary or the holder of the Trustee's certificate of purchase shall be entitled to a receiver for the Premises after Acceleration, and shall also be so entitled during the time covered by foreclosure proceedings and the period of redemption, if any, in accordance with

section 7.7 below. Nothing in this section dealing with foreclosure procedures or specifying particular actions to be taken by Beneficiary or by Trustee or any similar officer shall be deemed to contradict or add to the requirements and procedures now or hereafter specified by State of Colorado law, and any such inconsistency shall be resolved in favor of State of Colorado law applicable at the time of foreclosure.

7.7 Appointment of Receiver. Beneficiary shall be entitled, as a matter of absolute right and without regard to the value of any security for the Secured Obligations or the solvency of any person liable therefor, and on an *ex parte* basis, without notice, to the appointment of a receiver for the Premises upon application to any court of competent jurisdiction. Grantor shall have the right to a hearing or notice of hearing prior to the appointment of a receiver. Such receiver and his agents shall be empowered (a) to take possession of the Premises and any businesses conducted by Grantor or any other person thereon and any business assets used in connection therewith; (b) to exclude Grantor and Grantor's agents, servants and employees from the Premises, or, at the option of the receiver, in lieu of such exclusion, to collect a fair market rental from any such persons occupying any part of the Premises; (c) to lease or re-lease the Premises and to collect the rents, issues, profits and income therefrom and to enforce the Lease (or terminate the Lease or take any other allowed remedies under the Lease if the Lease is then in default); (d) to complete any construction which may be in progress; (e) to do such maintenance and make such repairs and alterations as the receiver deems necessary; (f) to use all stores of materials, supplies and maintenance equipment on the Premises and replace such items at the expense of the receivership estate; (g) to pay all taxes and assessments against the Real Property and the Chattels, all premiums for insurance thereon, all utility and other operating expenses, and all sums due under any prior or subsequent encumbrance; (h) to borrow from Beneficiary, if applicable, funds as may reasonably be necessary to the effective exercise of the receiver's powers, on such terms as may be agreed upon by the receiver and Beneficiary; and (i) generally to do anything which Grantor could legally do if Grantor were in possession of the Premises. All expenses incurred by the receiver or his agents, including obligations to repay funds borrowed by the receiver, shall constitute a part of the Secured Obligations. Such receiver shall be entitled to enter upon, take possession of and manage the Premises and to collect the rents of the Premises, including those past due. Any revenues collected by the receiver shall be applied first to the expenses of the receivership, including reasonable attorneys' fees incurred by the receiver and by Beneficiary, together with interest thereon at the default rate allowed under the Agreement from the date incurred until repaid, next to the payment of the costs of preservation and management of the Premises, and then the balance shall be applied toward the Secured Obligations or in such other manner as the court may direct. Beneficiary and the receiver shall be liable to account only for those rents actually received. Unless sooner terminated with the express consent of Beneficiary, any such receivership will continue until the Secured Obligations have been discharged in full, or until title to the Premises has passed after foreclosure sale and all applicable periods of redemption have expired, or until a court of competent jurisdiction orders the receiver discharged.

ARTICLE 8

MISCELLANEOUS PROVISIONS

8.1 Assignment of Rents. This Deed of Trust is intended to constitute a present, absolute and irrevocable assignment of any rents now or hereafter accruing, and Grantor, without

limiting the generality of the Granting Clause hereof, specifically hereby presently, absolutely and irrevocably assigns all of the rents now or hereafter accruing to Beneficiary. The aforesaid assignment shall be effective immediately upon the execution of this Deed of Trust and is not conditioned upon the occurrence of any Event of Default hereunder or any other contingency or event, provided, however, that Beneficiary hereby grants to Grantor the right and license to collect and receive the rents as they become due, and, except as otherwise provided herein, not in advance, so long as no Event of Default exists hereunder. Immediately upon the occurrence of any such Event of Default, the foregoing right and license shall be automatically terminated and be of no further force or effect. Nothing contained in this section or elsewhere in this Deed of Trust shall be construed to make Beneficiary a mortgagee in possession unless and until Beneficiary actually takes possession of the Premises, nor to obligate Beneficiary to take any action or incur any expense or discharge any duty or liability under or in respect of any leases or other agreements relating to the Premises or any part thereof.

8.2 Security Agreement. This Deed of Trust constitutes a security agreement under the applicable provisions of the Colorado Uniform Commercial Code, as the same may be amended from time to time, with respect to the Goods, Chattels, the Intangible Personalty and such other of the Premises which is personal property or otherwise governed by the Colorado Uniform Commercial Code. In addition to the right and remedies granted to Beneficiary by other applicable law or by this Deed of Trust, Beneficiary shall have all of the rights and remedies with respect to the Chattels, the Intangible Personalty, and such other personal property as are granted to a secured party under the Colorado Uniform Commercial Code, including, without limitation, taking possession of, holding and selling the Goods, Chattels, the Intangible Personalty and such other personal property. After an Event of Default and upon Beneficiary's request, Grantor shall promptly and at its expense assemble the Goods, Chattels, the Intangible Personalty and such other personal property and make the same available to Beneficiary at a convenient place acceptable to Beneficiary. Grantor shall pay to Beneficiary on demand, with interest at the Default Rate, any and all expenses, including reasonable attorneys' fees, incurred by Beneficiary in protecting its interest in the Goods, Chattels, the Intangible Personalty and such other personal property and in enforcing its rights with respect thereto. Any notice of sale, disposition or other intended action by Beneficiary with respect to the Goods, Chattels, the Intangible Personalty, and such other personal property sent to Grantor in accordance with the provisions hereof at least ten (10) days prior to such action shall constitute reasonable notice to Grantor. The proceeds of any such sale or disposition, or any part thereof, may be applied by Beneficiary to the Secured Obligations in accordance with the terms of the Agreement.

8.3 Time of the Essence. Time is of the essence with respect to all provisions of the Loan Documents.

8.4 Joint and Several Obligations. If Grantor is more than one person or entity, then all persons or entities comprising Grantor are jointly and severally liable for all of the Secured Obligations.

8.5 Rights and Remedies Cumulative. Beneficiary's rights and remedies under each of the Loan Documents are cumulative of the rights and remedies available to Beneficiary under each of the other Loan Documents and those otherwise available to Beneficiary at law or in equity; provided that there shall be but one full and complete satisfaction of the Evidence of

Debt secured hereby. No act of Beneficiary shall be construed as an election to proceed under any particular provision of any Loan Document to the exclusion of any other provision in the same or any other Loan Document, or as an election of remedies to the exclusion of any other remedy which may then or thereafter be available to Beneficiary.

8.6 No Implied Waivers. Beneficiary shall not be deemed to have waived any provision of any Loan Document unless such waiver is in writing and is signed by Beneficiary. Without limiting the generality of the preceding sentence, neither Beneficiary's acceptance of any payment with knowledge of a default by Grantor, nor any failure by Beneficiary to exercise any remedy following a default by Grantor, shall be deemed a waiver of such default, and no waiver by Beneficiary of any particular default on the part of Grantor shall be deemed a waiver of any other default or of any similar default in the future.

8.7 Dealings with Successor Owners. If the Premises or any interest in the Premises are transferred to any person other than Grantor, whether voluntarily or involuntarily and whether or not Beneficiary has consented to such transfer, then Beneficiary may deal with such successor owner in all matters relating to the Secured Obligations, and no such dealings, including, but not limited to, any change in the terms of the Secured Obligations, will be deemed to discharge or impair the obligations of Grantor to Beneficiary under the Loan Documents.

8.8 No Third Party Rights. No person shall be a third-party beneficiary of any provision of any of the Loan Documents. All provisions of the Loan Documents favoring Beneficiary are intended solely for the benefit of Beneficiary, in its capacity as trustee for the Bonds, or as otherwise provided in the other Loan Documents.

Anything contained herein to the contrary notwithstanding, as of the date hereof, the Authority has conveyed to Beneficiary, in its capacity as trustee for the Bonds, for the benefit of the registered owners of the Bonds, certain of its rights and interests under this Deed of Trust, the Loan Agreement and the other Loan Documents pursuant to the Indenture. The Corporation hereby acknowledges the aforementioned conveyance shall treat the trustee for the Bonds as the Beneficiary hereunder.

8.9 Preservation of Liability and Priority. Without affecting the liability of Grantor or of any other person (except a person expressly released in writing) for payment and performance of all of the Secured Obligations, and without affecting the rights of Beneficiary with respect to any security not expressly released in writing, and without impairing in any way the priority of this Deed of Trust over the interests of any person acquired or first evidenced by recording subsequent to the recording hereof, Beneficiary may, either before or after the maturity of the Secured Obligations under the Agreement, and without notice or consent: (a) release any person liable for payment or performance of all or any part of the Secured Obligations; (b) make any agreement altering the terms of payment or performance of all or any of the Secured Obligations; (c) exercise or refrain from exercising, or waive, any right or remedy which Beneficiary may have under any of the Loan Documents; (d) accept additional security of any kind for any of the Secured Obligations; or (e) release or otherwise deal with any real or personal property securing the Secured Obligations. Any person acquiring or recording evidence of any interest of any nature in the Premises, the Chattels, or the Intangible Personalty shall be deemed,

by acquiring such interest or recording any evidence thereof, to have agreed and consented to any or all such actions by Beneficiary.

8.10 Waiver of Jury Trial. GRANTOR AND BENEFICIARY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS DEED OF TRUST, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS DEED OF TRUST, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR GRANTOR AND BENEFICIARY TO ENTER INTO THE LOAN TRANSACTION EVIDENCED BY THE SECURED OBLIGATIONS UNDER THE AGREEMENT.

8.11 Notices and Agency. Any notice required or permitted to be given by Grantor or Beneficiary under any of the Loan Documents must be in writing and will be deemed given upon personal delivery or on the second Business Day after the mailing thereof, by registered or certified United States mail, postage prepaid, to the appropriate party at its address shown on the first page of this Deed of Trust or on the date of delivery by any courier service. Either party may change such party's address for notices by giving notice to the other party in accordance with this section, but no such change of address will be effective as against any person without actual knowledge thereof.

8.12 No Merger of Estates. Unless expressly provided otherwise, in the event that ownership of this Deed of Trust and title to the fee estate in the Premises encumbered hereby shall become vested in the same person or entity, this Deed of Trust shall not merge in said title but shall continue to be and remain a valid and subsisting lien and/or trust deed on said estates in the Premises for the amount secured hereby.

8.13 Release Upon Payment in Full. Upon payment and performance in full of all of the Secured Obligations, Beneficiary shall execute and deliver to Grantor such documents as may be required to release this Deed of Trust of record.

8.14 Partial Release. Upon release of a portion of the Premises pursuant to Section 8.15 of the Agreement from the lien thereof and the refunding of a portion of the Secured Obligations, Beneficiary shall execute and deliver to Grantor such documents as may be required to partially release this Deed of Trust of record.

8.15 Severability. Wherever possible, each provision of the Loan Documents shall be interpreted so as to be effective and valid under State of Colorado law. If any provision of any Loan Document is, for any reason and to any extent, invalid or unenforceable, then neither the remainder of the Loan Document in which such provision appears, nor any other Loan Document, nor the application of the provision to other persons or in other circumstances, shall be affected by such invalidity or unenforceability.

8.16 Entire Agreement. The Loan Documents set forth all the covenants, promises, agreements, representations, conditions, statements and understandings between Grantor and Beneficiary, and there are no representations, either oral or written between the parties other than

those in this Deed of Trust and the Loan Documents, without limiting the foregoing, Grantor, hereby specifically waives any claims, rights, or defenses based on any warranties, representations or guarantees, whatever their form, made at any time, by any party, negligently made or otherwise, except those warranties, representations or guarantees contained in the Loan Documents. This Deed of Trust shall not be amended or modified except in a writing signed by both parties. Failure to exercise any right in one or more instance shall not be construed as a waiver of the right to strict performance or as an amendment to or modification of this Deed of Trust.

8.17 No Partnership or Joint Venture. Nothing contained herein nor the acts of the parties hereto, shall be construed to create a partnership or joint venture between Grantor and Beneficiary. The relationship between Grantor and Beneficiary is the relationship of “debtor” and “creditor.”

Signed and delivered as of the date first referenced above.

GRANTOR:

MONARCH BUILDING CORPORATION

By _____
President

Attest:

By _____
Secretary

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2015, by _____, as President, and by _____, as Secretary, of Monarch Building Corporation, a Colorado nonprofit corporation.

Witness my hand and official seal.

(SEAL)

Notary Public for the State of Colorado

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EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

A PART OF LOT 1, BLOCK 6, OF MONTBELLO NO. 36, CITY AND COUNTY OF DENVER, STATE OF COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE SOUTH LINE OF THE SOUTHEAST 1/4 OF SECTION 14, TOWNSHIP 3 SOUTH, RANGE 67 WEST OF THE 6th PRINCIPAL MERIDIAN AND THE EAST LINE OF SAID LOT 1;
THENCE NORTHERLY ALONG THE EAST LINE OF SAID LOT 1 A DISTANCE OF 81.35 FEET TO THE POINT OF BEGINNING;
THENCE ON AN ANGLE TO THE LEFT OF 90 DEGREES 00 MINUTES 00 SECONDS, A DISTANCE OF 78.27 FEET;
THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS, A DISTANCE OF 156.49 FEET;
THENCE ON AN ANGLE TO THE LEFT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 100.07 FEET;
THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 212.02 FEET;
THENCE ON AN ANGLE TO THE LEFT OF 89 DEGREES 36 MINUTES 03 SECONDS A DISTANCE OF 251.17 FEET TO THE WEST LINE OF SAID LOT 1;
THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 375.73 FEET ALONG THE WEST LINE OF SAID LOT 2. TO A POINT OF CURVATURE;
THENCE ALONG THE ARC OF A CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 89 DEGREES 59 MINUTES 37 SECONDS, A RADIUS OF 30.00 FEET, AND AN ARC LENGTH OF 47.12 FEET TO A POINT OF TANGENCY ON THE NORTH LINE OF SAID LOT 1;
THENCE ALONG THE NORTH LINE OF SAID LOT 1 A DISTANCE OF 366.89 FEET TO A POINT OF CURVATURE;
THENCE ALONG THE ARC OF A CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 89 DEGREES 36 MINUTES 26 SECONDS, A RADIUS OF 30.00 FEET, AND AN ARC LENGTH OF 46.92 FEET TO A POINT OF TANGENCY ON THE EAST LINE OF SAID LOT 1;
THENCE ALONG THE EAST LINE OF SAID LOT 1 A DISTANCE OF 743.26 FEET TO THE POINT OF BEGINNING.

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EXHIBIT B

PERMITTED EXCEPTIONS

1. Taxes for the year 2015, a lien but not yet due and payable.
2. RESTRICTIVE COVENANTS, WHICH DO NOT CONTAIN A FORFEITURE OR REVERTER CLAUSE, BUT OMITTING ANY COVENANTS OR RESTRICTIONS, IF ANY, BASED UPON RACE, COLOR, RELIGION, SEX, SEXUAL ORIENTATION, FAMILIAL STATUS, MARITAL STATUS, DISABILITY, HANDICAP, NATIONAL ORIGIN, ANCESTRY, OR SOURCE OF INCOME, AS SET FORTH IN APPLICABLE STATE OR FEDERAL LAWS, EXCEPT TO THE EXTENT THAT SAID COVENANT OR RESTRICTION IS PERMITTED BY APPLICABLE LAW, AS CONTAINED IN INSTRUMENT RECORDED DECEMBER 15, 1980, IN BOOK 2289 AT PAGE 400 AND RE-RECORDED MARCH 30, 1981 IN BOOK 2347 AT PAGE 146.

CONSENT AND SUBORDINATION RECORDED DECEMBER 15, 1980 IN BOOK 2289 AT PAGE 410.

AMENDMENT RECORDED JANUARY 7, 1986 UNDER RECEPTION NO 112972.

RELEASE AND VACATION OF PROTECTIVE COVENANTS RECORDED JULY 02, 1998 UNDER RECEPTION NO. 9800107446.

DESIGNATION OF DECLARANT PURSUANT TO PROTECTIVE COVENANTS RECORDED JULY 08, 1998 UNDER RECEPTION NO. 9800107447.

DESIGNATION OF DECLARANT PURSUANT TO PROTECTIVE COVENANTS RECORDED JULY 8, 1998 UNDER RECEPTION NO. 9800107448.

RELEASE AND VACATION OF PROTECTIVE COVENANTS RECORDED JULY 08, 1998 UNDER RECEPTION NO. 9800107449.

3. AMENDED DECLARATION OF COVENANTS RECORDED JUNE 10, 1986 UNDER RECEPTION NO. 679512.
4. TERMS, CONDITIONS, PROVISIONS, BURDENS AND OBLIGATIONS AS SET FORTH IN LETTER AGREEMENT RECORDED OCTOBER 22, 1986 UNDER RECEPTION NO. 38839.
5. TERMS, CONDITIONS, PROVISIONS, BURDENS, OBLIGATIONS AND EASEMENTS AS SET FORTH AND GRANTED IN EASEMENT

AGREEMENT RECORDED JUNE 10, 1997 UNDER RECEPTION NO.
9700074277.

6. TERMS, CONDITIONS, PROVISIONS, BURDENS, OBLIGATIONS AND
EASEMENTS AS SET FORTH AND GRANTED IN EASEMENT
AGREEMENT RECORDED JUNE 10, 1997 UNDER RECEPTION NO.
9700074278.

After Recording Please Return to:
Kutak Rock LLP
1801 California Street, Suite 3000
Denver, Colorado 80202
Attention: Hester M. Parrot, Esq.

LEASE AGREEMENT

by and between

MONARCH MONTESSORI OF DENVER CHARTER SCHOOL,
as Lessee

and

MONARCH BUILDING CORPORATION,
as Lessor

Dated as of December 1, 2015

The interest of Monarch Building Corporation in this Lease Agreement has been assigned to UMB Bank, n.a., as trustee (the “Trustee”) under the Indenture of Trust, dated as of December 1, 2015, by and between the Colorado Educational and Cultural Facilities Authority and the Trustee, and is subject to the security interest of the Trustee.

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EXHIBIT A	DESCRIPTION OF THE LEASED PROPERTY
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LEASE AGREEMENT

THIS LEASE AGREEMENT (as amended or supplemented from time to time, this “Lease”) is dated as of December 1, 2015 and is entered into by and between **MONARCH BUILDING CORPORATION** (the “Corporation”), a nonprofit corporation duly organized and validly existing under the laws of the State of Colorado (the “State”), as lessor, and **MONARCH MONTESSORI OF DENVER CHARTER SCHOOL** (the “Charter School”), a Colorado nonprofit corporation and a public charter school duly organized and validly existing pursuant to the Charter Schools Act (defined below), as lessee.

WITNESSETH:

WHEREAS, the Charter School is a Colorado nonprofit corporation and a public charter school duly organized and validly existing pursuant to the Charter Schools Act, Article 30.5 of Title 22, C.R.S. (the “Charter Schools Act”); and

WHEREAS, the Charter School is authorized by Section 22-30.5-104(7)(b) of the Charter Schools Act to contract with any third party for the use of a school building and grounds; and

WHEREAS, the Corporation (a) is a nonprofit corporation organized, existing and in good standing under the laws of the State; (b) duly qualified to do business in the State; and (c) is authorized under its articles of incorporation, bylaws, action of its governing body and applicable law, to own and manage its properties, to conduct its affairs in the State, to lease the Leased Property (defined below) pursuant to this Lease to the Charter School and to otherwise act in the manner contemplated herein; and

WHEREAS, the Charter School has determined that it is in the best interest of the Charter School to lease from the Corporation the Leased Property pursuant to this Lease; and

WHEREAS, in order to finance the Leased Property, the Corporation has entered into a Loan and Security Agreement, dated as of December 1, 2015 (the “Agreement”), with the Colorado Educational and Cultural Facilities Authority (the “Authority”) under which the Authority will make a loan (the “Loan”) to Corporation and which Loan is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2015, from the Corporation to the Public Trustee in and for the City and County of Denver, Colorado, for the benefit of the Trustee encumbering the Leased Property, and this Lease; and

WHEREAS, in order to fund the Loan made to the Corporation pursuant to the Agreement, the Authority has entered in to an Indenture of Trust, dated as of December 1, 2015 (the “Indenture”), by and between the Authority and UMB Bank, n.a., solely in its capacity as trustee thereunder (the “Trustee”), pursuant to which the Authority will issue its Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Series 2015A in the original aggregate principal amount of \$8,620,000; and its Charter School Refunding and Improvement Revenue Bonds (Monarch Montessori of Denver Charter School Project) Taxable Series 2015B in the original aggregate principal amount of \$195,000

(collectively, the “Bonds”), all as more particularly set forth in the Indenture, the proceeds of which will be used to fund the Loan; and

WHEREAS, the Corporation has (a) assigned to the Authority all of the Corporation’s right, title and interest in, to and under this Lease under the Agreement; (b) granted a security interest to the Authority in the Leased Property under the Agreement; and (c) granted a lien on and encumbered the Leased Property for repayment of amounts due under the Agreement for the benefit of the Trustee and its successors and assigns under the Deed of Trust; and

WHEREAS, the Base Rents and Additional Rents (both as hereinafter defined) payable by the Charter School hereunder shall constitute currently appropriated expenditures of the Charter School and shall not constitute a debt or multiple fiscal year direct or indirect obligation whatsoever of the Charter School or a mandatory charge or requirement against the Charter School in any Fiscal Year (as hereinafter defined) beyond the Fiscal Year for which such payments have been appropriated; and

WHEREAS, the execution, delivery and performance of this Lease by the Charter School are in the best interest of the Charter School, serve a public purpose and have been duly authorized by the governing board of the Charter School; and

WHEREAS, the execution, delivery and performance of this Lease, the assignment by the Corporation to the Authority, pursuant to the Agreement, of all rights, title and interest of the Corporation in, to and under this Lease and the grant by the Corporation of a security interest to the Authority, pursuant to the Agreement, and liens against the Leased Property pursuant to the Deed of Trust, are in the best interest of the Corporation and have been duly authorized by the governing body of the Corporation; and

WHEREAS, the Corporation desires to lease the Leased Property to the Charter School and the Charter School desires to lease the Leased Property from the Corporation, pursuant to the terms and conditions and for the purposes set forth in this Lease, subject in all respects to the liens evidenced by the Agreement and the Deed of Trust.

NOW, THEREFORE, for and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

All words and phrases capitalized but not defined herein, shall have the meaning defined in Article I of the Indenture and Article I of the Agreement. In addition, the following terms, except where the context indicates otherwise, shall have the meanings in this Lease set forth below:

“*Additional Rents*” means the cost of all taxes; insurance premiums; reasonable expenses and fees of the Authority, including, without limitation, its Annual Fee, the Trustee and the Corporation (including, but not limited to, filing fees, licenses, permits any legal expenses incurred by the Corporation, or its officers or directors in their official or personal capacity, as

provided in Section 13.01 hereof, and other expenses of the Corporation incurred in the performance of its obligations under the Loan); the administrative fee charged by the State Treasurer pursuant to the Charter Intercept Program Application; utility charges; costs of maintenance, upkeep, repair, restoration, modification, improvement and replacement; Bond Reserve Fund payments; Rebate Fund payments; costs and expenses incurred by the Corporation or by its directors or officers in connection with any investigation, claim, demand, suit, action or proceeding relating to the activities of the Corporation, or such directors or officers in their capacity as such, in respect of the Leased Property, the Bonds, this Lease, the Agreement, the Indenture or any matter related thereto; and all other charges and costs, including reasonable attorneys' fees, which the Charter School assumes or agrees to pay hereunder with respect to the Leased Property, the Bonds, this Lease, the Agreement, the Indenture or any matter related thereto. Additional Rents do not include the Base Rents.

“Agreement” means the Loan and Security Agreement, dated as of December 1, 2015, by and between the Authority and the Corporation, and any amendments and supplements thereto made in conformity with the requirements thereof and of the Indenture.

“Authority” means the Colorado Educational and Cultural Facilities Authority, an independent public body politic and corporate constituting a public instrumentality, duly organized and validly existing under the laws of the State, or any public corporation succeeding to its rights and obligations under the Agreement.

“Base Rents” means the base rent payments payable by the Charter School pursuant to Section 6.02 hereof and as further set forth in Exhibit B hereto, as they may be amended hereunder, during the Lease Term, which constitute the base rent payments due and payable by the Charter School for and in consideration of the right to use the Leased Property during the Lease Term.

“Base Rents Payment Date” means one of the dates in the “Base Rents Payment Date” column in Exhibit B hereto, as amended or supplemented from time to time.

“Board” means the Board of Directors of the Charter School and any successor thereto.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in the State are authorized to close.

“Capital Improvements” means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions which, under Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items.

“Charter” means the charter school contract between the Charter School and the Charter Authorizer.

“Charter Authorizer” means Denver County School District No. 1, Denver, Colorado, or any successor Person pursuant to which the Charter School is granted a charter under the Charter Schools Act.

“*Charter Intercept Program Application*” means the application required under the Colorado Charter School Intercept Program.

“*Charter School*” means the school operated by the Charter School located at the Leased Property.

“*Deed of Trust*” means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2015, from the Corporation to the Public Trustee in and for the City and County of Denver, Colorado,, for the benefit of the Trustee, and any amendments and supplements thereto made in conformity with the requirements thereof and of the Indenture.

“*Dissemination Agent*” means UMB Bank, n.a., or any successor dissemination agent selected by the Charter School.

“*Event of Default*” means one or more events as defined in Section 12.01 hereof.

“*Event of Nonappropriation*” means a decision by the Charter School to not renew this Lease, determined by the Charter School’s failure, for any reason, (a) to appropriate by June 30 of each Fiscal Year (i) sufficient amounts authorized and directed to be used to pay all Base Rents due in the next ensuing Fiscal Year in accordance with Section 6.02(a) hereof; and (ii) sufficient amounts authorized and directed to be used to pay such Additional Rents as are estimated to become due in the next ensuing Fiscal Year in accordance with Section 6.02(b) hereof; (b) to appropriate sufficient amounts authorized and directed to be used to pay Additional Rents in accordance with Section 6.05(b) hereof; or (c) to appropriate sufficient amounts to proceed under Section 9.03(a) or (b) hereof following the occurrence of an event described in Section 9.01 hereof.

“*Extraordinary Revenues*” means (a) all Net Proceeds, if any, of casualty insurance, title insurance, performance bonds, condemnation awards and any Net Proceeds received in connection with the Leased Property, not applied to the repair, restoration, modification, improvement or replacement thereof; and (b) all proceeds, if any, derived from the sale, repossession, liquidation or other disposition of the Leased Property.

“*Fiscal Year*” means the Charter School’s fiscal year, which begins on July 1 of any year and ends on June 30 of the following year.

“*Force Majeure*” means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accidents to machinery, transmission pipes or canals; or any other causes not within the control of the Charter School, but specifically excluding loss of the Charter by the Charter School through action of the Charter Authorizer.

“*Gross Revenue*” means all income and revenues directly or indirectly derived by the Charter School from its operations, including without limitation per pupil revenues and other funding received from the Charter Authorizer attributable to Charter School students or by virtue

of the Charter granted to the Charter School, and all gifts, grants, bequests and contributions (including income and profits therefrom) made to the Charter School to the extent not specifically restricted by the donor or maker thereof to a particular purpose inconsistent with their use for the payments required hereunder.

“Indenture” means the Indenture of Trust, dated as of December 1, 2015, by and between the Authority and the Trustee, including any indentures supplemental thereto made in conformity therewith, pursuant to which the Bonds are authorized to be issued and secured.

“Initial Term” means the period commencing on the date the Bonds are issued and ending on June 30, 2016.

“Lease” means this Lease Agreement, dated as of December 1, 2015, by and between the Corporation and the Charter School and any amendments or supplements hereto, including all exhibits hereto and thereto.

“Leased Property” means the real property described in Exhibit A hereto and all improvements now or in the future located thereon, as from time to time amended or supplemented, together with all other property that may be designated as part of the Leased Property in any amendment or supplement hereto, less any property damaged, destroyed or condemned as provided in Section 9.01 hereof.

“Lease Revenues” means (a) Extraordinary Revenues, if any; (b) the Base Rents; (c) any portion of the proceeds of any Bonds deposited with or by the Trustee in the Bond Interest Fund to pay accrued interest on the Bonds; (d) any earnings on moneys on deposit in the Bond Interest Fund and Bond Principal Fund; (e) all other revenues derived from this Lease, excluding Additional Rents (other than Bond Reserve Fund payments made to the Trustee pursuant to Section 6.02(b) hereof), payments constituting compensation to the Trustee for its services and payments or reimbursements to the Authority, the Trustee or the Corporation for costs or expenses; and (f) any other moneys to which the Trustee may be entitled for the benefit of the Registered Owners.

“Lease Term” means the Initial Term and each Renewal Term during which the Charter School is the lessee of the Leased Property under this Lease as provided in Section 4.01 hereof. Certain provisions of this Lease survive the expiration or end of the Lease Term as provided in Section 4.01(c) hereof.

“Net Proceeds” means, when used with respect to any insurance payment or condemnation award, the gross proceeds thereof less the expenses (including attorneys’ fees) incurred in the collection of such gross proceeds.

“Operating Expenses” means all reasonable and necessary current expenses of the Charter School, paid or accrued, to operate the Charter School and provide educational services, including without limitation (a) salaries and administrative expenses, (b) the cost of instructional supplies and materials, (c) insurance premiums, (d) professional services, and (e) any payments made under this Lease which constitute Additional Rents; provided however, there shall be excluded from Operating Expenses: (i) any allowance for depreciation; (ii) expenses incurred in connection with Capital Improvements; (iii) expenses paid from grants from state, federal or

local sources, or from any Person, which were not included as part of Gross Revenue; and (iv) Base Rents payments and any similar rental payments made for the lease-purchase of Capital Improvements.

“*Option Rights*” means the purchase option rights of the Charter School under Section 6.08 hereof.

“*Permitted Encumbrances*” has the meaning set forth in the Agreement.

“*Renewal Term*” means the twelve-month period, commencing on July 1 of each year and ending on June 30 of following calendar year, for which the Charter School renews the Lease Term.

“*Requirement of Law*” means any material federal, state or local statute, ordinance, rule or regulation, any judicial or administrative order (whether or not on consent), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to environmental, health or safety matters.

“*State*” means the State of Colorado.

“*Trustee*” means UMB Bank, n.a., Denver, Colorado, in its capacity as trustee, being the paying agent, the registrar and the trustee under the Indenture, or any successor corporate trustee.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the Charter School.

The Charter School represents, covenants and warrants, for the benefit of the Corporation, and its successors and assigns, including without limitation, the Trustee, the Authority and the Registered Owners, as follows:

(a) The Charter School is and will use its best efforts to remain, a Colorado nonprofit corporation and a public charter school duly organized and validly existing under the Charter Schools Act. The Charter School is authorized by Section 22-30.5-104(7)(b) of the Charter Schools Act, (i) to lease the Leased Property from the Corporation pursuant to this Lease; and (ii) to execute, deliver and perform its obligations under this Lease. The execution, delivery and performance of this Lease have been duly authorized by the Charter School and the Lease is enforceable against the Charter School in accordance with its terms, subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and equitable principles, whether considered at law or in equity.

(b) Nothing in this Lease shall be construed as diminishing, unlawfully delegating or otherwise restricting any of the sovereign powers of the Charter School.

Nothing in this Lease shall be construed to require the Charter School to operate the Leased Property other than as lessee under the requirements of this Lease.

(c) The execution, delivery and performance of this Lease are in the best interests of the Charter School, serve a public purpose and have been duly authorized by the Charter School.

(d) None of the execution and delivery of this Lease, the fulfillment of or compliance with the terms and conditions of this Lease, nor the consummation of the transactions contemplated by this Lease conflicts with or results in a breach of the terms, conditions or provisions of the Charter School's charter contract, or of any material restriction or any agreement or instrument to which the Charter School is now a party or by which the Charter School is bound, or constitutes a default under any of the foregoing or, except as specifically provided in this Lease and the Agreement, results in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Charter School.

(e) There is no litigation or proceeding pending or to the knowledge of the Charter School threatened against the Charter School or any other Person affecting the right of the Charter School to execute and deliver this Lease, the ability of the Charter School to make the payments required hereunder or the ability of the Charter School otherwise to comply with its obligations under this Lease.

(f) Except as disclosed in writing to the Corporation and the Authority:

- (i) all permits required by Requirements of Law in respect of the Leased Property have been or will be obtained and are or will be in full force and effect and the Charter School is or will be in substantial compliance with the material terms and conditions of such permits;
- (ii) there is no pending litigation, investigation, administrative or other proceeding of any kind before or by any governmental authority or other Person relating to, or alleging, any violation of any Requirements of Law in connection with the Leased Property and there are no grounds on which any such litigation, investigation or proceedings might be commenced against the Charter School;
- (iii) the Leased Property is not subject to any judgment, injunction, writ, order or agreement respecting any Requirements of Law;
- (iv) to the knowledge of the Charter School there is no Hazardous Substance located on, in or under the Leased Property in violation of any Requirements of Law;
- (v) to the knowledge of the Charter School there has been no disposal of any Hazardous Substance on, from, into or out of the Leased Property in violation of any Requirements of Law; and
- (vi) to the knowledge of the Charter School there has been no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any Hazardous Substance into the indoor or outdoor environment from, into or out of the Leased Property including, but not limited to, the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

(g) The Leased Property complies or shall comply in all respects with applicable zoning, environmental and safety ordinances.

(h) The Leased Property will be operated in accordance with all Requirements of Law.

(i) The governing board of the Charter School has determined that the Leased Property is necessary and essential to the Charter School's operations and any Leased Property substituted for any of the Leased Property pursuant to the terms hereof will be for a value which is not less than the property for which it is substituted and that is necessary and essential to the Charter School's operations.

(j) The Charter School will recognize economic and other benefits by leasing the Leased Property.

(k) The Charter School hereby agrees to cooperate in relation to all actions necessary pursuant to and in accordance with the Colorado Charter School Intercept Program in order to have the State Treasurer or, if the State Treasurer does not so agree, the Charter Authorizer make debt service payments thereunder.

(l) The Charter School will provide written notice to the Trustee, the Authority and the Corporation immediately (but not later than 5 days after such event) in the event the Charter School receives notice that the Charter School's charter contract is being recommended for revocation, revoked, not renewed or proceedings are commenced with respect to a revocation.

Section 2.02. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants, for the benefit of the Charter School, the Trustee, the Authority and the Registered Owners, as follows:

(a) The Corporation is a nonprofit corporation duly organized, existing and in good standing under the laws of the State, duly qualified to do business in the State, is possessed of full power to purchase, own, hold and lease (as owner, lessee and lessor) real and personal property, has all necessary power to borrow money from the Authority pursuant to the Agreement, to lease the Leased Property to the Charter School pursuant to this Lease and to execute, deliver and perform its obligations under the Agreement and this Lease and has duly authorized the execution, delivery and performance of its obligations under the Agreement and this Lease.

(b) The Corporation shall at all times maintain its corporate existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of incorporation, bylaws, action of its governing body and applicable law.

(c) The Agreement and this Lease are enforceable against the Corporation in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and equitable principles, whether considered at law or in equity.

(d) The Leased Property will be leased by the Corporation in accordance with all Requirements of Law.

(e) None of the execution and delivery of the Agreement, this Lease, the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound or constitutes a default under any of the foregoing.

(f) Except as specifically provided in the Agreement and this Lease, the Corporation will not assign the Agreement or this Lease, its rights to payments from the Charter School or its duties and obligations hereunder or thereunder to any other person, firm or corporation.

(g) There is no litigation or proceeding pending or to the knowledge of the Charter School threatened against the Corporation or any other Person affecting the right of the Corporation to execute and deliver this Lease, the ability of the Corporation to make the payments required hereunder or the ability of the Corporation otherwise to comply with its obligations under this Lease.

(h) The Corporation acknowledges and recognizes that this Lease will not be renewed upon the occurrence of an Event of Nonappropriation that is not otherwise cured in accordance with Section 6.05 hereof, and that a failure by the Charter School to appropriate funds in a manner that results in an Event of Nonappropriation is a legislative act and, as such, is solely within the discretion of the Charter School.

(i) The Corporation hereby agrees to cooperate in relation to all actions necessary pursuant to and in accordance with the Colorado Charter School Intercept Program in order to have the State Treasurer make debt service payments thereunder.

ARTICLE III

DEMISING CLAUSE

The Corporation demises and leases the Leased Property to the Charter School for the Charter School's use as an educational facility, as defined in the Charter Schools Act in performing one or more governmental purposes, in accordance with the provisions of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

ARTICLE IV

LEASE TERM

Section 4.01. Lease Term.

(a) The Lease Term shall be comprised of the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this Section.

(b) The Lease Term shall expire or end upon the earliest of any of the following events:

(i) June 30 of any Fiscal Year during which there has occurred an Event of Nonappropriation pursuant to Section 4.02 and Article VI hereof (provided that the Lease Term shall be deemed to have been renewed in the event that the Event of Nonappropriation is cured as provided in Section 6.05 hereof);

(ii) an Event of Default and termination of this Lease by the Corporation or its assigns, including, without limitation, the Trustee as provided in Article XII hereof; or

(iii) discharge of the Indenture, as provided in Article VII thereof.

(c) The expiration or end of the Lease Term shall terminate all unaccrued obligations of the Charter School under this Lease and shall terminate the Charter School's rights of possession under this Lease (except to the extent of the holdover provisions of Section 12.02(e)(i) hereof); provided however, all obligations of the Charter School that have accrued hereunder prior to such termination or expiration shall continue until they are paid, performed and discharged in full.

Section 4.02. Charter School's Annual Right to Not Renew the Lease. In the event that the Charter School shall determine, for any reason, to not exercise its annual right to renew this Lease through an Event of Nonappropriation, effective on June 30 of any Fiscal Year, the Charter School shall give written notice to such effect to the Authority, the Trustee, the Charter Authorizer and the Corporation not later than July 1 of the next Fiscal Year; provided, however, that a failure to give such notice shall not constitute an Event of Default, nor prevent the Charter School from choosing not to renew this Lease, nor result in any liability on the part of the Charter School. The exercise of the Charter School's annual option to not renew this Lease shall be conclusively determined by the Charter School's failure, for any reason (subject, however, to the cure rights set forth in Section 6.05(iii) and (iv) hereof), (a) to appropriate by June 30 of each Fiscal Year (i) sufficient amounts authorized and directed to be used to pay all Base Rents due in the next ensuing Fiscal Year in accordance with Section 6.02(a) hereof; and (ii) sufficient amounts authorized and directed to be used to pay such Additional Rents as are estimated to become due in the next ensuing Fiscal Year; or (b) upon the occurrence of any of the other events described in the definition of Event of Nonappropriation herein. The chief financial officer of the Charter School (or any other officer at any time charged with the responsibility of formulating budget proposals with respect to payments under this Lease) is hereby directed to include, in the annual budget proposals submitted to the governing body of the Charter School, items for all payments required under this Lease during the next ensuing Fiscal Year, until such time, if any, as the Charter School may determine not to renew this Lease; it being the intention of the Charter School that any decision not to renew this Lease shall be made solely by the governing body of the Charter School and not by any other department, agency or official of the Charter School. The Charter School shall in any event furnish the Trustee and the Corporation proof of appropriation relating to Base Rents or Additional Rents under this Lease promptly upon the adoption thereof by the Charter School as evidenced by a resolution of the Charter

School made and delivered to the Trustee no later than June 30 of each Fiscal Year. Such resolution shall be signed by an Authorized Representative of the Charter School.

ARTICLE V

ENJOYMENT OF LEASED PROPERTY

The Corporation hereby covenants that during the Lease Term and so long as the Charter School complies with the provisions hereof, the Charter School shall peaceably and quietly have and hold and enjoy the Leased Property without suit, trouble or hindrance from the Corporation, except as expressly required or permitted by this Lease. The Corporation shall not interfere with the quiet use and enjoyment of the Leased Property by the Charter School during the Lease Term so long as no Event of Default or Event of Nonappropriation shall have occurred. The Corporation shall, at the request of the Charter School and at the cost of the Charter School, but only to the extent amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment of such costs, join and cooperate fully in any legal action in which the Charter School asserts its right to such possession and enjoyment, or which involves the imposition of any taxes or other governmental charges on or in connection with the Leased Property. In addition, the Charter School may at its own expense join in any legal action affecting its possession and enjoyment of the Leased Property and shall be joined in any action affecting its liabilities hereunder.

ARTICLE VI

PAYMENTS BY THE CHARTER SCHOOL

Section 6.01. Payments to Constitute Currently Appropriated Expenditures of the Charter School; No Lien on Gross Revenues.

(a) The Charter School and the Corporation acknowledge and agree that the Base Rents and Additional Rents hereunder shall constitute currently appropriated expenditures of the Charter School and may be paid from any legally available funds. The Charter School's obligations under this Lease shall be subject to the Charter School's annual right to choose not to renew this Lease (as further provided in Sections 4.01, 4.02, 6.02, 6.05 and 9.03(b) hereof), and shall not constitute a mandatory charge or requirement for payment of any amounts in excess of amounts appropriated for any Fiscal Year beyond the Fiscal Year for which such appropriation has been made. No provision of this Lease shall be construed or interpreted as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Charter School within the meaning of any constitutional or statutory limitation or requirement. No provision of this Lease shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or a lending of the credit of the Charter School, within the meaning of Section 1 or 2 of Article XI of the Constitution of the State. The Corporation acknowledges that the Charter School is not an agent of the Charter Authorizer, and accordingly, the Corporation expressly releases the Charter Authorizer from any and all liability under this Lease. Any financial obligations of the

Charter School arising out of this Lease are subject to annual appropriation by the Charter School's Board of Directors and the Charter Authorizer.

(b) None of the Agreement, the Lease, the Indenture nor the Bonds directly or indirectly obligate the Charter School to make any payments beyond those appropriated for any Fiscal Year for which such payments have been appropriated. No provision of this Lease shall be construed to pledge or to create a lien on any class or source of moneys of the Charter School, nor shall any provision of this Lease restrict the future issuance of any obligations of the Charter School, payable from any class or source of moneys of the Charter School; provided, however, the Charter School shall, if such moneys are appropriated, use its best efforts to make such payments out of its Gross Revenues.

Section 6.02. Base Rents and Additional Rents; Triple Net Lease.

(a) ***Base Rents.***

(i) The Charter School shall pay or cause to be paid Base Rents directly to the Trustee during the Lease Term, on the Base Rents Payment Dates. The Base Rents during the Lease Term shall be in the amounts set forth in Exhibit B hereto. Base Rents shall be payable from moneys in the Bond Reserve Fund established and held pursuant to the Indenture as provided therein and shall be reimbursed by the Charter School as provided in Section 6.02(b) hereof.

(ii) The Charter School and the Corporation shall take or cause to be taken such actions as may be necessary to cause direct payment of Base Rents to be made to the Trustee from any Gross Revenues held by the State Treasurer or, if the State Treasurer does not so agree, from any Gross Revenue held by the Charter Authorizer, pursuant to and in accordance with the Colorado Charter School Intercept Program; provided however, upon the failure of State Treasurer or Charter Authorizer to transfer such amounts to the Trustee, for whatever reason, the Trustee shall so notify the Charter School and the Charter School shall promptly make such payments. The Trustee shall timely notify the Charter School when it has received any payments from the State Treasurer or the Charter Authorizer.

(iii) In the event that the Charter School qualifies for and receives capital construction moneys pursuant to Section 22-30.5-112.3, C.R.S. or any successor statute thereto, to be used solely for capital construction as defined in Section 22-54-124(1)(a), C.R.S. or any successor statute thereto, the Charter School covenants to deposit said moneys received with the Trustee not later than two Business Days prior to any principal or interest payment date to be applied to the payment of Base Rents pursuant to Section 6.02 hereof, unless such capital construction moneys may be retained by or returned to the Charter School in accordance with Section 10.10 hereof.

(iv) So long as the Lease Term has not expired or ended, the Charter School shall be entitled to a rebate of Base Rents Payment made by or on behalf of the Charter School for the immediately preceding Initial Term or Renewal Term in accordance with Section 3.04 of the Indenture. Rebates are to be made to the Charter School by the Trustee within five (5) Business Days following the date of maturity or sinking fund redemption of any of the Bonds pursuant to the Indenture; provided however, such rebates, if any, are subject to the terms and conditions set forth in Section 3.04 of the Indenture.

(b) **Additional Rents.** The Charter School shall pay Additional Rents during the Lease Term as herein provided. The Additional Rents during the Lease Term shall be estimated annually by the President of the Corporation (or any other officer at any time charged with the responsibility of formulating budget proposals with respect to payments under this Lease) and the President of the Charter School (or any other officer at any time charged with the responsibility of formulating budget proposals with respect to payments under this Lease) and such estimate shall be in an amount sufficient to pay the following costs during the next ensuing Fiscal Year: (i) the reasonable fees and expenses of the Trustee and the Corporation and the Annual Fees of the Authority; (ii) the cost of insurance premiums; (iii) the cost of taxes, utility charges, maintenance, upkeep and repair costs; (iv) payments into the Bond Reserve Fund required by Section 3.06 of the Indenture; (v) payments into the Rebate Fund required by Section 3.18 of the Indenture; (vi) the administrative fee charged by the State Treasurer pursuant to the Charter Intercept Program Application; and (vii) all other costs included in the definition of, or expressly required to be paid by the Charter School as, Additional Rents hereunder. In the event the Additional Rents in any Fiscal Year exceed the amount for which appropriation has been made, the President of the Corporation (or any other officer at any time charged with the responsibility of formulating budget proposals with respect to payments under this Lease) and the President of the Charter School (or any other officer at any time charged with the responsibility of formulating budget proposals with respect to payments under this Lease) shall submit a budget proposal evidencing the funding for the amount of such excess Additional Rents for such Fiscal Year. In the event the Lease Term is continued for the next ensuing Fiscal Year, the Charter School's obligation under this Lease to pay Additional Rents during such Fiscal Year shall be limited to the amount so appropriated for Additional Rents in accordance with the procedures described above and any amounts subsequently appropriated by supplemental appropriation for payment of Additional Rents during such Fiscal Year. Additional Rent obligations in excess of the amounts so appropriated shall in no event be due or owing from the Charter School from funds of the Charter School other than legally available funds. The Charter School hereby agrees that, to the extent that the Bond Reserve Fund moneys are applied pursuant to Section 3.07 of the Indenture or, to the extent that, for any other reason, the amounts in any account within the Bond Reserve Fund are less than the Bond Reserve Requirement, the Charter School will (unless this Lease has theretofore not been renewed or has theretofore been terminated by the Charter School) promptly pay to the Trustee in accordance with Section 5.02 of the Agreement, for deposit in the Bond Reserve Fund, from the amounts appropriated as described above for the payment of Additional Rents, such amounts as are required to restore the amount on deposit in the

Bond Reserve Fund to the Bond Reserve Requirement. The Charter School hereby expressly agrees to pay to the Corporation and its directors and officers, as appropriate, as Additional Rents, all costs and expenses incurred by the Corporation or by its directors or officers in connection with any investigation, claim, demand, suit, action or proceeding relating to the activities of the Corporation, or such directors or officers in their capacity as such, in respect of the Leased Property, the Agreement, this Lease, the Bonds or any matter related thereto. Following its receipt of notice of or an invoice for any Additional Rents, the Charter School shall have 30 days to pay such Additional Rents.

(c) **Net Lease.** This Lease shall be deemed and construed to be a “net lease,” and the Charter School shall pay absolutely all operating and other costs of the Leased Property during the Lease Term, including the Base Rents, Additional Rents and all other payments required hereunder, free of any deductions, and without abatement, deduction or setoff (other than credits against Base Rents expressly provided for in this Lease). To the fullest extent allowed by law, this Lease shall be a “triple net” lease and all costs incurred in connection with the Leased Property, the operation thereof, taxes, insurance and all other costs and expenses, shall be borne by the Charter School.

Section 6.03. Manner of Payment. The Base Rents and any Additional Rents payable to the Trustee shall be paid by lawful money of the United States of America to the Trustee for deposit in accordance with the Indenture. All Additional Rents shall be paid by the Charter School on a timely basis directly to the Person to which such Additional Rents are owed (except that the Bond Reserve Fund and the Rebate Fund payments shall be made to the Trustee as provided in Sections 3.06 or 3.18 of the Indenture). The obligation of the Charter School to pay the Base Rents and Additional Rents required under this Article and other provisions hereof, during the Lease Term, shall, subject to the provisions of Section 6.05 hereof, be absolute and unconditional, and payment of the Base Rents and Additional Rents shall not be abated through accident or unforeseen circumstances. Notwithstanding any dispute between the Charter School and the Authority, the Corporation, the Trustee, any Registered Owner, any contractor or subcontractor retained with respect to the Leased Property, or any other person, the Charter School shall, during the Lease Term, make all payments of Base Rents and Additional Rents when due and shall not withhold any Base Rents or Additional Rents pending final resolution of such dispute (except to the extent permitted by Sections 7.02 and 8.03 hereof with respect to certain Additional Rents), nor shall the Charter School assert any right of set-off or counter-claim against its obligation to make such payments required hereunder; provided, however, that the making of such payments shall not constitute a waiver by the Charter School of any rights, claims or defenses which the Charter School may assert. No action or inaction on the part of the Corporation or the Trustee shall affect the Charter School’s obligation to pay Base Rents and Additional Rents (except to the extent provided by Sections 7.02 and 8.03 hereof with respect to certain Additional Rents) during the Lease Term.

Section 6.04. Necessity of the Leased Property; Determinations as to Fair Market Value. The Charter School hereby declares its current need for the Leased Property and further determines and declares its expectation that the Leased Property will (so long as it is subject to the terms hereof) adequately serve the needs for which it is being leased throughout the stated

term of this Lease. It is hereby declared to be the present intention and expectation of the Charter School that this Lease will be continued through the end of the Lease Term, but this declaration shall not be construed as contractually obligating or otherwise binding the Charter School. The Charter School hereby agrees and determines that the Base Rents during each year of the Lease Term represent not more than the fair value of the use of the Leased Property during such year. The Charter School hereby determines that the Base Rents do not exceed a reasonable amount so as to place the Charter School under an economic compulsion to renew this Lease. In making such declarations and determinations, the Charter School has given consideration to the uses and purposes for which the Leased Property will be employed by the Charter School, the benefit to the Charter School by reason of the Leased Property, and the use and occupancy of the Leased Property pursuant to the terms and provisions of this Lease.

Section 6.05. Nonappropriation by the Charter School.

(a) In the event that the Charter School fails, for any reason, to appropriate by the first Business Day of each Fiscal Year (A) sufficient amounts authorized and directed to be used to pay all Base Rents due in the next ensuing Fiscal Year in accordance with Section 6.02(a) hereof; and (B) sufficient amounts authorized and directed to be used to pay such Additional Rents as are estimated to become due in the next ensuing Fiscal Year in accordance with Section 6.02(b) hereof, upon the occurrence of an event described in subsection (b) of this Section, or upon the occurrence of any other event described in the definition of Event of Nonappropriation herein, an Event of Nonappropriation shall be deemed to have occurred; subject, however, to each of the following provisions:

(i) The Charter School shall give written notice to the Trustee, the Authority and the Corporation if the Charter School's preliminary budget fails, in any year, to include an appropriation for sufficient amounts authorized and directed to be used to pay all Base Rents due in the next ensuing Fiscal Year; but any failure of the Charter School to give such notice shall not constitute an Event of Nonappropriation or an Event of Default.

(ii) The Trustee shall give written notice to the Charter School, the Authority and the Corporation of any Event of Nonappropriation on or before the first ten days of any Fiscal Year; but any failure of the Trustee to give such written notice shall not prevent the Trustee from declaring an Event of Nonappropriation or from taking any remedial action which would otherwise be available to the Trustee.

(iii) The Trustee shall waive any Event of Nonappropriation, other than an Event of Nonappropriation as described in subsection (b) of this Section, which is cured by the Charter School on or before the first 45 days of any Fiscal Year, by appropriating (A) by one or more specific line item references sufficient amounts authorized and directed to be used to pay all Base Rents due in such Fiscal Year in accordance with Section 6.02(a) hereof; and (B) sufficient amounts to pay such Additional Rents as are estimated to become due in such Fiscal Year in accordance with Section 6.02(b) hereof.

(iv) Subject to the terms of the Indenture, the Trustee may waive any Event of Nonappropriation which is cured by the Charter School within a reasonable time if in the Trustee's judgment, upon the advice of counsel, such waiver is in the best interests of the Registered Owners.

(b) In the event that during any Fiscal Year, any Additional Rents shall accrue in excess of amounts included in a duly enacted appropriation for the payment of Additional Rents, then, in the event that moneys are not specifically authorized and directed by the Charter School to be used to pay such Additional Rents by the earlier of the last Business Day of the Fiscal Year in which such Additional Rents accrue or 90 days subsequent to the date upon which such Additional Rents accrue, an Event of Nonappropriation shall be deemed to have occurred, upon notice by the Trustee to the Charter School, the Authority and the Corporation to such effect (subject to waiver by the Trustee as provided in clause (iv) of subsection (a) of this Section).

(c) If an Event of Nonappropriation occurs, the Charter School shall not be obligated to pay the Base Rents or Additional Rents or any other payments provided for herein beyond the amounts specifically appropriated by the Charter School for the Fiscal Year during which such Event of Nonappropriation occurs; provided, however, that, subject to the limitations of Sections 6.02 and 12.03 hereof, the Charter School shall continue to be liable for Base Rents and Additional Rents, to the extent payable from legally available moneys, allocable to any period during which the Charter School shall continue to occupy or retain possession of the Leased Property.

(d) The Charter School shall in all events vacate the Leased Property and surrender any personal property included in the Leased Property to the Trustee by the thirtieth calendar day following an Event of Nonappropriation.

Section 6.06. Disposition of Base Rents. Upon receipt by the Trustee of each payment of Base Rents, the Trustee shall apply the amount of each Base Rents payment in the following manner and order:

(a) FIRST, the amount of such payment of Base Rents designated and paid as interest under Exhibit B, as amended, plus the amount of any past due interest on the Bonds, shall be deposited in the Bond Interest Fund; and

(b) SECOND, the remaining portion of such payment of Base Rents shall be deposited in the Bond Principal Fund.

Section 6.07. Charter Authorizer Not Liable. The obligations of the Charter School hereunder are solely the obligations of the Charter School and shall not to be deemed obligations of the Charter Authorizer. This Lease shall not constitute or become an obligation, an indebtedness, a debt or a liability of or a charge against the general credit or taxing power of the Charter Authorizer.

Section 6.08. Purchase Option. So long as this Lease is in effect and the Bonds are Outstanding, the Charter School shall have the option to purchase the Leased Property free and clear of the lien of the Deed of Trust, by paying to the Corporation an amount that, together with

other amounts then on deposit with the Trustee (excluding amounts held in the Rebate Fund) that are available for such purpose, is sufficient: (a) to pay, in immediately available funds, the Redemption Price of all Outstanding Bonds that are at such time subject to redemption at the option of the Corporation in accordance with the redemption provisions of the Indenture and/or the amount necessary to defease all Outstanding Bonds that are not at such time subject to redemption at the option of the Corporation in accordance with the defeasance provisions of the Indenture; (b) to pay all Additional Rents payable through the date of conveyance of the Leased Property to the Charter School or its designee pursuant to this Section; and (c) to pay all fees and expenses of the Trustee and the Corporation required for the conveyance of the Leased Property.

ARTICLE VII

TITLE TO THE IMPROVEMENTS TO THE LEASED PROPERTY; LIMITATIONS ON ENCUMBRANCES

Section 7.01. Title to the Leased Property.

(a) Any improvements to the Leased Property shall become part of the Leased Property.

(b) The Charter School shall have no right, title or interest in the Leased Property or any additions and modifications thereto or replacements thereof, except as expressly set forth in this Lease.

Section 7.02. No Encumbrance, Mortgage or Pledge of Leased Property. The Charter School shall not permit any mechanic's or other lien to remain against the Leased Property; provided that, if the Charter School shall first notify the Trustee of the intention of the Charter School to do so, the Charter School may in good faith contest any mechanic's or other lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Corporation or the Trustee shall notify the Charter School that, in the opinion of independent counsel, whose reasonable fees shall be paid by the Charter School, but only to the extent that amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment of such costs, by nonpayment of any such items the Corporation's title to the Leased Property or the lien on the Leased Property pursuant to the Deed of Trust and the Agreement will be materially endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Charter School shall promptly pay and cause to be satisfied and discharged all such unpaid items; provided, however, that such payment shall not be required to be made and no obligation to pay any fees or charges of independent counsel shall be incurred if such lien is filed or submitted pursuant to the provisions of § 38-26-107, C.R.S., and further provided that such payment shall not constitute a waiver by the Charter School of the right to continue to contest such items. The Corporation and the Trustee will cooperate fully with the Charter School in any such contest, upon the request and at the expense of the Charter School, to the extent that Additional Rents which have been specifically appropriated by the Charter School are available for the payment of such expenses. Neither the Corporation nor, except as provided above, the Charter School shall directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on

or with respect to the Leased Property, except Permitted Encumbrances. The Charter School shall promptly, at its own expense, to the extent that amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment of such expenses, take such action as may be deemed necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above which it shall have created, incurred or suffered to exist. The Corporation shall promptly, at its own expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above which it shall have created or incurred.

Section 7.03. Compliance with Requirements of Law. The Charter School shall at all times operate the Leased Property, or cause the Leased Property to be used and operated, such that (a) the Leased Property at all times shall be operated in substantial compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the Leased Property shall be obtained and maintained in full force and effect and the Charter School shall substantially comply with the material terms and conditions of such permits; (c) there shall be no Hazardous Substance located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any Hazardous Substance on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any Hazardous Substance into the indoor or outdoor environment from, into or out of the Leased Property including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

ARTICLE VIII

MAINTENANCE; TAXES; INSURANCE AND OTHER CHARGES

Section 8.01. Maintenance of the Leased Property by the Charter School. The Charter School agrees that at all times during the Lease Term the Charter School will maintain, preserve and keep the Leased Property or cause the Leased Property to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, subject to normal wear and tear, and that the Charter School will from time to time make or cause to be made all necessary and proper repairs, except as otherwise provided in Section 9.03 hereof. None of the Authority, the Corporation, the Trustee nor any of the Registered Owners shall have any responsibility in any of these matters or for the making of any additions, modifications or replacements to the Leased Property.

Section 8.02. Modification of the Leased Property; Installation of Equipment and Personal Property of the Charter School.

(a) The Charter School, upon giving prior notice to the Corporation, may remodel or make substitutions, additions, modifications or improvements to the Leased Property, at its own cost and expense to pay for the cost of capital improvements to the Leased Property; and the same shall be part of the Leased Property, subject to, and shall

be included under the terms of this Lease; provided, however, that (i) such remodeling, substitutions, additions, modifications and improvements shall not in any way damage the Leased Property or cause them to be used for purposes other than lawful governmental functions; and (ii) the Leased Property, as remodeled, improved or altered, upon completion of such remodeling, or such making of substitutions, additions, modifications and improvements, shall be of a value not less than the value of the Leased Property immediately prior to such remodeling or such making of substitutions, additions, modifications and improvements and all of such improvements or alterations shall become part of the Leased Property without amendment of this Lease.

(b) The Charter School may also, from time to time in its sole discretion and at its own expense, install equipment and personal property (which are not to be fixtures) in or on the Leased Property. All such equipment and personal property shall remain the sole property of the Charter School in which none of the Authority, the Corporation, the Trustee or the Registered Owners shall have any interest; provided, however, that any such equipment and personal property which becomes permanently affixed to the Leased Property shall become part of the Leased Property, subject to this Lease and shall be included under the terms of this Lease.

Section 8.03. Taxes, Other Governmental Charges and Utility Charges. The Charter School shall use its reasonable good faith best efforts to maintain the Leased Property as exempt from ad valorem property or other taxes to the extent allowable by law. In the event that the Leased Property or any portion thereof shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body, the Charter School shall pay the amount of all such taxes, assessments and governmental charges then due, but only to the extent that amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment of such costs. With respect to special assessments or other governmental charges that may be lawfully paid in installments over a period of years, the Charter School shall be obligated to provide only for such installments as are required to be paid during the upcoming Fiscal Year. The Charter School shall not allow any liens for taxes, assessments or governmental charges to exist with respect to the Leased Property or any portion thereof (including, without limitation, any taxes levied thereon which, if not paid, will become a charge on the rentals and receipts from the Leased Property or any portion thereof, or any interest therein, including the interest of the Authority, the Corporation, the Trustee or the Registered Owners) or the rentals and revenues derived therefrom or hereunder. The Charter School shall also pay as Additional Rents, to the extent that amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment thereof, as the same respectively become due, all gas, water, steam, electricity, heat, power, utility and other charges incurred in the maintenance and upkeep of the Leased Property. If the Charter School shall first notify the Trustee of the intention of the Charter School to do so, the Charter School may, at the expense and in the name of the Charter School, in good faith contest any such tax, assessment, utility and other charges and, in the event of any such contest, may permit the tax, assessment, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the Charter School that, in the opinion of independent counsel, whose reasonable fees shall be paid by the Charter School, but only to the extent that amounts for Additional Rents which have been specifically appropriated

by the Charter School are available for the payment of such costs, by nonpayment of any such items the security afforded pursuant to the Indenture will be materially endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, or the Corporation or the Trustee will be subject to liability, in which event such tax, assessment, utility or other charges shall, to the extent that amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment thereof, be paid promptly or secured by posting a bond with the Trustee in form satisfactory to the Trustee (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, utility or other charges).

Section 8.04. Provisions Regarding Casualty and Property Damage Insurance.

(a) Upon the execution and delivery of this Lease and until the expiration or end of the Lease Term pursuant to Section 4.01 hereof, the Charter School shall, at its own expense, cause casualty and property damage insurance with respect to the Leased Property in an amount equal to the greater of the full replacement value of the Leased Property or the aggregate principal amount of the Bonds then Outstanding, unless the insurable value is less than the aggregate principal amount of the Bonds Outstanding, in which event in an amount equal to the full replacement value of the Leased Property. The insurance policies required by this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount that does not exceed an amount customary for facilities of like size and type; (ii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the Charter School, the Corporation and the Trustee, as their respective interests may appear and name the Trustee an additional insured; (iii) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the Charter School, the Corporation or the Trustee without first giving written notice thereof to the Charter School, the Corporation and the Trustee at least 30 days in advance of such cancellation or modification; (iv) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the Charter School; and (v) each insurance policy shall explicitly waive any co-insurance penalty. The Trustee shall have no duty to monitor or review any insurance policies or certificates received or for the sufficiency of such insurance.

(b) Commercial general liability and automobile liability insurance against claims arising in, on or about the Leased Property, including in, on or about the sidewalks or premises adjacent to the Leased Property, providing coverage limits not less than the coverage limits customarily carried by owners or operators of facilities of similar size and character within the State.

(c) Fidelity insurance or bonds on those of its officers and employees who handle funds of the Charter School, both in such amounts and to such extent as are customarily carried by organizations similar to the Charter School and operating properties similar in size and character to the facilities of the Charter School.

(d) To the extent available for a commercially reasonable cost, rental value insurance covering all risks as to which insurance is required pursuant to paragraph (a) above, in an amount equal to not less than the amounts required to be paid pursuant to Section 6.02 hereof for a period of not less than 12 months. If any such loss or damage has occurred, the Charter School shall continue to be obligated to pay the amounts required to be paid pursuant to Section 6.02 hereof, and any proceeds of such insurance shall be applied against all or part of such payment obligations of the Charter School.

(e) Such other forms of insurance as the Charter School is required by law to provide with respect to the Leased Property, including, without limitation, any legally required worker's compensation insurance and disability benefits insurance.

(f) The Charter School may, in its discretion, provide any of the insurance required by this Section under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks.

(g) The Charter School may, in its discretion, provide all or any portion of the insurance required by this Section by self-insurance meeting the requirements of Section 6.03 of the Agreement.

(h) The Charter School agrees to pay the premiums for any insurance required by the Agreement as part of the Additional Rents.

At least once every five years from December 1, 2015, the Charter School shall employ (or cause to be employed), at its expense, an Insurance Consultant to review the insurance coverage required by this Section and to render to the Authority, the Trustee, the Corporation and the Charter School a report certifying that the Charter School and the Corporation (to the extent not maintained by the Charter School hereunder) each have in effect insurance of the types and in the amounts carried by similarly situated institutions in the same geographic area. The insurance coverage provided by this Section may be reduced or otherwise adjusted by the Charter School without the prior written consent of the Trustee or the Authority, provide that all coverages after such reduction or other adjustment are certified by the Insurance Consultant to be adequate and customary for facilities of the like size and type, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance and the effect of such terms and such cost upon the Charter School's fees, rentals and charges for the use of the Leased Property.

The insurance coverage provided by this Section shall be increased or otherwise adjusted by the Charter School if as a result of such review the Insurance Consultant finds that the existing coverage is inadequate, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance, and the effect of such terms and such cost upon the Charter School's cost and charges for its services. The insurance coverage required by this Section, and modification thereof permitted or required by this paragraph, shall at all times be adequate and customary for facilities of like size and type, and the Insurance Consultant shall so certify in the report required by this paragraph.

ARTICLE IX

DAMAGE, DESTRUCTION OR CONDEMNATION; USE OF NET PROCEEDS

Section 9.01. Damage, Destruction or Condemnation. If, during the Lease Term, (a) the Leased Property, or any portion thereof, shall be destroyed (in whole or in part), or damaged by fire or other casualty; (b) title to, or the temporary or permanent use of, the Leased Property, or any portion thereof or the estate of the Charter School, the Authority, the Corporation or the Trustee in the Leased Property or any portion thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; (c) breach of warranty or any material defect with respect to the Leased Property shall become apparent; or (d) title to or the use of all or any portion of the Leased Property shall be lost by reason of defect in the title thereto, then, the Charter School shall be obligated, subject to the provisions of Section 9.03 hereof, to continue to pay the amounts specified in Section 9.02 hereof and, to the extent of amounts specifically appropriated by the Charter School, to pay the amounts specified in Section 6.02 hereof.

Section 9.02. Obligation of the Charter School to Repair and Replace the Leased Property. Except as set forth in Section 9.03 hereof, all Net Proceeds of any insurance, performance bonds or condemnation awards shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Leased Property by the Charter School upon receipt of requisitions by the Trustee signed by the Authorized Representative of the Charter School and setting forth: (a) the requisition number; (b) the name and address of the person, firm or corporation to whom payment is due or has been made; (c) the amount to be paid or reimbursed; and (d) that each obligation mentioned therein has been properly incurred, is a proper charge against the separate trust fund and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Corporation and the Trustee shall cooperate with the Charter School in the administration of such fund and shall not unreasonably withhold its approval of requisitions under this Section. Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of Net Proceeds shall be the property of the Corporation, subject to the Agreement, this Lease and the Indenture, and shall be included as part of the Leased Property under this Lease, the Agreement and the Indenture. Subject to the provisions of Section 9.03 hereof, the Charter School (and, to the extent such Net Proceeds are within their control, the Corporation and the Trustee) shall cause such Net Proceeds in excess of \$250,000 to be deposited in a separate trust fund held by the Trustee. The balance of any such Net Proceeds remaining in such separate trust fund after such repair, restoration, modification, improvement or replacement has been completed shall be deposited into the Bond Principal Fund or the Bond Interest Fund, at the option of the Charter School.

Section 9.03. Insufficiency of Net Proceeds. If there occurs an event described in Section 9.01 hereof, and if any Net Proceeds received as a consequence of such event shall be insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Leased Property required under Section 9.02 hereof, the Charter School shall elect one of the following options:

(a) The Charter School may, in accordance with Section 9.02 hereof, repair, restore, modify or improve the Leased Property or replace the Leased Property (or portion thereof) with property of a value equal to or in excess of the Leased Property, and pay as Additional Rents any cost in excess of the amount of the Net Proceeds, to the extent the amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment of such costs, and the Charter School agrees that, if by reason of any such insufficiency of the Net Proceeds, the Charter School shall make any Additional Rents payments pursuant to the provisions of this paragraph, the Charter School shall not be entitled to any reimbursement therefor from the Corporation, the Authority, the Trustee or the Registered Owners, nor shall the Charter School be entitled to any diminution of the Base Rents and Additional Rents payable under Section 6.02 hereof.

(b) If, by June 30 of the Fiscal Year in which an event described in Section 9.01 hereof occurs (or June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the Leased Property become apparent), the Charter School has not appropriated amounts sufficient to proceed under clause (a) of this Section, an Event of Nonappropriation shall be deemed to have occurred. Unless such Event of Nonappropriation is cured as provided in Section 6.05 hereof, the Corporation or the Trustee may then pursue remedies as provided in Sections 6.05 and 12.02 hereof.

Section 9.04. Cooperation of the Corporation. The Corporation shall cooperate fully with the Charter School and the Trustee in filing any proof of loss with respect to any insurance policy or performance bond covering the events described in Section 9.01 hereof, in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Property or any portion thereof, and in the prosecution of any action relating to defaults or breaches of warranty under any contract relating to the Leased Property, and hereby assigns to the Trustee its interests in such policies solely for such purposes. In no event shall the Corporation voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to defaults or breaches of warranty under any contract relating to the Leased Property or any portion thereof without the written consent of the Trustee and the Charter School. The Charter School shall pay to the Corporation as Additional Rents all reasonable fees and expenses incurred by the Corporation under this Section, to the extent that amounts for Additional Rents which have been specifically appropriated by the Charter School are available for the payment of such fees and expenses. This Section shall not be construed to obligate the Corporation to advance its own funds in order to take any action hereunder.

ARTICLE X

DISCLAIMER OF WARRANTIES; OTHER COVENANTS

Section 10.01. Disclaimer of Warranties. NONE OF THE AUTHORITY, THE CORPORATION, NOR THE TRUSTEE MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR

FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. The Charter School hereby acknowledges and declares that the Charter School has fully participated in, and will fully participate in, the design, construction, maintenance and operation of the Leased Property, and that none of the Authority, the Trustee or the Registered Owners has any responsibility therefor. In no event shall the Authority, the Corporation, the Trustee or the Registered Owners be liable for any direct or indirect, incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the Charter School of any item, product or service provided for herein.

Section 10.02. Further Assurances and Corrective Instruments. The Corporation and the Charter School agree that so long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Corporation and the Charter School shall have full power to carry out the acts and agreements provided herein and they will, so far as it may be authorized by law, from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be, or for otherwise carrying out the intention of or facilitating the performance of this Lease. This Section shall not be construed to obligate the Corporation to advance its own funds, other than proceeds of the Bonds, in order to take any action hereunder.

Section 10.03. The Corporation, Charter School or Trustee Representatives. Whenever under the provisions hereof the approval of the Corporation, the Charter School or the Trustee is required, or the Charter School, the Corporation or the Trustee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Corporation by the Authorized Representative of the Corporation, for the Charter School by the Authorized Representative of the Charter School and for the Trustee by an authorized officer of the Trustee, and the Corporation, the Charter School and the Trustee shall be authorized to act on any such approval or request.

Section 10.04. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Corporation and the Trustee shall at any time, but only upon the request of the Charter School, consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the real property included in the Leased Property, free from this Lease, the Agreement and the Indenture and any security interest or other encumbrance created hereunder or thereunder; the Corporation and the Trustee shall release existing easements, licenses, rights-of-way and other rights and privileges with respect to the real property included in the Leased Property, free from this Lease, the Agreement and the Indenture and any security interest or encumbrance created hereunder or thereunder, with or without consideration; and the Corporation and the Trustee agree to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or other grant or privilege upon receipt of: (a) a copy of the instrument of grant or release; (b) a written certificate signed by the Authorized Representative of the Charter School requesting such instrument and stating that such grant or release will not impair the effective use or interfere with the operation of the Leased Property; (c) an updated ALTA Survey indicating

the location of such easement, license, right-of-way or other grant or privilege; and (d) an opinion of Bond Counsel to the effect that the grant or release will not cause an adverse impact on the tax-exempt status of the tax-exempt Bonds. Provided however, nothing in this Section shall be deemed to permit the granting of easements which materially, adversely affect the enjoyment and intended use of the Leased Property by the Charter School.

Section 10.05. Compliance with Requirements of Law. During the Lease Term, the Charter School and the Corporation shall observe and comply promptly with all current and future Requirements of Law applicable to the Leased Property or any portion thereof and all current and future requirements of all insurance companies writing policies covering the Leased Property or any portion thereof.

Section 10.06. Charter School Acknowledgement of the Bonds; Subordination of Lease. The Charter School acknowledges and consents to the assignment by the Corporation to the Authority, pursuant to the Agreement and the Deed of Trust, and the subsequent assignment by the Authority to the Trustee, pursuant to the Indenture, of all rights, title and interest of the Corporation in, to and under this Lease (other than the rights of the Authority and the Corporation with respect to payments for or reimbursement of certain fees and expenses under Section 6.02 hereof and indemnity rights under Section 13.01 hereof). The Charter School acknowledges and consents to the issuance and sale of the Bonds pursuant to the Indenture. The Charter School acknowledges and approves the form of the Bonds contained in the Indenture, and the authentication of the Bonds by the Trustee is hereby approved, authorized and directed.

This Lease and all rights of the Charter School hereunder, including the Option Rights, are expressly subordinated to the liens of the Deed of Trust given by the Corporation to secure the Agreement and the Bonds issued under the Indenture. This Lease and the Option Rights shall be subordinate to the liens of the Agreement and the Deed of Trust and any liens or security interests created under the Indenture and any other mortgage, deed of trust (now or hereafter placed upon the Leased Property) and to any and all advances made under any mortgage or deed of trust and to all renewals, modifications, replacements or extensions thereof; provided, however, that in the event of foreclosure on the Deed of Trust caused by the Corporation's default under this Lease, the Charter School shall continue to have the right to possess the property or otherwise enjoy its rights under the Lease provided that it fully performs its obligations hereunder. The Charter School agrees, with respect to any of the foregoing documents, that no documentation other than this Lease shall be required to evidence such subordination. Notwithstanding the foregoing, upon the written request of the Corporation, the Authority or the Trustee, the Charter School agrees to deliver a Subordination, Non-Disturbance and Attornment Agreement to the holder of the Deed of Trust or to any other holder of any debt incurred in connection with a refinancing of the debt evidenced by the Agreement and the Indenture.

Section 10.07. Tax Covenants.

(a) The Charter School covenants for the benefit of the Authority and the Registered Owners from time to time that the Charter School (i) shall not make any use of the Leased Property; and (ii) shall not take (or omit to take) any other action with respect to the Bonds, the proceeds thereof or otherwise, if such use, action or omission

would, under the Code, cause the interest on the tax-exempt Bonds to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted net book income” or “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on such corporations).

(b) In particular, the Charter School hereby covenants for the benefit of the Authority and the Registered Owners from time to time that it shall not take (or omit to take) or permit or suffer any action to be taken if the result of the same would cause the Bonds to be (i) “arbitrage bonds” within the meaning of Section 148 of the Code; or (ii) “private activity bonds” within the meaning of Section 141 of the Code.

(c) The Charter School agrees that no portion of the Leased Property financed with the proceeds of the Bonds shall be used primarily for sectarian purposes. The Charter School will comply with all applicable state and federal laws concerning discrimination on the basis of race, creed, color, sex, sexual orientation, national origin, or religious belief and will respect, permit, and not interfere with the religious beliefs of persons working for the Charter School. The Charter School agrees that the Leased Property will not be used exclusively or predominantly for religious worship or sectarian instruction (other than the academic or comparative study of various religions or religious philosophies).

(d) The covenants set forth in this Section shall remain in full force and effect notwithstanding the defeasance of the Bonds pursuant to Article VII of the Indenture or any other provisions thereof.

Section 10.08. Reserve and Working Capital Covenants. The Charter School covenants and agrees to maintain the reserves set forth below:

(a) emergency reserves in the amount required under Article X, Section 20(5) of the Colorado Constitution; and

(b) cumulative unrestricted cash reserves sufficient to meet all accrued and unrestricted salary obligations of the Charter School; provided, however, such amount may be included in the unrestricted working capital balance required pursuant to subparagraph (a) hereof.

Each of the covenants made in this Section shall be tested as of June 30 of each year and evidenced by a certificate of the Charter School delivered to the Trustee setting forth the calculation of such amounts based on the results of the annual audit of the Charter School for such Fiscal Year upon the release of such audit.

Section 10.09. Provision of Financial and Related Information. The Charter School agrees to provide the Dissemination Agent, the Underwriter and the Authority (but only upon the Authority’s request as to the information required to be reported under (a) and (b), the following information during each Renewal Term, as such relates to the Charter School: (a) quarterly

unaudited financial information, including student enrollment counts and actual income and expenses as compared to the annual budget; (b) annual budgets; (c) audited financial statements; (d) annual October 1 student counts within two weeks of certification thereof; and (e) any other information specified in the Continuing Disclosure Agreement, dated December 21, 2015 (the “Continuing Disclosure Agreement”), by and between the Charter School and Dissemination Agent, executed in connection with the sale of the Bonds. The foregoing information is to be provided on the dates set forth in the Continuing Disclosure Agreement. The Trustee shall have no duty to review any of the content of any information provided pursuant to this Section.

Section 10.10. State Education Fund Capital Construction Moneys. In the event that the Charter School qualifies for and receives moneys pursuant to Section 22-30.5-112.3, C.R.S., to be used solely for capital construction as defined in Section 22-54-124(1)(a), C.R.S., the Charter School covenants to deposit said moneys by the second business day preceding any principal or interest payment date to be applied to the payment of Base Rents pursuant to Section 6.02 hereof; provided, however, in the event that, upon written confirmation of the Trustee that the balance of moneys in the Bond Principal Fund and the Bond Interest Fund is equal to or greater than the Base Rents required to be on deposit with the Trustee on such principal or interest payment pursuant to Section 6.02(a) hereof, the Charter School may, retain the capital construction moneys without the further requirement that they be deposited with the Trustee. In the event of non-renewal or other termination of the Lease Term upon the occurrence of the event described in Section 4.01(b) hereof, any moneys deposited by the Charter School pursuant to this Section which are in excess of the amount necessary to pay the Base Rents required pursuant to Section 6.02 hereof through the end of such current Lease Term shall be returned by the Trustee to the Charter School within 30 days following the end of the Lease Term.

ARTICLE XI

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.01. Assignment by the Corporation. The Corporation’s rights under this Lease (other than its rights with respect to certain fees and expenses under Section 6.02 hereof), including rights to receive and enforce payments hereunder, have been assigned to the Authority pursuant to the Agreement and subsequently assigned by the Authority to the Trustee (other than rights of the Authority with respect to payments for or reimbursement of certain fees and expenses under Section 6.02 hereof and indemnity rights under Section 13.01 hereof) pursuant to the Indenture. The Corporation shall not assign any rights it may have under this Lease or the Agreement without the prior written consent of the Authority and the Trustee.

Section 11.02. Assignment and Subleasing by the Charter School. This Lease may not be assigned by the Charter School for any reason. However, the Leased Property may be subleased, as a whole or in part, by the Charter School, only with the prior written consent of the Authority, the Trustee and the Corporation; and provided, further, that a nationally recognized bond counsel acceptable to the Authority delivers an opinion addressed to the Authority and the Trustee stating that such sublease will not cause an adverse impact on the tax-exempt status of the tax-exempt Bonds. The foregoing notwithstanding, upon execution of this Lease, the Charter School may sublease all or a portion of the Leased Property to the Sublessee pursuant to the Sublease.

Section 11.03. Restrictions on Mortgage or Sale of the Leased Property. The Charter School and the Corporation agree that, subject to the Corporation's rights set forth in Section 8.15 of the Agreement, and except for (a) the Corporation's assignment of this Lease and the encumbrance of the lien against the Leased Property granted to or for the benefit of the Authority pursuant to the Agreement and the Deed of Trust; (b) any exercise by the Corporation or the Trustee of the remedies afforded by Section 12.02 hereof; (c) the Charter School's right to sublease pursuant to Section 11.02 hereof; (d) any granting of easements pursuant to Section 10.04 hereof; (e) any substitutions or modifications the Leased Property pursuant to Section 8.02 hereof; (f) any replacement of Leased Property pursuant to Section 9.02 or 9.03 hereof; and (g) Permitted Encumbrances, neither the Corporation nor the Charter School will mortgage, sell, assign, transfer or convey the Leased Property or any portion thereof during the Lease Term.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Events of Default Defined. Any one of the following shall constitute an "Event of Default" under this Lease:

(a) failure by the Charter School to pay any specifically appropriated Base Rents during the Lease Term on or before the applicable Base Rents Payment Date or to pay Additional Rents which become due during the Lease Term, up to the amount specifically appropriated for the payment of Additional Rents in accordance with the provisions of Section 6.02 hereof; provided, however, that a failure by the Charter School to pay the Base Rents on the Base Rents Payment Date specified for such payment on Exhibit B hereto shall not constitute an Event of Default if such payment of Base Rents are received by the Trustee within 10 Business Days following such Base Rents Payment Date;

(b) failure by the Charter School to vacate the Leased Property by the thirtieth calendar day following an Event of Nonappropriation, as provided in Section 6.05 hereof;

(c) failure by the Charter School to maintain its charter pursuant to the Charter Schools Act; provided, however, if the Charter School obtains the written consent of all of the holders of Outstanding Bonds, then if the Charter School has filed a timely appeal of the termination of its charter pursuant to the Charter Schools Act, an Event of Default shall not be deemed to occur until the earlier of the following: (i) the appeals process pursuant to the Charter Schools Act has concluded; or (ii) a period of 60 days, which period may be extended only with the further written consent of the holders of all of the Outstanding Bonds;

(d) failure by the Charter School to timely pay any other amounts due to be paid by Charter School as and when due under this Lease following ten (10) days written demand therefor by the Corporation or any assignee of the Corporation;

(e) failure of the Charter School to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a), (b), (c) or (d) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Charter School by the Trustee or the Corporation (any notice sent by the Trustee to the Charter School shall also be sent to the Corporation and the Authority), unless the Trustee shall agree in writing, prior to the expiration of the 30-day period, to an extension of no more than 60 days; provided, however, that if the failure stated in the notice cannot be corrected within the original 30-day period, the Trustee and the Corporation shall not withhold their consent to an extension of up to 60 days if corrective action shall be instituted by the Charter School within such time period and diligently pursued until the default is corrected;

(f) Charter School shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of its creditors, or shall fail to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing;

(g) an involuntary case or other proceeding shall be commenced against Charter School seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 120 days; or

(h) the estate or interest of Charter School in the Leased Property shall be levied upon or attached in any proceeding and such process shall not be vacated or discharged within 90 days after such levy or attachment, unless Charter School shall be contesting such levy or attachment in accordance with the requirements of Sections 7.02 and 8.03.

The foregoing provisions of this Section are subject to the following limitations: (i) the Charter School shall be obligated to pay the Base Rents and Additional Rents only during the Lease Term, except as otherwise expressly provided in this Lease; and (ii) if, by reason of Force Majeure, the Charter School shall be unable in whole or in part to carry out any agreement on its part herein contained, other than the obligations on the part of the Charter School contained in Article VI hereof and until the expiration or end of the Lease Term pursuant to Section 4.01 hereof, the Charter School shall not be deemed in default during the continuance of such inability so long as the Charter School has provided written notice to the Corporation and the Trustee and the Trustee concurs with the conclusion that an event of Force Majeure has occurred. The Charter School agrees to remedy, as promptly as legally and reasonably possible, the cause or causes preventing the Charter School from carrying out its obligations under this Lease; provided

that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Charter School.

Section 12.02. Remedies on Default. Whenever any Event of Default referred to in Section 12.01 hereof shall have happened and be continuing, the Trustee, acting for the Corporation, may, or at the request of the Registered Owners of a majority in aggregate principal amount of the Bonds Outstanding shall, without any further demand or notice, exercise one or any combination of the following remedies:

(a) terminate the Lease Term and give notice to the Charter School to vacate the Leased Property, in the manner provided in Section 6.05 hereof, within 30 calendar days from the date of such notice;

(b) without further demand or notice, reenter and take possession of the Leased Property, in accordance with applicable law, repossess the same, expel the Charter School and those claiming through or under Charter School, and remove the effects of both or either, using such force for such purposes as may be lawful and necessary, without being liable for prosecution, without being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Base Rents, Additional Rents or other amounts payable under this Lease or as a result of any preceding breach of covenants or conditions;

(c) pursue any and all other rights and remedies available under Colorado law, in law or in equity, including, without limitation, taking possession and selling any and all of Charter School's real or personal property upon which the Corporation or its assignees has a Lien hereunder or under the Agreement or the Deed of Trust;

(d) acting for the Corporation, lease all or any portion of the real property included in the Leased Property;

(e) acting for the Corporation, recover from the Charter School:

(i) to the extent the recovery thereof is permitted by law, the fair rental value of the use of the Leased Property during any period beyond the thirtieth calendar day following the occurrence of the Event of Default for which the Charter School occupies the Leased Property; and

(ii) Base Rents and Additional Rents, to the extent amounts for such Additional Rents have been specifically appropriated in accordance with the provisions of Section 6.02 hereof, which would otherwise have been payable by the Charter School hereunder during the remainder, after the Charter School vacates the Leased Property, of the Fiscal Year in which such Event of Default occurs;

(f) acting for the Corporation, take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, the Agreement, the Deed of Trust and the Indenture, subject, however, to the

limitations contained in this Lease with respect to the Charter School's obligations upon the occurrence of an Event of Nonappropriation; and

(g) in the event that the Corporation or its assignees elect to terminate and/or reenter the Leased Property as provided in Section 12.02(a), or should the Corporation or its assignees take possession of the Leased Property pursuant to legal proceedings or pursuant to any notice provided by Colorado law, the Corporation or its assignees shall automatically and with no further action required, own the improvements located on the Leased Property, (and Charter School agrees to execute any documents so confirming, including, without limitation, a deed, a bill of sale and an assignment of agreements and permits to the extent such agreements and permits relate to the Leased Property generally). The Corporation or its assignees may relet the Leased Property or portions thereof for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease) and on such conditions and upon such other terms (which may include concessions of free rent and alteration and repair of the Leased Property improvements as the Corporation or its assignees, in their sole discretion, may determine) and the Corporation or its assignees may collect and receive the rent from such reletting of the Leased Property or portions thereof.

Section 12.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the Charter School by reason of an Event of Default only as to the Charter School's liabilities described in Section 12.02(e) hereof. A judgment requiring a payment of money may be entered against the Charter School by reason of an Event of Nonappropriation only to the extent that the Charter School fails to vacate the Leased Property as required by Section 6.05 hereof, and only as to the unpaid liabilities described in Section 12.02(e)(i) hereof. The remedy described in Section 12.02(e)(ii) hereof shall not be available for an Event of Default consisting of failure by the Charter School to vacate the Leased Property by the thirtieth calendar day following an Event of Nonappropriation.

Section 12.04. No Remedy Exclusive. Subject to Section 12.03 hereof, no remedy herein conferred upon or reserved to the Trustee on behalf of the Corporation, is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee, on behalf of the Corporation, to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 12.05. Waivers.

(a) Subject to the terms of the Indenture, the Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In view of the assignment of the Corporation's rights under this Lease to the Authority pursuant to the Agreement and the Authority's subsequent assignment to the Trustee pursuant to the Indenture, the Corporation shall have no right to waive any Event of Default hereunder without the prior written consent of the Trustee; and the waiver of any Event of Default hereunder by the Trustee shall constitute a waiver of such Event of Default by the Corporation, without the necessity of any action of or consent by the Corporation.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Indemnification Covenants. To the extent permitted by law and subject to the limits of liabilities and immunities provided under the Colorado Governmental Immunity Act, Article 10, Title 24, C.R.S., the Charter School shall and hereby agrees to indemnify and hold the Authority, the Corporation and the Trustee harmless against and from all claims, by or on behalf of any person, firm, corporation or other legal entity arising from the issuance of the Bonds and the execution of this Lease, the Indenture or any other documents entered into in connection with the Bonds and the conduct or management of, or from any work or thing done on or with respect to, the Leased Property during the Lease Term from: (a) any conditions of the Leased Property; (b) any action of negligence of the Charter School or any of its agents, contractors or employees or any violation of law by the Charter School or breach of any covenant or warranty by the Charter School hereunder, or any claim or allegation of any of the foregoing; (c) any act or omission of the Charter School or any of its agents, members, officers, employees, or directors, which act or omission shall include any and all claims or potential claims arising at law or in equity which are or may be asserted against the Authority or the Corporation, their agents, officers or directors, including, but not limited to claims of negligence, breach of contract, breach of fiduciary duty and any alleged violation of any law, ordinance or regulation; and (d) any claims arising from Section 8.06 of the Agreement. To the extent permitted by law, the Charter School shall indemnify and hold the Authority, the Corporation and the Trustee harmless from any such claim arising from (a), (b), (c) or (d) above or in connection with any action or proceeding brought thereon and, upon notice from the Authority, the Corporation or the Trustee, shall defend the Authority, the Corporation or the Trustee in any such action or proceeding. The Charter School shall, to the extent permitted by law, indemnify and hold harmless the Corporation and the Authority and their officers, directors, employees and agents in their official and personal capacity, for any and all actions related to the Leased Property and the authorization, issuance and delivery of the Bonds.

Section 13.02. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when (a) mailed by certified or registered mail, postage prepaid; (b) deposited with any nationally recognized overnight delivery service that routinely issues receipts; or (c) personally delivered by any courier service that routinely issues receipts: if to the Authority, at 1981 Blake Street, Denver, Colorado 80202, Attention: Executive Director, Colorado Educational and Cultural Facilities Authority; if to the Corporation, to Monarch Building Corporation, 4895 Peoria Street, Denver, Colorado 80239, Attention: President; if to the Charter School, to Monarch Montessori of Denver Charter School, 4895 Peoria Street, Denver, Colorado 80239, Attention: Executive

Director; and if to the Trustee, at UMB Bank, n.a., 1670 Broadway, Denver, Colorado 80202, Attention: Corporate Trust & Escrow Services. The Charter School, the Corporation, the Authority and the Trustee, may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.03. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Corporation and the Charter School and their respective successors and assigns, subject, however, to the limitations contained in Article XI hereof.

Section 13.04. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Charter School or the Corporation, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Charter School or the Corporation, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Charter School or the Corporation in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation (including, without limitation, any obligations relating to payment of principal of, redemption premium, if any, or interest on the Bonds), or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Charter School or the Corporation or any natural person executing this Lease, the Agreement or any related document or instrument.

Section 13.05. Amendments, Changes and Modifications. Except as otherwise provided in this Lease or the Indenture, subsequent to the issuance of the Bonds and prior to the discharge of the Indenture, this Lease may not be effectively amended, changed, modified or altered without the written consent of the Trustee and the Authority and other than by the execution of a subsequent document in the same manner as this Lease is executed which may be evidenced by a recorded document in the real property records of the Clerk and Recorder of the county in which the Leased Property is located.

Section 13.06. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Lease.

Section 13.07. Severability. In the event that any provision of this Lease, other than the requirement of the Charter School to pay Base Rents, the requirement of the Corporation to provide quiet enjoyment of the Leased Property and the requirement that the obligations of the Charter School to pay Base Rents and Additional Rents under this Lease are conditioned upon the prior specific appropriation by the Charter School of amounts for such purposes in accordance with the requirements of State law, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.08. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.09. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease whether or not incorporated herein by reference which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules, and regulations shall be considered null and void. Nothing contained in any provision incorporated herein by reference which purports to negate this or any other special provision in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision will not invalidate the remainder of this Lease to the extent that this Lease is capable of performance.

Section 13.10. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

Section 13.11. Retention of Records. The Charter School will maintain or cause to be maintained records relating to the use of the proceeds of the Bonds and the use and operation of the Project for a period of four years after the later of (i) payment in full of the Bonds or (ii) payment in full of any bonds issued to refund the Bonds.

Section 13.12. Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 13.13. Estoppels. Each party hereto agrees that at any time and from time to time during the Term of this Lease, it shall promptly, but in any event not later than 15 days after request by the other party hereto, execute, acknowledge and deliver to such other party or to any prospective purchaser, assignee, transferee, or the Authority or the Trustee described in the Agreement, or to any third party designated by such other party, a certificate stating that, to the actual knowledge of the signor (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which Base Rents and Additional Rents have been paid; (c) whether or not there is any existing Event of Default by the Charter School in the payment of any Base Rents, Additional Rents, or other sums payable hereunder to the knowledge of the signer after due inquiry and investigation beyond any applicable grace period, and to the actual knowledge of the signor, whether or not there is any other existing default by either party hereto with respect to which a notice of default has been served, and, if there is any such default, specifying the nature and extent thereof; and (d) whether or not there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of the party executing such certificate.

IN WITNESS WHEREOF, the Corporation and the Charter School have executed this Lease as of the date first above written.

MONARCH BUILDING CORPORATION, as
Lessor

By _____
President

MONARCH MONTESSORI OF DENVER
CHARTER SCHOOL, as Lessee

By _____
President

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2015 by _____, as President of Monarch Building Corporation, a Colorado nonprofit corporation.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2015, by _____, as President of Monarch Montessori of Denver Charter School, a Colorado nonprofit corporation and a public charter school.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

Notary Public

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

A PART OF LOT 1, BLOCK 6, OF MONTBELLO NO. 36, CITY AND COUNTY OF DENVER, STATE OF COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE SOUTH LINE OF THE SOUTHEAST 1/4 OF SECTION 14, TOWNSHIP 3 SOUTH, RANGE 67 WEST OF THE 6Th PRINCIPAL MERIDIAN AND THE EAST LINE OF SAID LOT 1;

THENCE NORTHERLY ALONG THE EAST LINE OF SAID LOT 1 A DISTANCE OF 81.35 FEET TO THE POINT OF BEGINNING;

THENCE ON AN ANGLE TO THE LEFT OF 90 DEGREES 00 MINUTES 00 SECONDS, A DISTANCE OF 78.27 FEET;

THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS, A DISTANCE OF 156.49 FEET;

THENCE ON AN ANGLE TO THE LEFT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 100.07 FEET;

THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 212.02 FEET;

THENCE ON AN ANGLE TO THE LEFT OF 89 DEGREES 36 MINUTES 03 SECONDS A DISTANCE OF 251.17 FEET TO THE WEST LINE OF SAID LOT 1;

THENCE ON AN ANGLE TO THE RIGHT OF 90 DEGREES 00 MINUTES 00 SECONDS A DISTANCE OF 375.73 FEET ALONG THE WEST LINE OF SAID LOT 2. TO A POINT OF CURVATURE;

THENCE ALONG THE ARC OF A CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 89 DEGREES 59 MINUTES 37 SECONDS, A RADIUS OF 30.00 FEET, AND AN ARC LENGTH OF 47.12 FEET TO A POINT OF TANGENCY ON THE NORTH LINE OF SAID LOT 1;

THENCE ALONG THE NORTH LINE OF SAID LOT 1 A DISTANCE OF 366.89 FEET TO A POINT OF CURVATURE;

THENCE ALONG THE ARC OF A CURVE TO THE RIGHT THROUGH A CENTRAL ANGLE OF 89 DEGREES 36 MINUTES 26 SECONDS, A RADIUS OF 30.00 FEET, AND AN ARC LENGTH OF 46.92 FEET TO A POINT OF TANGENCY ON THE EAST LINE OF SAID LOT 1;

THENCE ALONG THE EAST LINE OF SAID LOT 1 A DISTANCE OF 743.26 FEET TO THE POINT OF BEGINNING.

EXHIBIT B

BASE RENTS PAYMENT SCHEDULE

[Attached]

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APPENDIX E

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

APPENDIX E

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

CONTINUING DISCLOSURE AGREEMENT OF CHARTER SCHOOL FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (B)(5) OF SEC RULE 15C2-12, AS AMENDED

This Continuing Disclosure Agreement (this “Undertaking”) is executed and delivered by and between Monarch Montessori of Denver Charter School, a Colorado charter school (the “Charter School”) and UMB Bank, n.a., in connection with the issuance by the Colorado Educational and Cultural Facilities Authority (the “Authority”) of its \$8,620,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Series 2015A (the “Series 2015A Bonds”) and its \$195,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Taxable Series 2015B (the “Taxable Series 2015B Bonds,” together with the Series 2015A Bonds, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2015 (the “Indenture”), by and between the Authority and UMB Bank, n.a., as trustee thereunder (the “Trustee”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

In consideration of the issuance of the Bonds by the Authority and the purchase of such Bonds by the owners thereof, the Charter School hereby covenants and agrees as follows:

Section 1. Purpose of this Undertaking. This Undertaking is executed and delivered by the Charter School as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

Section 2. Definitions. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Agreement*” means the obligations of the Charter School pursuant to Sections 4 and 5.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 hereof.

“*Audited Financial Statements*” means the audited consolidated financial statements of the Charter School, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means UMB Bank, n.a. or any successor in interest thereto.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

Section 3. CUSIP Number/Final Limited Offering Memorandum. The nine digit CUSIP ^{1, ©} of the final maturity of the Bonds is 19645R F89. The Limited Offering Memorandum relating to the Bonds is dated December 16, 2015.

Section 4. Annual Financial Information Disclosure. Subject to Section 10, of this Agreement, the Charter School hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the Charter School’s delivery of such Annual Financial Information and Audited Financial Statements to the MSRB within 180 days of the completion date of the Charter’s Schools fiscal year (the “Annual Filing Date”).

The Charter School is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Charter School will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a

¹ The Authority, Charter School and Corporation take no responsibility for the accuracy of the CUSIP number, which is included solely for the convenience of owners of the Bonds.

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narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 10 of this Agreement, the Charter School hereby covenants that it will disseminate in a timely manner, not in excess of 10 Business Days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture. From and after the Effective Date, the Charter School is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Agreement.

Section 6. Duty To Update EMMA/MSRB. The Charter School shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of the Charter School to Provide Information. The Charter School shall give notice in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

If the Dissemination Agent has not received Annual Financial Information and the Audited Financial Statements by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter), a failure to file event shall have occurred and the Charter School irrevocably directs the Dissemination Agent to immediately send a notice to the MSRB without reference to the anticipated filing date for the Annual Financial Information and the Audited Financial Statements.

In the event of a failure of the Charter School to comply with any provision of this Agreement, the Bondholder of any Bond may seek specific performance by court order to cause the Charter School to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement or any other agreement, and the sole remedy under this Agreement in the event of any failure of the Charter School to comply with this Agreement shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Charter School may amend this Agreement, and any provision of this Agreement may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Charter School or type of business conducted;

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the Authority or the Charter School (such as the Trustee) or by an approving vote of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or

on behalf of the Charter School or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

- (iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of this Agreement. This Agreement of the Charter School shall be terminated hereunder when the Charter School shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The Charter School shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable. This Agreement may be terminated by either party hereto provided that the Charter School enters into a new continuing disclosure agreement with a dissemination agent with terms similar to those set forth in this Agreement.

Section 10. Dissemination Agent. So long as the Bonds are outstanding, the Charter School shall appoint and continuously engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement. The Charter School hereby appoints UMB Bank, n.a. as Dissemination Agent, and the Dissemination Agent hereby accepts such appointment. The Dissemination Agent hereby agrees to notify the Charter School 30 days prior to the required dissemination of disclosure filings pursuant to Sections 4 and 11 hereof. The Dissemination Agent additionally agrees to disseminate the information required by Sections 4 and 11 hereof, and any information provided to the Dissemination Agent under Section 5 hereof, pursuant to the terms of this Agreement.

Section 11. Additional Information. Nothing in this Agreement shall be deemed to prevent the Charter School from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Charter School chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Charter School shall not have any obligation under this Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Material Event. Under the Lease, the Charter School shall disseminate the financial and related information listed in Section 10.09 thereof, including, but not limited to the following:

- (a) quarterly unaudited financial information, including student enrollment counts and actual income and expenses as compared to the annual budget, within 45 days of the end of each Fiscal Year quarter; and
- (b) annual budgets, within 30 days of adoption by the Board of Directors of the Charter School.

Section 12. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Charter School, the Dissemination Agent, if any, the Authority, the Trustee and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The Charter School shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. Assignment. The Charter School shall not transfer its obligations under this Agreement unless the transferee agrees to assume all obligations of the Charter School under this Agreement or to execute a new continuing disclosure agreement under the Rule.

Section 15. Electronic Transactions. The parties hereto agree that the transactions described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 16. Governing Law. This Agreement shall be governed by the laws of the State.

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements set forth below.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Charter School shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 180 days after the last day of the Charter School’s fiscal year. Audited Financial Statements prepared as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 Business Days after availability to the Charter School.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Agreement, including for this purpose a change made to the fiscal year-end of the Obligated Person, the Charter School will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

Staff Composition

[Fiscal Year]

Full Time

Administration
Teachers
Instructional Support
Other ¹
Sub-Total

Part Time

Teachers
Other ¹
Sub-Total
Total

¹ Includes reception, office, registrar, custodian and library employees.

Degree Held	Percent Holding Degree
Bachelors	%
Masters	
Total	%

Teacher Retention Rates

Year to Year	Percent Retained
From [Prior Fiscal to Current Fiscal Year]	____%

Current Enrollment by Grade

Grade	20__ - __
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
Total	

Projected Enrollment by Grade for Upcoming School Year

Grade	20__ - __
K	
1 st	
2 nd	
3 rd	
4 th	
5 th	
Total	

Historical Retention Rates by Grade

Grade	From To	20__ - __ 20__ - __
K-1 st		%
1 st to 2 nd		
2 nd to 3 rd		
3 rd to 4 th		
4 th to 5 th		

CMAS Results

Percentage of Students that Scored at Strong & Distinguished*

Grade

20__

Charter School

Entire District

Colorado

*Or such other testing results required by the State

District PPR

Per Pupil Revenue

[Fiscal Year]

\$

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Charter School*
13. The consummation of a merger, consolidation or acquisition involving the Charter School or the sale of all or substantially all of the assets of the Charter 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
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Charter School in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Charter School, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Charter School.

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT OF THE CORPORATION FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (B)(5) OF SEC RULE 15C2-12, AS AMENDED

This Continuing Disclosure Agreement (this “Agreement”) is executed and delivered by and between Monarch Building Corporation, a Colorado nonprofit corporation (the “Corporation”) and UMB Bank, n.a. as Dissemination Agent, in connection with the issuance by the Colorado Educational and Cultural Facilities Authority (the “Authority”) of its \$8,620,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Series 2015A (the “Series 2015A Bonds”) and its \$195,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Taxable Series 2015B (the “Taxable Series 2015B Bonds,” together with the Series 2015A Bonds, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2015 (the “Indenture”), by and between the Authority and UMB Bank, n.a., as trustee thereunder (the “Trustee”). In connection with the issuance of the Bonds, the Corporation will enter into a Loan and Security Agreement, dated as of December 1, 2015 between the Corporation and the Authority. Capitalized terms used but not otherwise defined shall have the meanings assigned thereto in the Indenture.

In consideration of the issuance of the Bonds by the Authority and the purchase of such Bonds by the owners thereof, the Corporation hereby covenants and agrees as follows:

Section 1. Purpose of this Agreement. This Agreement is executed and delivered by the Corporation as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

Section 2. Definitions. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited consolidated financial statements of the Corporation described in Section 8.04 of the Loan Agreement, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means UMB Bank, n.a., or any successor in interest thereto.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

Section 3. CUSIP Number/Final Limited Offering Memorandum. The nine digit CUSIP ^{1, ©} of the final maturity of the Bonds is 19645R F89. The Limited Offering Memorandum relating to the Bonds is dated December 16, 2015.

Section 4. Annual Financial Information Disclosure. Subject to Section 10 of this Agreement, the Corporation hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the Corporation’s delivery of such Annual Financial Information and the Audited Financial Statements to the MSRB within 180 days of the completion of the Corporation’s fiscal year (the “Annual Filing Date”) , only if required by Sections 8.04 and 8.05 of the Loan Agreement. The Corporation is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Corporation will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a

¹ The Authority, Charter School and Corporation take no responsibility for the accuracy of the CUSIP number, which is included solely for the convenience of owners of the Bonds.

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narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 10 of this Agreement, the Corporation hereby covenants that it will disseminate in a timely manner, not in excess of 10 Business Days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture. From and after the Effective Date, the Corporation is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Agreement.

Section 6. Duty To Update EMMA/MSRB. The Corporation shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of the Corporation to Provide Information. The Corporation shall give notice in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

If the Dissemination Agent has not received Annual Financial Information and the Audited Financial Statements by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter), a failure to file event shall have occurred and the Corporation irrevocably directs the Dissemination Agent to immediately send a notice to the MSRB without reference to the anticipated filing date for the Annual Financial Information and the Audited Financial Statements.

In the event of a failure of the Corporation to comply with any provision of this Agreement, the Bondholder of any Bond may seek specific performance by court order to cause the Corporation to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement or any other agreement, and the sole remedy under this Agreement in the event of any failure of the Corporation to comply with this Agreement shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Agreement, the Corporation may amend this Agreement, and any provision of this Agreement may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Corporation or type of business conducted;

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the Authority or the Corporation (such as the Trustee) or by an approving vote of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or

on behalf of the Corporation or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

- (iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Agreement. This Agreement shall be terminated hereunder when the Corporation shall no longer have any legal liability for any obligation on or relating to the repayment of the Bonds. The Corporation shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable. This Agreement may be terminated by either party hereto provided that the Corporation enters into a new continuing disclosure agreement with a dissemination agent with terms similar to those set forth in this Agreement.

Section 10. Dissemination Agent. The Corporation must appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement. The Corporation hereby appoints UMB Bank, n.a. as Dissemination Agent, and the Dissemination Agent hereby accepts such appointment. The Dissemination Agent hereby agrees to notify the Corporation 30 days prior to the required dissemination of disclosure filings pursuant to Section 4 hereof. The Dissemination Agent additionally agrees to disseminate the information required by Section 4 and any information provided to the Dissemination Agent under Sections 5 and 11 hereof pursuant to the terms of this Agreement.

Section 11. Additional Information. Nothing in this Agreement shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Corporation chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Corporation shall not have any obligation under this Agreement to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 12. Beneficiaries. This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Corporation, the Dissemination Agent, if any, the Authority, the Trustee and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The Corporation shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. Assignment. The Corporation shall not transfer its obligations under this Agreement unless the transferee agrees to assume all obligations of the Corporation under this Agreement or to execute a new continuing disclosure agreement under the Rule.

Section 15. Electronic Transactions. The parties hereto agree that the transactions described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 16. Governing Law. This Agreement shall be governed by the laws of the State.

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data exclusive of Audited Financial Statements as set forth below of the type appearing or incorporated by reference under Sections 8.04 and 8.05 of the Loan Agreement.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Corporation shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 180 days after the last day of the Corporation’s fiscal year. Audited Financial Statements prepared as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 Business Days after availability to the Corporation.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Agreement, including for this purpose a change made to the fiscal year-end of the Obligated Person, the Corporation will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Corporation *
13. The consummation of a merger, consolidation or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

APPENDIX F

FORM OF BOND COUNSEL OPINION

Colorado Educational and Cultural Facilities Authority
Denver, CO

D.A. Davidson & Co.
Denver, CO

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
(Monarch Montessori of Denver Charter School Project)
a Charter School Chartered through Denver County School District No. 1 (Denver Public Schools)

\$8,620,000
Charter School Revenue Refunding
and Improvement Bonds
Series 2015A

\$195,000
Charter School Revenue Refunding
and Improvement Bonds
Taxable Series 2015B

Ladies and Gentlemen:

We have examined the law of the State of Colorado (the “State”) and of the United States of America relevant to the opinions herein, a certified copy of the record of the proceedings of the Colorado Educational and Cultural Facilities Authority (the “Authority”) and other documents relevant to the issuance by the Authority of the \$8,620,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Series 2015A (the “Series 2015A Bonds”) and the \$195,000 aggregate principal amount of Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Taxable Series 2015B (the “Taxable Series 2015A Bonds,” together with the Series 2015A Bonds, the “Bonds”) issued pursuant to an Indenture of Trust, dated as of December 1, 2015 (the “Indenture”), by and between the Authority and UMB Bank, n.a., Denver, Colorado, as trustee thereunder (the “Trustee”). Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Indenture or the below defined Loan Agreement.

The Bonds are dated, mature on the dates and bear interest at the rates provided in the Indenture. The Bonds are subject to redemption prior to maturity in the manner and upon the terms set forth therein and in the Indenture.

The proceeds of the Bonds will be loaned by the Authority to Monarch Building Corporation, a Colorado nonprofit corporation (the “Corporation”), pursuant to a Loan and Security Agreement, dated as of December 1, 2015 (the “Loan Agreement”), by and between the Authority and the Corporation. The proceeds from the sale of the Bonds will be utilized by the Corporation to finance the costs of: (a) advance refunding the Series 2007 Bonds and acquisition of the facility financed with proceeds therefrom (the “Facility”); (b) constructing improvements to the Facility (the “Improvements”); (c) funding a bond reserve fund; (d) funding capitalized interest on the Bonds; and (e) paying certain costs of issuance of the Bonds (collectively, the “Financed Project”). The Corporation will lease the Facility to Monarch Montessori of Denver Charter School, a public charter school and Colorado nonprofit corporation (the “Charter School”) pursuant to the terms of a Lease Agreement, dated as of December 1, 2015 (the “Lease”), by and between the Corporation and the Charter School.

The Bonds and the interest thereon are payable solely out of the loan payments to be made by the Corporation to the Authority under the Loan Agreement, except to the extent paid from proceeds of the Bonds and the income from the temporary investment thereof.

As to questions of fact material to our opinion, we have relied upon representations of the Authority, the Trustee, D.A. Davidson & Co., as underwriter of the Bonds, the Corporation, and the Charter School contained in the certified proceedings and certifications of other officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination and, for purposes of compliance with paragraph 4 below, assuming continuous compliance with the covenants and representations contained in such proceedings and other documents, it is our opinion as Bond Counsel that:

1. The Authority has been duly created and is a public body politic and corporate constituting a public instrumentality, validly organized and duly existing under the laws and Constitution of the State.

2. The Bonds have been duly authorized by the Authority, duly executed and delivered by authorized officers of the Authority and (assuming due authentication by the Trustee) are valid and legally binding limited obligations of the Authority enforceable against the Authority in accordance with their terms, except as may be limited by insolvency, bankruptcy, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally or against municipal corporations such as the Authority from time to time in effect and by the application of general principles of equity.

3. The Loan Agreement and the Indenture have been duly authorized by the Authority, duly executed and delivered by authorized officers of the Authority and (assuming valid execution and delivery by the other parties thereto) are in full force and effect, and are valid and legally binding instruments of the Authority enforceable against the Authority in accordance with their respective terms, except as may be limited by insolvency, bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or against municipal corporations such as the Authority from time to time in effect and by the application of general principles of equity.

4. Under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain representations and continuing compliance with certain covenants, interest on the Series 2015A Bonds is excludable from gross income of the registered owners thereof for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; however, the interest on the Series 2015A Bonds will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to the reduction for certain net operating losses). Interest on the Series 2015B Bonds is included in gross income for federal income tax purposes. Interest on the Bonds is exempt from all taxation and assessments in the State. The opinions described in this paragraph 4 with respect to federal tax matters assume the accuracy of certain representations of the Corporation and the Charter School and continuing compliance with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Series 2015A Bonds. Failure to comply with such requirements could cause interest on the Series 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015A Bonds. We express no opinion regarding any other federal or state tax law consequences arising with respect to the Bonds.

5. The Lease has been duly authorized by the Charter School, duly executed and delivered by authorized officers of the Charter School and (assuming valid execution and delivery by the Corporation) is in full force and effect, and is a valid and legally binding instrument of the Charter School enforceable against the Charter School in accordance with its terms, except as may be limited by insolvency, bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or against municipal corporations such as the Charter School from time to time in effect and by the application of general principles of equity.

In rendering the foregoing opinions, we are not passing upon the matters of (i) the corporate status of the Corporation, (ii) the power of the Corporation to execute and deliver the Loan Agreement or the Lease or to perform its obligations thereunder, (iii) the enforceability of the Loan Agreement or the Lease against the Corporation, (iv) the title to or the description of the Facility or property of the Corporation or Charter School or the nature or extent of any encumbrances thereon, or (v) the accuracy, completeness or sufficiency of the Limited Offering Memorandum or any statements made in connection with the offer and sale of the Bonds.

In rendering the foregoing opinions we have relied upon and assumed the accuracy of the opinions, dated this date, of counsel to the Charter School and the Corporation, including in connection with the status of the Charter School as a 501(c)(3) organization.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. Our engagement with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in current laws, by legislative or regulatory action, by judicial decision or for any other reason.

This opinion is based solely upon existing federal and State laws, regulations, rulings and judicial decisions. We express no opinion as of any subsequent date or with respect to any pending legislation. No one other than the addressees hereof shall be entitled to rely upon this opinion without our prior written approval.

Very truly yours,

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APPENDIX G

FORM OF INVESTOR LETTER

APPENDIX G

FORM OF INVESTOR LETTER

Colorado Educational and
Cultural Facilities Authority
1981 Blake Street
Denver, CO 80202

Kutak Rock LLP
1801 California Street, Suite 3000
Denver, CO 80202

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY
(Monarch Montessori of Denver Charter School Project)
a Charter School Chartered through Denver County School District No. 1 (Denver Public Schools)

\$8,620,000
Charter School Revenue Refunding
and Improvement Bonds
Series 2015A

\$195,000
Charter School Revenue Refunding
and Improvement Bonds
Taxable Series 2015B

Ladies and Gentlemen:

_____ (“Purchaser”) has agreed to purchase the \$_____ aggregate principal amount of Colorado Educational and Cultural Facilities Authority Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Series 2015A (the “Series 2015A Bonds”) and the \$_____ aggregate principal amount of Colorado Educational and Cultural Facilities Authority Charter School Revenue Refunding and Improvement Bonds (Monarch Montessori of Denver Charter School Project), Taxable Series 2015B (the “Taxable Series 2015B Bonds,” together with the Series 2015A Bonds, the “Bonds”) bearing the Interest Rate as set forth in the Indenture of Trust, dated as of December 1, 2015 (the “Indenture”), by and between the Authority and UMB Bank, n.a., as trustee (the “Trustee”). All capitalized terms used herein, but not defined herein, shall have the respective meanings set forth in the Indenture. The undersigned, an authorized representative of the Purchaser, hereby represents to you that:

1. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

2. The undersigned is a duly appointed, qualified and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

3. The Purchaser is either a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act and is able to bear the economic risks of such investment.

4. The Purchaser has made its own inquiry and analysis with respect to the Authority, the Corporation, the Charter School, the Financed Project, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds.

5. The Purchaser acknowledges that it has been supplied with the Limited Offering Memorandum prepared for the Bonds, and financial information, regarding the Corporation and the Charter School, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the Corporation, the Charter School, the Financed Project, the Bonds and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Bonds.

6. The Purchaser understands that the Bonds (a) are not registered under the 1933 Act and are not registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) are not listed on any stock or other securities exchange, and (c) carry no rating from any credit rating agency.

7. The Purchaser is informed that the Bonds are not general obligations of the Authority, but are special, limited obligations payable and secured solely as provided for in the Indenture.

8. THE PURCHASER UNDERSTANDS THAT:

(A) NEITHER THE STATE OF COLORADO NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF COLORADO OR THE AUTHORITY, SHALL BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THE BONDS OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF COLORADO, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR THE AUTHORITY IS PLEDGED TO PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; AND

(B) THE AUTHORITY HAS NO TAXING POWER AND PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY OUT OF THE MONEYS TO BE RECEIVED BY THE TRUSTEE ON BEHALF OF THE AUTHORITY UNDER THE LOAN AGREEMENT AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED AND PLEDGED UNDER THE INDENTURE.

9. In entering into this transaction the Purchaser has not relied upon any representations or opinions made by the Authority or its counsel relating to the legal or financial consequences or other aspects of the transactions, nor has it looked to, nor expected, the Authority to undertake or require any credit investigation or due diligence reviews relating to the Corporation and Charter School, its financial condition or business operations, the Financed Project (including the financing, operation or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of any collateral pledged to secure the repayment of the Bonds.

10. The Authority has not undertaken and will not undertake steps to ascertain the accuracy or completeness of the information furnished to the Purchaser with respect to the Corporation, the Charter School, the Bonds or the Financed Project financed by the Bonds. The Purchaser has not relied upon, and will not be relying upon, the Authority, or its officers, directors, employees or agents, or the Trustee in any way with regard to the accuracy or completeness of the information furnished to the Purchaser in

connection with its purchase of the Bonds, nor have any such parties made any representation to the Purchaser with respect to that information.

11. The Bonds are being acquired by the Purchaser for its own account and for investment and not with a view to, or for resale in connection with, any public distribution of the Bonds. The Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible due to unmarketability of the Bonds.

12. The Purchaser acknowledges that it has the right to sell and transfer Bonds only to either a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act in denominations of \$500,000 and any integral multiple of \$5,000 in excess thereof.

13. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

14. Except as disclosed to the Authority in writing, the Purchaser is not now and has never been controlled by, or under common control with, the Corporation. The Corporation has never been and is not now controlled by the Purchaser.

[Purchaser]

By _____
Name
Title

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APPENDIX H

ECONOMIC AND DEMOGRAPHIC INFORMATION

APPENDIX H

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the area within which the Charter School is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the Charter School is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the Charter School or its officers, employees or advisors.*

Population

The following table sets forth population statistics for the City and County of Denver (“Denver”), the Denver metropolitan area (comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties) (the “DMA”) and the State of the Colorado (the “State”).

Year	Population					
	Denver		DMA		Colorado	
	Total Population	Percent Change	Total Population	Percent Change	Total Population	Percent Change
1970	514,678	--	1,335,936	--	2,209,596	--
1980	492,365	(4.3)%	1,618,461	21.2%	2,889,964	30.8%
1990	467,610	(5.0)	1,848,319	14.2	3,294,394	14.0
2000	554,636	18.6	2,401,511	29.9	4,301,261	30.6
2010	600,158	8.2	2,784,228	15.9	5,029,196	16.9
2013 ¹	648,937	--	2,951,798	6.0	5,264,890	4.7

¹ Estimate.

Source: United States Department of Commerce, Bureau of the Census

Income

The following tables set forth historical median household effective buying income (“EBI”), the percentage of households by classification of EBI and per capita personal income for Denver, the State and the United States.

Median Household Effective Buying Income ¹

	2011	2012	2013	2014	2015
Denver	\$35,342	\$35,319	\$36,975	\$44,294	\$45,019
Colorado	43,625	43,515	43,718	47,469	49,949
United States	41,368	41,253	41,358	43,715	45,448

¹ As of January 1.

Source: The Nielsen Company, *Site Reports, 2011-2015*

Percent of Households by Effective Buying Income—2015 ¹

	Less Than \$25,000	\$25,000- \$49,999	\$50,000- \$99,999	\$100,000- \$149,999	\$150,000 or more
Denver	26.75%	28.53%	28.87%	9.23%	6.61%
Colorado	21.53	28.52	33.30	10.84	5.80
United States	25.65	29.47	31.05	8.89	4.95

¹ As of January 1. May not total 100% due to rounding.

Source: The Nielsen Company, *Site Reports, 2015*

Per Capita Personal Income

	2009	2010	2011	2012	2013
Denver	\$49,402	\$50,370	\$53,980	\$56,538	\$56,967
Colorado	41,518	41,689	44,183	46,315	46,897
United States	39,379	40,144	42,332	44,200	44,765

Source: Colorado Division of Local Government, Demographic Section and the Bureau of Economic Analysis

Building Activity

The following table sets forth historical building permit activity for Denver.

Building Permit Activity in Denver

Year	Single-Family		Multi-Family		Commercial/Industrial	
	Permits	Value	Permits	Value	Permits	Value
2010	627	\$135,032,847	147	\$ 76,065,354	18	\$ 39,028,517
2011	693	156,500,345	180	179,452,515	97	47,395,162
2012	1,014	215,601,341	264	301,704,355	25	106,553,797
2013	1,268	289,509,773	306	358,271,531	46	93,123,322
2014	1,635	383,690,248	316	302,324,592	42	129,676,738
2015 ¹	694	171,705,582	156	166,789,885	13	167,692,163

¹ Permits issued through June 5, 2015. According to Community Planning and Development officials, the City has installed a new system for their building permit information and accurate data is currently only available through June 5, 2015.
Source: City and County of Denver Community Planning and Development

Foreclosure Activity

The following table sets forth foreclosure activity in Denver over the past five years.

History of Foreclosures in Denver

Year	Foreclosures Filed	Percent Change
2010	5,053	--
2011	3,434	(32.04)%
2012	3,064	(10.77)
2013	1,616	(47.26)
2014	1,087	(32.74)
2015 ¹	492	--

¹ Foreclosures filed through August 31, 2015.
Source: City and County of Denver Public Trustee's Office

School Enrollment

The following table sets forth the recent enrollment history for Denver Public School District No. 1, the school district that serves all of the City and County of Denver.

School District Fall Enrollment

School District	2010-11	2011-12	2012-13	2013-14	2014-15
School District No. 1	78,317	80,890	83,377	86,043	88,839

Source: Colorado Department of Education

Retail Sales

The retail trade sector employs a large portion of the county's work force and is important to the area's economy. The following table sets forth recent retail sales figures for Denver, the DMA and the State.

Retail Sales

Year	Denver County	Percent Change	DMA	Percent Change	State of Colorado
2010	\$24,455,629,539	--	\$ 85,467,052,982	--	\$143,670,319,384
2011	24,207,049,840	(1.02)%	92,064,129,419	7.72%	154,697,942,972
2012	25,053,274,788	3.50	99,993,376,618	8.61	164,387,648,458
2013	26,207,360,126	4.61	105,247,829,188	5.25	172,784,033,081
2014	27,397,060,219	4.54	109,478,865,005	4.02	182,374,956,947

Source: State of Colorado, Department of Revenue, Sales Tax Statistics, 2010-2014

Employment

The following tables set forth recent employment statistics by industry for Denver and historical labor force estimates and major employers with respect to the Denver metro area.

Total Business Establishments and Employment—Denver

Industry ¹	First Quarter 2014		First Quarter 2015		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, Forestry, Fishing and Hunting	22	402	28	502	6	100
Mining	327	8,809	349	9,487	22	678
Utilities	32	1,773	33	1,798	1	25
Construction	1,432	16,437	1,551	17,947	119	1,510
Manufacturing	807	19,673	859	20,639	52	966
Wholesale Trade	2,394	25,768	2,459	26,710	65	942
Retail Trade	2,193	28,418	2,241	28,769	48	351
Transportation and Warehousing	484	23,939	510	24,697	26	758
Information	616	11,842	686	11,905	70	63
Finance and Insurance	1,721	24,703	1,825	25,564	104	861
Real Estate, Rental and Leasing	1,554	10,468	1,706	11,058	152	590
Professional and Technical Services	5,800	44,361	6,366	47,982	566	3,621
Management of Companies and Enterprises	393	11,943	416	12,709	23	766
Administrative and Waste Services	1,540	32,916	1,641	33,852	101	936
Educational Services	464	11,057	485	11,327	21	270
Health Care and Social Assistance	2,126	43,765	2,169	46,573	43	2,808
Arts, Entertainment and Recreation	347	7,473	396	7,827	49	354
Accommodation and Food Services	1,949	45,176	2,057	47,768	108	2,592
Other Services	2,623	15,550	2,926	16,034	303	484
Non-classifiable	47	90	46	62	(1)	(28)
Government	249	62,727	253	64,966	4	2,239
Total	<u>27,120</u>	<u>447,289</u>	<u>29,002</u>	<u>468,176</u>	<u>1,882</u>	<u>20,887</u>

¹ Information provided herein reflects only those employers who are subject to State unemployment insurance law.

Source: Colorado Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages

Labor Force Estimates

Year	Denver County		Denver-Aurora MSA		Colorado	
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2010	347,590	9.1%	1,423,354	8.7%	2,722,913	9.0%
2011	352,140	8.6	1,430,443	8.2	2,725,757	8.5
2012	357,730	7.8	1,448,208	7.6	2,746,210	7.8
2013	364,612	6.6	1,470,504	6.6	2,754,870	6.8
2014	370,487	4.9	1,495,011	4.8	2,817,334	5.0
2015 ¹	371,392	4.3	1,498,935	4.2	2,821,291	4.4

¹ Labor force averages through July 31, 2015.

Source: State of Colorado, Division of Employment and Training, Labor Market Information, Colorado Labor Force Review

Selected major employers in the Denver metropolitan area are set forth in the following table. No independent investigation has been made of, and there can be no representation as to, the stability or financial condition of the companies listed below, or the likelihood that such companies will maintain their status as major employers in the area.

Selected Major Employers in the Denver Metropolitan Area ¹

Firm	Product or Service	Estimated Number of Employees
Federal Government	Federal Government	39,902
University of Colorado System	University and Health Care Services	31,760
State of Colorado	State Government	31,469
Wal-Mart Stores Inc.	Retail Discount Variety and Grocery	25,120
Denver Public School District No. 1	Education	14,792
Centura Health	Nonprofit Health System	13,232
City & County of Denver	City Government	11,682
Jefferson County Public Schools	Education	11,372
HCA-HealthOne LLC	Health Care	10,100
SCL Health	Health Care	8,428

¹ As of December 31, 2014.

Source: *Denver Business Journal*, July 24-30, 2015

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APPENDIX I

BOOK-ENTRY-ONLY SYSTEM

APPENDIX I

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) New York, New York and DTC’s book-entry-only system has been obtained from DTC, and the Authority, Corporation, Charter School, Trustee and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, as set forth on the cover page hereof, in the aggregate principal amount of each maturity of the Bonds and 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 securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation & 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 and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds are to 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 Authority or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

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

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

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