

In the opinion of Butler Snow LLP, Bond Counsel, under existing law and subject to the limitations and conditions described herein, interest on the Series 2017A Bonds (a) will be excludable from gross income for federal income tax purposes, (b) will not be an item of a tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, provided, however, with respect to corporations (as defined for federal income tax purposes), such interest will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax on corporations, and (c) will be exempt from present State of Georgia income taxation, subject to the conditions and limitations described herein. Interest on the Series 2017B Bonds (a) will be included in gross income for federal income tax purposes and therefore will not be exempt from federal income taxation and (b) will be exempt from present State of Georgia income taxation, subject to the conditions and limitations described herein. See "TAX MATTERS" herein.



\$34,990,000
MACON-BIBB COUNTY URBAN DEVELOPMENT AUTHORITY
Revenue Bonds (Academy for Classical Education, Inc.), Series 2017

Consisting of:

\$34,445,000
Series 2017A

\$545,000
Taxable Series 2017B

Dated: Date of Delivery

**Maturity Dates, Principal Amounts, Interest Rates, Prices and Yields and CUSIPs
 Shown on the Inside Front Cover**

The Macon-Bibb County Urban Development Authority (the "Issuer") is offering \$34,445,000 in aggregate principal amount of its Revenue Bonds (Academy for Classical Education, Inc.), Series 2017A (the "Series 2017A Bonds") and \$545,000 in aggregate principal amount of its Revenue Bonds (Academy for Classical Education, Inc.), Taxable Series 2017B (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds"). The Issuer will loan the proceeds of the sale of the Series 2017 Bonds to the Academy for Classical Education, Inc. (the "Borrower") pursuant to the terms and provisions of the Loan Agreement between the Issuer and the Borrower. The Borrower is a Georgia nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Borrower's payment obligations under the Loan Agreement will be further evidenced by the Series 2017 Note made by the Borrower and payable to the Issuer, which will be assigned and endorsed, without recourse, by the Issuer to the Trustee (defined below). Capitalized terms used, but not defined, on this cover page have the meanings assigned thereto in this Limited Offering Memorandum.

The Borrower will use the proceeds of the Series 2017 Bonds to (i) finance the cost of the acquisition of the Property, which constitutes the campus on which the Borrower operates the Charter School, currently is leased by the Borrower from the Seller, and currently includes two existing buildings and improvements (the "Existing Improvements"), and which acquisition will include the acquisition of certain Additional Improvements (as described herein) to be constructed and equipped by the Seller pursuant to the Purchase and Sale Agreement, (ii) refinance certain outstanding debt of the Borrower, (iii) fund the 2017 Reserve Account within the Debt Service Reserve Fund, and (iv) pay costs of issuing the Series 2017 Bonds. The Borrower will become the owner of the Property and the Existing Improvements concurrently with the issuance of the Series 2017 Bonds and the owner of the Additional Improvements as they are completed.

The Series 2017 Bonds will be issued pursuant to the Indenture between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Interest on the Series 2017 Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2017. The Series 2017 Bonds will be issuable in the form of fully registered bonds in Authorized Denominations of \$5,000 and any integral multiple thereof. The Series 2017 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases will be made in book-entry only form and no physical delivery of the Series 2017 Bonds will be made to Beneficial Owners. Payment of principal of, interest and premium, if any, on the Series 2017 Bonds will be made by the Trustee to Cede & Co., as nominee of DTC, and will subsequently be disbursed to Direct Participants and thereafter to Beneficial Owners.

The loan of the proceeds of the Series 2017 Bonds to the Borrower will be secured by (i) a Deed to Secure Debt from the Borrower in favor of the Issuer, which will be assigned to the Trustee, conveying security title to the Facilities, and (ii) a pledge of the Gross Revenues of the Borrower under the Loan Agreement. The Series 2017 Bonds will be secured under the Indenture by, without limitation, (i) the Issuer's assignment to the Trustee of all of its right, title and interest in and to the Loan Agreement, the Series 2017 Note and the Deed to Secure Debt (excepting only certain reserved rights of the Issuer identified herein), (ii) the 2017 Reserve Account within the Debt Service Reserve Fund held by the Trustee under the Indenture, and (iii) all other money and investments held by the Trustee in the funds and accounts created under the Indenture (excepting only those held in the Rebate Fund).

The Series 2017 Bonds will be subject to scheduled, mandatory and extraordinary redemption prior to maturity and the Series 2017A Bonds will be subject to optional redemption, in each case under certain circumstances described herein and as set forth in the Indenture.

THE SERIES 2017 BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE STATE OF GEORGIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING WITHOUT LIMITATION MACON-BIBB COUNTY, GEORGIA (THE "COUNTY") AND THE BIBB COUNTY SCHOOL DISTRICT (THE "SCHOOL DISTRICT"). THE SERIES 2017 BONDS WILL BE PAYABLE BY THE ISSUER SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE, INCLUDING WITHOUT LIMITATION THE PLEDGE OF THE ISSUER'S RIGHTS TO THE AMOUNTS PAYABLE BY THE BORROWER PURSUANT TO THE LOAN AGREEMENT AND THE SERIES 2017 NOTE. NO OWNER OF THE SERIES 2017 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE COUNTY, THE SCHOOL DISTRICT, STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO PAY THE PRINCIPAL OF OR THE INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2017 BONDS OR ANY OTHER COST RELATING THERETO OR TO ENFORCE PAYMENT THEREOF AGAINST ANY PROPERTY OF THE COUNTY, THE SCHOOL DISTRICT, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.

The Series 2017 Bonds are not rated, may not be appropriate for some investors and are subject to a number of risks. See "CERTAIN BONDHOLDERS' RISKS" herein. There are restrictions on who may purchase Series 2017 Bonds. Each initial and subsequent purchaser of the Series 2017 Bonds must be (a) an "Accredited Investor" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "1933 Securities Act"), who is either (i) not a natural person or (ii) represented by and purchasing through a registered investment advisor acting under the Investment Advisors Act of 1940, as amended (as applicable, a "RIA" and a "RIA Represented Accredited Investor") or (b) a "Qualified Institutional Buyer" as defined in Rule 144A under the 1933 Securities Act, and each initial purchaser (or, as applicable, each RIA acting on behalf of each initial purchaser constituting a RIA Represented Accredited Investor) will be required to execute and deliver an investment letter in the applicable form attached to this Limited Offering Memorandum as Appendix H.

THIS COVER PAGE CONTAINS INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY FOR OR TERMS OF THE SERIES 2017 BONDS. INVESTORS MUST READ THE ENTIRE LIMITED OFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2017 Bonds are offered when, as, and if issued by the Issuer and accepted by the Underwriter, subject to prior sale and to withdrawal or modification of the offer without notice and the delivery of the opinion of Butler Snow LLP, Macon, Georgia, Bond Counsel. Certain legal matters will be passed on for the Issuer by its counsel and its special disclosure counsel, Butler Snow LLP, Macon, Georgia, for the Borrower by McGuire Woods LLP, Atlanta, Georgia; and for the Underwriter by Ice Miller LLP, Columbus, Ohio. Delivery of the Series 2017 Bonds through facilities of DTC is expected on or about May 10, 2017.



\$34,990,000
Macon-Bibb County Urban Development Authority
Revenue Bonds (Academy for Classical Education, Inc.), Series 2017

Consisting of:

\$34,445,000
Series 2017A Bonds

			<u>Price</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
\$3,220,000	5.000%	Series 2017A Term Bonds due June 15, 2027	100.388%	4.950%	555542 NB1
\$7,620,000	5.750%	Series 2017A Term Bonds due June 15, 2037	99.404%	5.800%	555542 NC9
\$13,400,000	5.875%	Series 2017A Term Bonds due June 15, 2047	99.643%	5.900%	555542 ND7
\$10,205,000	6.000%	Series 2017A Term Bonds due June 15, 2052	100.000%	6.000%	555542 NE5

\$545,000
Taxable Series 2017B Bonds

			<u>Price</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
\$545,000	6.500%	Series 2017B Term Bonds due June 15, 2021	100.000%	6.500%	555542 NF2

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Issuer

MACON-BIBB COUNTY URBAN DEVELOPMENT AUTHORITY

Members

Chris R. Sheridan, Jr., *Chairman*
Kathryn (Kay) Gerhardt, *Vice Chairman*
Eugene C. Dunwoody, Jr.
Shannon Fickling
Rick Hutto
Carey Pickard
Loretta Thomas

Appointed Officials

Alex Morrison, *Executive Director*

Bond Counsel, Counsel to the Issuer and Issuer's Disclosure Counsel

Butler Snow LLP

Macon, Georgia

Underwriter

**BB&T Capital Markets,
A division of BB&T Securities, LLC**
Charlotte, North Carolina

Underwriter's Counsel

Ice Miller LLP
Columbus, Ohio

Trustee

U.S. Bank National Association
Atlanta, Georgia

Borrower

Academy for Classic Education, Inc.
Macon, Georgia

Borrower's Counsel

McGuire Woods LLP
Atlanta, Georgia

Borrower's Auditor

Mauldin & Jenkins, LLC
Macon, Georgia

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The Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance on exemptions contained in such Acts. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2017 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2017 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER ANY OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2017 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017 Bonds by any person in any state in which it shall be unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer, the Borrower, or the Underwriter. Except under the headings "**THE ISSUER**" and "**LITIGATION — The Issuer**" the information contained herein is not to be construed as a representation by the Issuer. Neither the Issuer nor any of its members, agents, employees or representatives has investigated or takes any responsibility for the statements made in this Limited Offering Memorandum, except for those statements relating to the Issuer set forth under the captions the "**THE ISSUER**" and "**LITIGATION — The Issuer**" herein. Except with respect to the information contained under such captions, neither the Issuer, nor any of its members, agents, employees or representatives makes any representation as to the completeness, sufficiency or truthfulness of the statements set forth in this Limited Offering Memorandum. Members of the Issuer and any other persons executing the Series 2017 Bonds are not subject to personal liability by reason of the issuance of the Series 2017 Bonds.

The information contained herein shall not be considered as a representation by the Bibb County School District (the "School District"). Neither the School District nor any of its members, agents, employees or representatives has received this Limited Offering Memorandum or reviewed or investigated the statements contained herein. Neither the School District nor any of its members, agents, employees or representatives takes any responsibility for or makes any representations to the completeness, sufficiency or truthfulness of the statements set forth in this Limited Offering Memorandum.

The information contained herein is subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, the Borrower or any other entity described herein since the date hereof. This Limited Offering Memorandum is submitted in connection with the particular sale of the Series 2017 Bonds referenced in this Limited Offering Memorandum and may not be reproduced or used, in whole or in part, for any other purpose whatsoever. This Limited Offering Memorandum does not constitute a contract between the Issuer, the Borrower or the Underwriter and any one or more of the purchasers or registered owners of the Series 2017 Bonds.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information herein is subject to change without notice, and neither the delivery hereof nor any sale hereunder at any time implies that information herein is correct as of any time subsequent to its date. Any statements in this Limited Offering Memorandum involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not representatives of fact.

In making an investment decision, investors must undertake and rely on their own examination of the Series 2017 Bonds, the Borrower, the Facilities and the terms of the offering, including the merits and risks involved. The Series 2017 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, no such commission or regulatory authority has confirmed the accuracy or

determined the adequacy of this Limited Offering Memorandum. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Statements contained in this Limited Offering Memorandum which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Limited Offering Memorandum, are intended solely as such and are not to be construed as representations of facts. CERTAIN STATEMENTS CONTAINED IN THIS LIMITED OFFERING MEMORANDUM DO NOT REFLECT HISTORICAL FACTS, BUT INSTEAD REFLECT FORECASTS AND SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND SECTION 27A OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1933, AS AMENDED. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS LIMITED OFFERING MEMORANDUM.

RESTRICTIONS ON OWNERSHIP AND TRANSFER OF SERIES 2017 BONDS

There are restrictions on who can purchase the Series 2017 Bonds. The Series 2017 Bonds are offered only to and may be purchased and owned only by (a) "Accredited Investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "1933 Securities Act"), who are either (i) not natural persons or (ii) represented by and purchasing through a registered investment advisor acting under the Investment Advisors Act of 1940, as amended (as applicable, a "RIA" and a "RIA Represented Accredited Investor") and (b) "Qualified Institutional Buyers" as defined in Rule 144A under the 1933 Securities Act. Each initial purchaser of the Series 2017 Bonds (or, as applicable, each RIA acting on behalf of each initial purchaser constituting a RIA Represented Accredited Investor) will be required to deliver an investment letter in the applicable form attached to this Limited Offering Memorandum as **Appendix H**.

This Limited Offering Memorandum has been deemed final by the Issuer and the Borrower for purposes of Securities Exchange Act Rule 15c2-12.

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LIMITED OFFERING MEMORANDUM

\$34,990,000

**Macon-Bibb County Urban Development Authority
Revenue Bonds (Academy for Classical Education, Inc.), Series 2017**

Consisting of:

**\$34,445,000
Series 2017A**

**\$545,000
Taxable Series 2017B**

INTRODUCTION

General

The purpose of this Limited Offering Memorandum, which includes the cover pages and the Appendices hereto, is to furnish certain information in connection with the issuance and sale by the Macon-Bibb County Urban Development Authority (the "Issuer") of its Revenue Bonds (Academy for Classical Education, Inc.), Series 2017, consisting of \$34,445,000 in aggregate principal amount of its Revenue Bonds (Academy for Classical Education, Inc.) Series 2017A (the "Series 2017A Bonds") and \$545,000 in aggregate principal amount of its Revenue Bonds (Academy for Classical Education, Inc.) Taxable Series 2017B (the "Series 2017B Bonds"). The Series 2017A Bonds and the Series 2017B Bonds are referred to collectively as the "Series 2017 Bonds" in this Limited Offering Memorandum, and each series of Series 2017 Bonds will be differentiated, where appropriate, by reference to the Series 2017A Bonds and the Series 2017B Bonds. The Series 2017 Bonds will be issued pursuant to the Trust Indenture, dated as of May 1, 2017, as supplemented by the First Supplemental Trust Indenture, dated as of May 1, 2017 (as so supplemented, the "Indenture"), each between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Definitions of certain capitalized words used in this Limited Offering Memorandum and not otherwise defined herein and summaries of certain principal financing documents are set forth in **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS"** herein. This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change.

This Introduction is not a summary of this Limited Offering Memorandum, is intended only for quick reference, and is qualified in its entirety by the additional information contained in the entire Limited Offering Memorandum, including the cover pages and the Appendices, and the documents summarized or described herein. The offering of the Series 2017 Bonds to potential investors is made only by means of the entire Limited Offering Memorandum, including the Appendices hereto, and potential investors should fully review the entire Limited Offering Memorandum. No person is authorized to detach this Introduction from the Limited Offering Memorandum or otherwise to use it without the entire Limited Offering Memorandum, including the Appendices hereto.

Purpose of the Series 2017 Bonds

The Series 2017 Bonds are being issued in order to (i) finance all or a portion of the costs of the acquisition of certain improved real property located at 5665 New Forsyth Road, Macon, Georgia 31210 (the "Property"), currently owned by Ace Macon One, LLC, a Georgia limited liability company (the "Seller"), (ii) refinance certain outstanding debt of the Borrower, (iii) fund the 2017 Reserve Account within the Debt Service Reserve Fund, and (iv) pay all or a portion of the costs of issuing the Series 2017 Bonds. The Property constitutes the campus on which the Academy for Classical Education, Inc. (as described more fully herein, the "Borrower") operates the Academy for Classical Education (the "Charter School") and currently is leased by the Borrower from the Seller. The Property currently includes two existing buildings and improvements (collectively, the "Existing Improvements"), and the acquisition of the Property will include the acquisition of the Existing Improvements and certain Additional Improvements (defined and described herein) to the Property to be constructed and equipped by the Seller pursuant to the Purchase and Sale Agreement, dated as of March 2, 2017 (as amended or modified from time to time, the "Purchase and Sale Agreement") between the Borrower and the Seller. Concurrently with the issuance of the Series 2017 Bonds, the Borrower will collaterally assign its rights under the Purchase and Sale Agreement, including, without limitation, its rights with respect to the construction of the Additional Improvements, to the Trustee. The

Property, the Existing Improvements and the Additional Improvements are sometimes collectively referred to herein as the "Facilities".

Restrictions on Ownership and Transfer of Series 2017 Bonds

The Series 2017 Bonds are offered only to and may be purchased and owned only by (a) "Accredited Investors" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "1933 Securities Act"), who are either (i) not natural persons ("Institutional Accredited Investors") or (ii) represented by and purchasing through a registered investment advisor acting under the Investment Advisors Act of 1940, as amended (as applicable, a "RIA" and "RIA Represented Accredited Investors") and (b) "Qualified Institutional Buyers" as defined in Rule 144A under the Securities Act ("Qualified Institutional Buyers"). Each initial purchaser of the Series 2017 Bonds (or, as applicable, each RIA acting on behalf of each initial purchaser constituting a RIA Represented Accredited Investor) will be required to deliver an investment letter in the applicable form attached to this Limited Offering Memorandum as **Appendix H** (in such form, an "Investment Letter"). See "**THE SERIES 2017 BONDS — Restrictions on Ownership and Transfer of Series 2017 Bonds**" and "**CERTAIN BONDHOLDERS' RISKS — Limited Market for Series 2017 Bonds — Restrictions on Transfer**" herein.

The Issuer

The Issuer is a public body corporate and politic organized and existing under the laws of the State of Georgia (the "State"), created pursuant to an act of the General Assembly of the State (the "Georgia Legislature") approved on March 22, 1974 (Ga. Laws 1974, p. 3093 *et seq.*, as amended) (as so amended, the "Issuer's Act"). For more information, see "**THE ISSUER**" herein.

The Borrower and the Charter School

The Issuer will lend the proceeds of the Series 2017 Bonds to the Borrower, which is a nonprofit corporation organized and existing under the laws of the State and an organization described in 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Borrower operates the Charter School on the Property, which is located within the Bibb County School District (the "School District") and in Macon-Bibb County (the "County"). The Borrower was incorporated on June 17, 2013 for the purpose of operating and supporting a school under and pursuant to the Charter Schools Act of 1998, as amended, O.C.G.A 20-2-2060 (the "Charter Schools Act"). The Borrower received its charter contract (the "Charter Contract") on September 19, 2013, granted by the Board of Education of Bibb County (the "District Board"), which controls and manages the School District, and approved by the State of Georgia Department of Education (the "State Department of Education"), an agency of the State. The Charter Contract's five year term commenced on July 1, 2014 and terminates on June 30, 2019. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** herein.

The Charter School is a public, nonsectarian, nonprofit school organized and operated under the Charter Schools Act. The Charter School currently serves students in kindergarten through 10th grade. Instruction is not home-based. The Charter School began operation in August 2014, with grades K-8 for the 2014-15 school year, added the 9th grade the following year and added the 10th grade for the current school year. As of January 1, 2017, the Charter School had an enrollment of approximately 1,395 students and a wait-list of almost 800 individuals. The Charter School's funding consists almost exclusively of funds received from the School District pursuant to the Charter Schools Act.

For more information on the Borrower, the Charter School, the Additional Improvements and the Charter, see **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** herein.

The School District

The School District is a political subdivision of the State and is coextensive with the territorial limits of the County, which is located in the central part of the State. **The School District is not a party to any of the documents relating to the issuance of the Series 2017 Bonds (including without limitation the Indenture and the Loan Agreement), and the School District is not obligated under any circumstances to make any**

payments of principal of, premium, if any, or interest on the Series 2017 Bonds or under the Loan Agreement. For more information, see "**THE BORROWER AND THE CHARTER SCHOOL —The School District**" herein.

The Trustee

U.S. Bank National Association, Atlanta, Georgia, will act as Trustee, bond registrar and paying agent for the Series 2017 Bonds under the Indenture.

Series 2017 Project and Plan of Finance

The Issuer will loan the proceeds of the Series 2017 Bonds to the Borrower in order to, all as further described herein, (i) finance all or a portion of the costs of the acquisition of the Property and the Existing Improvements constituting the campus of the Charter School and currently is leased by the Borrower, and which acquisition will include the acquisition of the Additional Improvements to be constructed and equipped by the Seller pursuant to the Purchase and Sale Agreement, (ii) refinance certain outstanding debt of the Borrower, (iii) fund the 2017 Reserve Account within the Debt Service Reserve Fund, and (iv) pay all or a portion of the costs of issuing the Series 2017 Bonds (collectively, the "Series 2017 Project").

As part of the Series 2017 Project, the Borrower intends to acquire the Property, the Existing Improvements and the Additional Improvements pursuant to the Purchase and Sale Agreement with the Seller for a purchase price of \$27,790,900 (the "Facilities Purchase Price"). Pursuant to the Purchase and Sale Agreement, the Borrower has contracted with the Seller to design and complete the Additional Improvements, which is the fourth phase of build-out of the Facilities ("Phase Four"). For a description of the previous three phases of the build-out, see **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE ACADEMY OF CLASSICAL EDUCATION – Campus and Facilities"** herein. For additional information on the Purchase and Sale Agreement and the Additional Improvements, see **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE SERIES 2017 PROJECT"** herein.

The Seller has entered into a design-build contract with True North Construction Group, Inc. ("True North Construction") as design-builder for the completion of the Additional Improvements for a total project budget of \$6,225,000 (see the immediately following paragraph as to the Additional Improvements Purchase Price). True North Construction completed the previous phases of the build-out of the Facilities. The Seller and True North Construction are related entities. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL - THE ACADEMY FOR CLASSICAL EDUCATION – Campus and Facilities"** and **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE SERIES 2017 PROJECT – Acquisition of Property, Existing Improvements, and Additional Improvements"** herein.

Pursuant to the Purchase and Sale Agreement, Phase Four of the build-out of the Facilities will include, without limitation, the following: the construction of 16 new classrooms, a basketball court gymnasium, a wrestling area, supporting spaces such as locker rooms, toilets and storage, a new dining area and kitchen in existing space next to Café 3, renovations to Existing Improvements to create a "2D" and "3D" Art Studio (currently the elementary school cafeteria), a middle school band room (currently the cafeteria stage), a computer lab and testing room (currently the middle school band room), four administration offices (currently a computer lab), the final phase of the roof replacement and additional improvements (collectively, the "Additional Improvements"). As described in **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE SERIES 2017 PROJECT"** herein, The Additional Improvements include Section 1, Section 2 and Section 3 (as such terms are defined in **Appendix A** herein). The Borrower expects the Section 1 component of the Additional Improvements to be completed for the opening of school in August 2017 and to include the improvements needed to enroll an 11th grade class in the Charter School. The Borrower expects the Section 2 component of the Additional Improvements to be completed by the end of October 2017. The expected completion date for the Section 3 component of the Additional Improvements has not been determined as of the date hereof. Upon completion, the Additional Improvements are expected to add approximately 60,000 square feet of space for use within the Existing Improvements. The portion of the Facilities Purchase Price under the Purchase and Sale Agreement that the Borrower and the Seller have allocated to the price of the acquisition of the Additional Improvements is \$6,225,000 (the "Additional

Improvements Purchase Price"). See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE SERIES 2017 PROJECT"** herein.

As part of the Series 2017 Project, proceeds of the Series 2017A Bonds and the Series 2017B Bonds, respectively, will fund deposits into separate 2017A and 2017B Costs of Issuance Accounts within the Construction Fund to be applied to pay the costs of issuance of the respective series of Series 2017 Bonds.

In addition, as part of the Series 2017 Project, proceeds of the Series 2017A Bonds and proceeds of the Series 2017B Bonds will be applied to fund the 2017 Reserve Account within the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement for the Series 2017 Bonds. Pursuant to the Indenture, amounts in the 2017 Reserve Account will be available to pay debt service only on the Series 2017 Bonds.

Security and Sources of Payment for the Series 2017 Bonds

THE SERIES 2017 BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING WITHOUT LIMITATION THE COUNTY AND THE SCHOOL DISTRICT. THE SERIES 2017 BONDS WILL BE PAYABLE BY THE ISSUER SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE INCLUDING AMOUNTS PAYABLE BY THE BORROWER PURSUANT TO THE LOAN AGREEMENT. NO OWNER OF THE SERIES 2017 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING WITHOUT LIMITATION THE COUNTY AND THE SCHOOL DISTRICT, TO PAY THE SERIES 2017 BONDS OR THE INTEREST OR PREMIUM, IF ANY, THEREON OR ANY OTHER COST RELATING THERETO OR TO ENFORCE PAYMENT THEREOF AGAINST ANY PROPERTY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY AND THE SCHOOL DISTRICT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2017 BONDS NOR THE FAITH AND CREDIT OF THE ISSUER SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2017 BONDS. THE ISSUER HAS NO TAXING POWER.

The Issuer will loan the proceeds of the sale of the Series 2017 Bonds to the Borrower pursuant to the Loan Agreement, dated May 1, 2017, as supplemented by the First Supplemental Loan Agreement, dated as of May 1, 2017 (as so supplemented, the "Loan Agreement"), each between the Borrower and the Issuer, which loan will be further evidenced by the Series 2017 Promissory Note made by the Borrower for the benefit of the Issuer (the "Series 2017 Note"). Pursuant to the Loan Agreement and the Series 2017 Note, the Borrower will agree to make monthly Loan Payments to the Issuer in amounts calculated to be sufficient to enable the Issuer to pay, when due, the principal of, premium, if any, and interest on the Series 2017 Bonds and to pay other amounts due under the Loan Agreement. The Issuer will assign to the Trustee, and grant a first priority interest in, all of its right, title, interest and remedies in (i) the Loan Agreement and all amounts to be received thereunder (except for certain rights reserved to the Issuer), (ii) the Series 2017 Note, (iii) the Deed to Secure Debt (as defined hereinafter) and (iv) all money held by the Trustee in certain funds and accounts created under the Indenture, including without limitation the 2017 Reserve Account within the Debt Service Reserve Fund (but excluding the Rebate Fund).

To secure its obligations under the Loan Agreement, the Borrower (i) will pledge and grant to the Issuer a first priority security interest in all Gross Revenues of the Borrower, (ii) will grant to the Issuer a first priority mortgage lien on, and first priority security title to, the real property portion of the Facilities, assign and pledge to the Issuer the rents and leases derived from the Facilities, and grant to the Issuer a first priority security interest in the personal property portion of the Facilities and the revenues, intangible rights, and accounts receivable arising in any manner from the Borrower's ownership of the Facilities, subject to permitted liens, all pursuant to the Deed to Secure Debt, Assignment of Rents and Leases and Security Agreement (the "Deed to Secure Debt"), dated as of May 1, 2017, from the Borrower to the Issuer, which will be assigned by the Issuer to the Trustee upon the issuance of the Series 2017 Bonds, and (iii) will collaterally assign its rights under the Purchase and Sale Agreement, including, without limitation, its rights with respect to the construction of the Additional Improvements, to the Trustee pursuant to an Assignment of Contract (the "Assignment of Purchase Agreement"), dated as of May 1, 2017.

To secure its obligations under the Series 2017 Bonds, the Issuer will enter into the Indenture, pursuant thereto will assign to the Trustee, and grant a first priority security interest in, all of its right, title, interest, in and to the Trust Estate, which consists primarily of (i) all right, title and interest of the Issuer in and to the Loan Agreement (except for certain rights reserved to the Issuer, including without limitation its rights to payment of its fees and expenses and to indemnification), the Series 2017 Note, the Deed to Secure Debt, and all amounts to be received thereunder; and (ii) all money and securities held by the Trustee in funds and accounts created under the Indenture, including without limitation the 2017 Reserve Account within the Debt Service Reserve Fund (but excluding the Rebate Fund).

Under the Indenture, the 2017 Reserve Account within the Debt Service Reserve Fund will be fully funded upon the issuance of Series 2017 Bonds in an amount equal to the Debt Service Reserve Requirement, which amount is set forth under "**ESTIMATED SOURCES AND USES OF FUNDS**" herein. Amounts deposited in the 2017 Reserve Account may be used only to pay amounts due on the Series 2017 Bonds and not for any Series of Additional Bonds.

For more information, see "**SECURITY FOR THE SERIES 2017 BONDS**" and **Appendix E** "**CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**" herein.

The Borrower's primary source of money to make payments under the Loan Agreement and the Series 2017 Note will be the funding the Borrower receives from the School District pursuant to its Charter Contract. So long as a charter contract remains in effect or is renewed on substantially the same terms, the Borrower will be entitled to a per-student allocation of the School District's funds. The amount of the allocation is set by the School District and the Charter Schools Act as currently enacted requires the School District to treat the Charter School no less favorably than other School District schools. The School District's funding is derived from local, state and federal sources. Local revenues consist primarily of ad valorem property taxes. Funds received from the State depend on annual appropriations funded by the Georgia Legislature and are determined by certain formulas, generally based upon the number and type of students served and the relative wealth of the School District in relation to other school districts in the State. Funds received from the federal government are primarily for programs for disadvantaged or disabled students and for the school food service program.

The funds received by the Borrower from the School District pursuant to the Charter Contract for a variety of reasons may not be sufficient to enable the Borrower to make its Loan Payments due under the Loan Agreement. See "**CERTAIN BONDHOLDERS' RISKS**" for more information on the risks associated with charter school funding and the Borrower. See also **Appendix A** "**THE BORROWER AND THE CHARTER SCHOOL**" and **Appendix D** "**CHARTER SCHOOLS IN GEORGIA**" herein.

The School District is not a party to any of the documents relating to the issuance of the Series 2017 Bonds, including the Indenture and the Loan Agreement, and the School District is not obligated under any circumstances to make any payments of principal, premium, if any, or interest on the Series 2017 Bonds.

Neither the State of Georgia nor the School District has approved, consented to or participated in the structuring, offering or issuance of the Series 2017 Bonds and neither will be liable or responsible in any way for any costs associated with repayment of the Series 2017 Bonds, the Loan Agreement, the Series 2017 Note, the cost of operation or maintenance of the Facilities, or any other expenses associated with the Facilities and its financing, and the holders of the Series 2017 Bonds should not rely on any State of Georgia or School District involvement in payment of such costs or other involvement in the Facilities, except pursuant to the funding of the Charter School under the Charter Contract and the Charter Schools Act.

Description of the Series 2017 Bonds

Purchase and Transfer Restrictions; Investor Letter Requirements. The Series 2017 Bonds will be subject to purchase and transfer restrictions regarding their initial purchase and subsequent purchases and transfers. The purchase and subsequent transfers of the Series 2017 Bonds shall be only to (a) Qualified Institutional Buyers or (b) Accredited Investors who are either (i) Accredited Institutional Investors or (ii) RIA Represented Accredited Investors. Each initial purchaser of the Series 2017 Bonds (or, as applicable, each RIA acting on behalf of each

initial purchaser constituting a RIA Represented Accredited Investor) must deliver an Investment Letter in the applicable form attached hereto as **Appendix H**.

Denominations. The Series 2017 Bonds will be issuable in Authorized Denominations of \$5,000 and any integral multiple thereof.

Redemption. The Series 2017 Bonds will be subject to mandatory and extraordinary redemption and the Series 2017A Bonds will be subject to optional redemption prior to their stated maturity as described herein. For more information see "**THE SERIES 2017 BONDS**" herein.

Book-Entry Bonds. The Series 2017 Bonds will be issued as one fully registered bond for each series and maturity thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, an automated depository for securities and clearing house for securities transactions, which will act as securities depository for the Series 2017 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2017 Bonds purchased. Purchases of beneficial interests in the Series 2017 Bonds will be made in book-entry only form (without certificates), in Authorized Denominations, and, under certain circumstances as more fully described in this Limited Offering Memorandum, such beneficial interests are exchangeable for one or more fully registered bonds of like series, principal amount, maturity and interest rate in Authorized Denominations. For more information, see "**THE SERIES 2017 BONDS — Book-Entry Only System**" herein and **Appendix F "DTC AND BOOK-ENTRY ONLY SYSTEM"** herein.

Registration, Transfers and Exchanges. The Series 2017 Bonds will be issued in fully registered form. When not in book-entry form, ownership of the Series 2017 Bonds may be registered as transferred upon registration of surrender of such Bond to the Trustee, together with an assignment duly executed by the registered owner or such owner's attorney or legal representative. When not in book-entry form, the Series 2017 Bonds will be exchangeable for a like aggregate principal amount of the Series 2017 Bonds of the same series, principal amount, maturity and interest rate in Authorized Denominations. See "**THE SERIES 2017 BONDS — Dates, Denominations and Payment Information**" herein.

Payments. Interest on the Series 2017 Bonds will be payable on June 15 and December 15 of each year (each such date, an "Interest Payment Date"), commencing December 15, 2017. While the Series 2017 Bonds are in book-entry form, payment of the principal of and interest on the Series 2017 Bonds will be made by the Trustee directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants (defined herein) and thereafter to Beneficial Owners of the Series 2017 Bonds.

Tax Matters

In the opinion of Butler Snow LLP, Bond Counsel, under existing law and subject to the limitations and conditions described herein, (a) interest on the Series 2017A Bonds (i) will be excludable from gross income for federal income tax purposes, (ii) will not be an item of a tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, provided, however, with respect to corporations (as defined for federal income tax purposes), such interest will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax on corporations, and (iii) will be exempt from present State of Georgia income taxation, and (b) interest on the Series 2017B Bonds (i) will be included in gross income for federal income tax purposes and therefore will not be exempt from federal income taxation and (ii) will be exempt from present State of Georgia income taxation. For more information, see "TAX MATTERS" herein.

Professionals Involved in the Offering

Certain legal matters pertaining to the issuance of the Series 2017 Bonds will be subject to the delivery of the opinion of Butler Snow LLP, Macon, Georgia, Bond Counsel. Copies of such opinion of Bond Counsel will be available at the time of delivery of the Series 2017 Bonds, and a copy of the proposed form of such opinion is attached hereto as **Appendix G**. Certain legal matters will be passed on for the Issuer by its counsel and its special disclosure counsel, Butler Snow LLP, Macon, Georgia, for the Borrower by its counsel, McGuire Woods LLP,

Atlanta, Georgia, and for the Underwriter (defined hereinafter) by its counsel, Ice Miller LLP, Columbus, Ohio. The audited financial statements of the Borrower for the fiscal years ended June 30, 2016 and June 30, 2015 have been audited by Mauldin & Jenkins, LLC, Macon, Georgia, independent certified public accountants, and are attached hereto and made a part hereof as **Appendix C "THE BORROWER'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015"**.

Legal Authority

The Series 2017 Bonds will be issued and secured pursuant to the authority granted by the laws of the State of Georgia and under the provisions of the Issuer's Act, the Bond Resolution of the Issuer, adopted by the Issuer's Board on November 10, 2016, and the Supplemental Bond Resolution of the Issuer adopted by its Board on April 28, 2017 (collectively, the "Bond Resolution"). For more information, see "**THE SERIES 2017 BONDS** — Legal Authority" herein.

Offering and Delivery of the Series 2017 Bonds

The Series 2017 Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to prior sale and to withdrawal or modification of the offer without notice. The Series 2017 Bonds in definitive form are expected to be delivered to the Trustee on behalf of The Depository Trust Company ("DTC") under the DTC FAST system of registration on or about May 10, 2017.

Continuing Disclosure

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

Pursuant to the Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), between the Borrower and Digital Assurance Certification, LLC as dissemination agent (the "Dissemination Agent"), the Borrower will covenant for the benefit of the Beneficial Owners of the Series 2017 Bonds to provide (or to cause the Dissemination Agent to provide) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB (i) certain annual financial information and operating data relating to the Borrower and the Charter School, including without limitation the Borrower's audited financial statements (the "Annual Report") by not later than November 30 following the end of each fiscal year of the Borrower, commencing with fiscal year ending June 30, 2017 (or by March 31 following the end of any fiscal year if the Borrower is required to deliver a "single audit" to the State), (ii) an annual compliance certificate, (iii) certain quarterly financial information (the "Quarterly Report"), (iv) its Annual Budget and any amendment thereto, and (v) notices of the occurrence of certain enumerated events. See the proposed form of the Continuing Disclosure Agreement in **Appendix I** herein. Certain of these covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c-12(b)(5).

Bondholders' Risks

There are a number of considerations and risks relating to an investment in the Series 2017 Bonds, some (but not all) of which are summarized in this Limited Offering Memorandum under the caption "**CERTAIN BONDHOLDERS' RISKS**", which should be carefully reviewed by prospective purchasers of the Series 2017 Bonds. The description in this Limited Offering Memorandum of some of the considerations and risks associated with an investment in the Series 2017 Bonds is not, and shall not be considered to be, comprehensive or complete, and prospective purchasers should undertake their own risk analysis and consult their own financial advisors.

Other Information

This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change without notice.

This Limited Offering Memorandum and the Appendices hereto contain descriptions of, among other matters, the Borrower, the Issuer, the Facilities, the Charter Contract, the Series 2017 Bonds and the security and sources of payment for the Series 2017 Bonds, including without limitation the Indenture, the Loan Agreement, the Series 2017 Note, the Deed to Secure Debt and the Continuing Disclosure Agreement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, contracts and other documents are intended as summaries only and are qualified in their entirety by reference to such laws and documents. References herein to the Series 2017 Bonds are qualified in their entirety by reference to the Indenture and the form of the Series 2017 Bonds included in the Indenture. Copies of such documents (if not included in appendices hereto) are available, upon request and upon payment to the Trustee of a charge for copying, mailing and handling, from the Trustee at Two Midtown Plaza, 1349 West Peachtree Street, Suite 1050, Atlanta, GA 30309. During the period of the offering of the Series 2017 Bonds copies of such documents are available, upon request and upon payment to the Underwriter of a charge for copying, mailing and handling, from the Underwriter at 200 South College Street, Charlotte, NC 28202.

The order and placement of information in this Limited Offering Memorandum, including the Appendices, are not an indication of relevance, materiality, or relative importance, and this Limited Offering Memorandum, including the Appendices, must be read in its entirety. The captions and headings in this Limited Offering Memorandum are for convenience only and in no way define, limit, or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Limited Offering Memorandum.

THIS LIMITED OFFERING MEMORANDUM MAY BE RELIED UPON ONLY IF IT IS READ IN ITS ENTIRETY.

THE SERIES 2017 BONDS

General

The Series 2017A Bonds and the Series 2017B Bonds will be issued in the respective aggregate principal amount set forth on the cover page of this Limited Offering Memorandum, will be dated their date of issuance, and will bear interest from their date of issuance and delivery at the respective interest rates set forth on the inside front cover hereof, payable on each Interest Payment Date until paid in full. The Series 2017 Bonds will mature on the respective date as set forth on the inside front cover hereof and will be subject to redemption as provided in the Indenture and as described herein. The Series 2017 Bonds will be issued in book-entry form and registered in the name of DTC.

Limited Obligations

THE SERIES 2017 BONDS WILL BE LIMITED OBLIGATIONS OF THE ISSUER AND WILL NOT BE A DEBT OR LIABILITY OF THE STATE, THE COUNTY, THE SCHOOL DISTRICT OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE. THE SERIES 2017 BONDS WILL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE IN ANY MANNER THE COUNTY, THE SCHOOL DISTRICT, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2017 BONDS. THE SERIES 2017 BONDS WILL BE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE INDENTURE AND THE LOAN AGREEMENT DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE SCHOOL DISTRICT, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2017 BONDS. THE ISSUER HAS NO TAXING POWER.

Restrictions on Ownership and Transfer of Series 2017 Bonds

The Series 2017 Bonds are offered only to and may be purchased and owned only by (a) Accredited Institutional Investors ("Accredited Investors" as defined in Rule 501(a) of Regulation D under the 1933 Securities Act, excluding natural persons), (b) RIA Represented Accredited Investors and (c) "Qualified Institutional Buyers" as defined in Rule 144A under the 1933 Securities Act. Each initial purchaser of the Series 2017 Bonds (or, as applicable, each RIA acting on behalf of each initial purchaser constituting a RIA Represented Accredited Investor) must sign an Investment Letter in the applicable form set forth in **Appendix H** herein. These restrictions will appear as a legend on the face of the Series 2017 Bonds. See "**CERTAIN BONDHOLDERS' RISKS — Limited Market for Series 2017 Bonds —Restrictions on Transfer**" herein.

Dates, Denominations and Payment Information

The Series 2017 Bonds will be issuable in fully registered form in Authorized Denominations. The Series 2017 Bonds will bear interest at the rates set forth on the inside front cover hereof (computed on the basis of a 360-day year composed of twelve 30-day months), payable on each Interest Payment Date as described above (a) from the date of issuance of the Series 2017 Bonds if authenticated prior to the first Interest Payment Date or (b) otherwise from the Interest Payment Date that is, or that immediately precedes, the date on which such Bond is authenticated (unless such payment of interest is in default, in which case such Bond will bear interest from the date to which interest has been paid).

Payment of principal of and interest on the Series 2017 Bonds will be made as described below under "Book-Entry Only System" herein and in **Appendix F "DTC AND BOOK-ENTRY ONLY BONDS"** herein. However, in the event the book-entry system is discontinued, the following provisions shall pertain.

The principal of, and the redemption premium, if any, on the Series 2017 Bonds will be payable by check or draft at maturity or upon earlier redemption to the Persons in whose names such Series 2017 Bonds are registered on the Bond Register at the maturity or redemption date thereof, upon the presentation and surrender of such Series 2017 Bonds at the Principal Office of the Trustee or of any Paying Agent named in the Series 2017 Bonds.

The interest payable on each Series 2017 Bond on any Interest Payment Date will be paid by the Trustee to the Person in whose name such Bond is registered on the Bond Register at the close of business on the Record Date for such interest, (i) by check or draft mailed on the applicable Interest Payment Date to such Registered Owner at his address as it appears on such Bond Register or at such other address as is furnished to the Trustee in writing by such Owner, or (ii) by electronic transfer in immediately available funds at the written request addressed to the Trustee by any Owner of Series 2017 Bonds in the aggregate principal amount of at least \$1,000,000, such request to be signed by such Owner, containing the name of the bank (which shall be in the continental United States), its address, its ABA routing number, the name and account number to which credit shall be made and an acknowledgment that an electronic transfer fee is payable, which written request must be filed with the Trustee no later than three Business Days before the applicable Record Date preceding such Interest Payment Date.

Optional Redemption

The Series 2017A Bonds maturing on or prior to June 15, 2027 will not be subject to optional redemption. The Series 2017A Bonds maturing on or after June 15, 2028 will be subject to redemption prior to maturity, at the option of the Issuer upon written direction from Borrower, on and after June 15, 2027, in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

The Series 2017B Bonds will not be subject to optional redemption.

Scheduled Mandatory Redemption

The Series 2017A Bonds maturing on June 15, 2027 will be subject to scheduled mandatory redemption on June 15 of each year, commencing June 15, 2021 in the years and in the principal amounts set forth below at a

redemption price equal to 100% of the principal amount thereof (the last such year being a maturity date rather than a redemption date):

<u>Redemption Date (June 15 of the year)</u>	<u>Principal Amount to be Redeemed</u>
2021	\$255,000
2022	435,000
2023	460,000
2024	480,000
2025	505,000
2026	530,000
2027 ⁽¹⁾	555,000

⁽¹⁾ Final maturity.

The Series 2017A Bonds maturing on June 15, 2037 will be subject to scheduled mandatory redemption on June 15 of each year, commencing June 15, 2028 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof (the last such year being a maturity date rather than a redemption date):

<u>Redemption Date (June 15 of the year)</u>	<u>Principal Amount to be Redeemed</u>
2028	\$585,000
2029	620,000
2030	655,000
2031	690,000
2032	730,000
2033	775,000
2034	820,000
2035	865,000
2036	915,000
2037 ⁽¹⁾	965,000

⁽¹⁾ Final maturity.

The Series 2017A Bonds maturing on June 15, 2047 will be subject to scheduled mandatory redemption on June 15 of each year, commencing June 15, 2038 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof (the last such year being a maturity date rather than a redemption date):

<u>Redemption Date (June 15 of the year)</u>	<u>Principal Amount to be Redeemed</u>
2038	\$1,025,000
2039	1,080,000
2040	1,145,000
2041	1,215,000
2042	1,285,000
2043	1,360,000
2044	1,440,000
2045	1,525,000
2046	1,615,000
2047 ⁽¹⁾	1,710,000

⁽¹⁾ Final maturity.

The Series 2017A Bonds maturing on June 15, 2052 will be subject to scheduled mandatory redemption on June 15 of each year, commencing June 15, 2048 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof (the last such year being a maturity date rather than a redemption date):

<u>Redemption Date (June 15 of the year)</u>	<u>Principal Amount to be Redeemed</u>
2048	\$1,810,000
2049	1,920,000
2050	2,035,000
2051	2,155,000
2052 ⁽¹⁾	2,285,000

⁽¹⁾ Final maturity.

The Series 2017B Bonds maturing on June 15, 2021 will be subject to scheduled mandatory redemption on June 15 of each year, commencing June 15, 2020 in the years and in the principal amounts set forth below at a redemption price equal to 100% of the principal amount thereof (the last such year being a maturity date rather than a redemption date):

<u>Redemption Date (June 15 of the year)</u>	<u>Principal Amount to be Redeemed</u>
2020	\$385,000
2021 ⁽¹⁾	160,000

⁽¹⁾ Final maturity.

Extraordinary Redemption

The Series 2017 Bonds will be subject to extraordinary redemption, in whole or in part, at the option of the Issuer upon the written direction of the Borrower given in accordance with the requirements of the Loan Agreement in the event of (i) damage to or destruction of the Facilities or any material part thereof, or (ii) condemnation of all or any material part of the Facilities. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT"** herein.

Mandatory Redemption of Series 2017A Bonds from Unexpended Proceeds

The Series 2017A Bonds will be subject to mandatory redemption in part on the earliest practical date for which notice can be given in accordance with the Indenture in the event funds remain in the 2017 Project Account within the Construction Fund following completion of the Additional Improvements. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"** herein.

Mandatory Redemption of Series 2017A Bonds upon Determination of Taxability

The Series 2017A Bonds will be subject to mandatory redemption in whole on any Business Day within 60 days after the occurrence of a Determination of Taxability at a redemption price equal to 103% of the principal amount of the Series 2017A Bonds to be redeemed, plus accrued interest thereon to the redemption date; provided, however, if, in the opinion of Bond Counsel, a mandatory redemption on account of a Determination of Taxability of less than all of the Series 2017A Bonds would result in the interest on the Series 2017A Bonds Outstanding following such mandatory redemption not being includable in the gross income of the owners of such Outstanding Series 2017A Bonds, then the Series 2017A Bonds will be subject to mandatory redemption upon the occurrence of a Determination of Taxability in the amount specified in such opinion, provided that such redemption must be in an Authorized Denomination.

Option to Purchase in Lieu of Redemption

The Borrower will have the option to purchase the Series 2017 Bonds in lieu of redemption in accordance with the Indenture.

Partial Redemption

In the case of a partial redemption of Series 2017 Bonds, when Series 2017 Bonds of denominations greater than the minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each principal amount equal to the minimum Authorized Denomination shall be treated as though it was a separate Series 2017 Bond of the minimum Authorized Denomination. If it is determined that a portion, but not all, of the principal amount represented by any Series 2017 Bond is to be selected for redemption, then upon notice of intention to redeem such portion, the Owner of such Series 2017 Bond or such Owner's attorney or legal representative shall forthwith present and surrender such Series 2017 Bond to the Trustee (i) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the principal amount called for redemption, and (ii) for exchange, without charge to the Owner thereof for a new Series 2017 Bond or Series 2017 Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Series 2017 Bond. If the Owner of any such Series 2017 Bond shall fail to present such Series 2017 Bond to the Trustee for payment and exchange as aforesaid, such Series 2017 Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount called for redemption (and to that extent only).

Notice of Redemption

Official notice of any such redemption shall be given by the Trustee on behalf of the Issuer by mailing a copy of an official redemption notice by first class mail at least 20 days prior to the redemption date to each Registered Owner of the Series 2017 Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee.

All official notices of redemption shall be dated and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Bonds are to be redeemed, the identification number, series, maturity and the respective principal amounts to be redeemed of the Series 2017 Bonds to be redeemed; (iv) subject to all conditions to such redemption being satisfied, that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; (v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Office of the Trustee for the payment of Bonds and (vi) any conditions to such redemption.

Effect of Redemption

Official notice of redemption having been given as aforesaid, the Series 2017 Bonds or portions of Bonds so to be redeemed shall, on the redemption date and provided that all conditions thereto have been met, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with such notice, such Bonds shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds that have been redeemed shall be canceled and destroyed by the Trustee in accordance with the Indenture and shall not be reissued. A second notice of redemption shall be given within 60 days after the redemption date in the manner required herein to the Bondowners of redeemed Bonds which have not been presented for payment within 30 days after the redemption date but the failure to give such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Bonds for which official notice of redemption has been given as provided above.

Book-Entry Only System

*The information in this section and in **Appendix F "DTC AND BOOK ENTRY SYSTEM"** herein concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.*

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued in the aggregate principal amount of the Series 2017A Bonds of each maturity and in the aggregate principal amount of the Series 2017B Bonds of each maturity, and each such bond certificate will be deposited with DTC at the office of the Trustee on behalf of DTC utilizing the DTC FAST system of registration.

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

To facilitate subsequent transfers, all of the Series 2017 Bonds deposited by Direct Participants with DTC (or the Trustee on behalf of DTC utilizing the DTC FAST system of registration) are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2017 Bonds with DTC (or the Trustee on behalf of DTC utilizing the DTC FAST system of registration) and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such the Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

See **Appendix F "DTC AND BOOK ENTRY SYSTEM"** herein for additional information on The Depository Trust Company ("DTC"), New York, New York, and its book-entry only system.

SECURITY FOR THE SERIES 2017 BONDS

Limited Obligations

THE SERIES 2017 BONDS WILL BE LIMITED OBLIGATIONS OF THE ISSUER AND WILL NOT BE A DEBT OR LIABILITY OF THE COUNTY, THE SCHOOL DISTRICT, THE STATE OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF. THE SERIES 2017 BONDS WILL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE IN ANY MANNER THE COUNTY, THE SCHOOL DISTRICT, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2017 BONDS. THE SERIES 2017 BONDS WILL BE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE INDENTURE AND THE LOAN AGREEMENT DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2017 BONDS NOR THE FAITH AND CREDIT OF THE ISSUER SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2017 BONDS. THE ISSUER HAS NO TAXING POWER.

Loan Agreement and Series 2017 Note

The principal of and interest on the Series 2017 Bonds will be payable from money paid by the Borrower pursuant to the Loan Agreement and the Series 2017 Note. Pursuant to the Loan Agreement, the Borrower will agree to pay Loan Payments to the Issuer in such amounts and at such times as will be sufficient to enable the Issuer to pay the principal of and interest on the Series 2017 Bonds, as and when the same shall become due and payable.

The Borrower's primary source of money to make payments pursuant to the Loan Agreement will be the funding the Borrower receives from the School District pursuant to the Charter Contract. So long as the Charter Contract (including renewals on substantially the same terms) remains in effect, the Borrower will be entitled to a per-student allocation of the School District's funds. The amount of the allocation is set by the School District, and the Charter Schools Act as currently enacted requires that the School District treat the Borrower no less favorably than other schools located in the School District. The funding from the School District, however, may not be sufficient to enable the Borrower to make their required payments under the Loan Agreement. The School District's funding is derived from local, state and federal sources. Local revenues consist primarily of ad valorem property taxes. Funds received from the State depend upon annual appropriations funded by the Georgia Legislature and are determined pursuant to certain formulas, generally based upon the number and type of students served and the relative wealth of the School District in relation to other school districts in the State. Funds received from the federal government are primarily for programs for disadvantaged or disabled students and for the school food service programs. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** and **Appendix D "CHARTER SCHOOLS IN GEORGIA"** herein.

The School District is not a party to any of the documents relating to the issuance of the Series 2017 Bonds, including the Indenture and the Loan Agreement, and the School District is not obligated under any circumstances to make any payments of principal of, premium, if any, or interest on the Series 2017 Bonds.

Indenture

The Issuer and the Trustee will enter into the Indenture in order to provide for the issuance and payment of the Series 2017 Bonds and the security therefor. In accordance with the Indenture, the Issuer will assign to the Trustee its right, title and interest in and to (a) the Loan Agreement, the Series 2017 Note, the Deed to Secure Debt and all extensions and renewals of the terms thereof, if any, and all amounts encumbered thereby (excluding certain reserved rights of the Issuer described herein), (b) all cash proceeds and receipts arising out of or in connection with the sale of the Series 2017 Bonds and all money and investments held by the Trustee in the funds and accounts created under the Indenture, including without limitation the 2017 Reserve Account within the Debt Service Reserve Fund (except the Rebate Fund), (c) all money and securities and interest earnings thereon delivered to and held by the Trustee under the terms of the Indenture and (d) all proceeds (cash and noncash) of any of the foregoing. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"** herein.

Debt Service Reserve Fund

Pursuant to the Indenture, there will be created and established with the Trustee a special trust fund for the benefit of the Beneficial Owners of the respective Bonds designated as the Debt Service Reserve Fund (the "Debt Service Reserve Fund"), in which there will be created a 2017 Reserve Account, which will be held in trust by the Trustee separate and apart from all other deposits and funds. The 2017 Reserve Account will be funded with a portion of the proceeds of the Series 2017A Bonds in the amount of \$2,386,785.50 and proceeds of the Series 2017B Bonds in the amount of \$37,764.50, which is equal to the Series 2017 Debt Service Reserve Fund Requirement (see **"ESTIMATED SOURCES AND USES OF FUNDS"** herein), which amount is equal to the maximum annual Debt Service on the Series 2017 Bonds.

Amounts may be transferred from the 2017 Reserve Account to the applicable Debt Service Account and applied in accordance with the Indenture to the payment of principal of and interest on the Series 2017 Bonds when other money under the Indenture is not available for such purpose. Pursuant to the Loan Agreement, in the event of such a transfer from the 2017 Reserve Account, the Borrower will be required to restore any deficiency in the 2017 Reserve Account by making no more than twelve (12) equal consecutive monthly installments, the first installment payment to be made within seven (7) months of any transfer from the 2017 Reserve Account to a 2017 Debt Service Account or receipt of written notice from the Trustee of such a deficiency in the 2017 Reserve Account. In the event the value of the Debt Service Reserve Fund Obligations in the 2017 Reserve Account is less than the Debt Service Reserve Fund Requirement, the Borrower will be required to deposit additional Debt Service Reserve Fund Obligations into the 2017 Reserve Account in an amount sufficient to satisfy the Debt Service Reserve Fund Requirement in no more than three equal monthly installments, the first installment to be made within thirty (30) days of receipt of notice from the Trustee of such a deficiency.

For a description of the other funds and accounts created under the Indenture, see **Appendix E** "**CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**" herein.

Deed to Secure Debt and Pledge of Gross Revenues

Pursuant to the Deed to Secure Debt, as security for the payment of amounts due on the Series 2017 Bonds, the Borrower will grant a first priority security title in the real property and improvements comprising the Facilities, and any other facilities owned by, and all leasehold interests, all as they may at any time exist, subject to Permitted Encumbrances (the Property and the Facilities of the Borrower subject to the lien of the Deed to Secure Debt and all facilities subsequently subjected to the lien of the Deed to Secure Debt are referred to herein collectively as the "Mortgaged Property"). In addition, pursuant to the Deed to Secure Debt, the Borrower will pledge and assign a security interest in the equipment and personalty owned by the Borrower, the leases and rents, if any, to be collected by the Borrower, and its Gross Revenues (defined hereinafter) to its payments due on the Series 2017 Note and the Loan Payments under the Loan Agreement.

Contemporaneously with the delivery of the Series 2017 Bonds, the Borrower will deliver to the Trustee a mortgagee title insurance policy on the Mortgaged Property in an aggregate amount equal to the aggregate amount of the Series 2017 Bonds insuring that the lien of the Debt to Secure Debt will be a first priority security title to the Property and the Facilities.

The security interest in the equipment and other personalty owned by the Borrower will be perfected to the extent and only to the extent that such security interest may be perfected by filing financing statements under the Georgia Uniform Commercial Code (the "UCC"). Continuation statements with respect to such filings must be filed periodically by the Trustee to continue the perfection of such security interest. The security interest in the equipment and other personalty will be subject to Permitted Encumbrances that exist prior to or that may be created subsequent to the time the security interest in the equipment and other personalty attaches and will be subject to the right of the Borrower to transfer equipment and other personalty free of the security interest created in the equipment and other personalty under certain circumstances.

For the circumstances in which Mortgaged Property may be released by the Borrower, see **Appendix E** "**CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT**" herein.

Pursuant to the Loan Agreement and the Deed to Secure Debt, the Borrower will grant to the Issuer a security interest in its Gross Revenues (defined hereinafter), which will be assigned to the Trustee concurrent with the issuance of the Series 2017 Bonds. Upon the occurrence and continuance of an Event of Default (defined herein) under the Loan Agreement, the Trustee will have the right to assume control over each of the Borrower's depository accounts into which it deposits Gross Revenues (each a "Depository Account") pursuant to the Loan Agreement and each required Account Control Agreement (defined hereinafter), except as described hereinafter. See "**Deposit Account Control Agreement**" immediately hereinafter and see **Appendix E** "**CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT**" herein.

The term "Gross Revenues" is defined under the Loan Agreement to mean all receipts, revenues, rentals, income, insurance proceeds, condemnation awards, and other money received by or on behalf of the Borrower, including, without limitation, revenues derived from (a) proceeds received from (i) accounts, (ii) securities and other investments, (iii) inventory and other tangible and intangible property, and (iv) accounts receivable, general intangibles, contract rights, chattel paper, instruments and other rights and assets now existing or hereafter coming into existence or whether now owned or held or hereafter acquired and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Borrower incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (i) all such items, whether now owned or hereafter acquired by the Borrower, which by their terms or by reason of applicable law cannot be granted, assigned or pledged hereunder or which would become void or voidable if granted, assigned or pledged hereunder by the Borrower, or which cannot be granted, assigned or pledged hereunder without the consent of other parties whose consent is not secured, or

without subjecting the Trustee to a liability not otherwise contemplated by the provisions hereof, or which otherwise may not be, or are not, hereby lawfully and effectively granted, assigned and pledged by the Borrower, (ii) any amounts received by the Borrower as a billing agent for another entity, except for fees received for serving as billing agent, (iii) gifts, grants, bequests, donations and contributions to the Borrower heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use as payments required under the Indenture.

While the Deed to Secure Debt and the other bond documents provide a security interest in the Property, the Facilities and the Gross Revenues, there may be impediments to executing on such security interests. See "CERTAIN BONDHOLDERS' RISKS" herein.

Deposit Account Control Agreement

Pursuant to the Loan Agreement, the Borrower will be required (except as described hereinafter) to enter into concurrently with the issuance of the Series 2017 Bonds and to maintain throughout the term of the Loan Agreement a Deposit Account Control Agreement (the "Account Control Agreement") with the Trustee and each of the Borrower's depository banks (each a "Depository Bank"), and each such Account Control Agreement will be required to identify each of the Borrower's Depository Accounts with such Depository Bank into which its Gross Revenues are and shall continue to be deposited, establish the Trustee's control over such Depository Account and provide for the Trustee's exclusive control over the Deposit Account (including without limitation, the exclusive right to make withdrawals therefrom) following an Event of Default under the Loan Agreement and written notice to the Depository Bank of such Event of Default and the Trustee's exercise of its right to exclusive control over the Depository Account. Notwithstanding the foregoing, pursuant to the Loan Agreement the Borrower may maintain Depository Accounts solely for the purpose of holding Gross Revenues used solely for extracurricular or similar school support activities, such as athletic programs, after-school programs or clubs, field trips or enrichment events and parent-teacher organizations, including any fundraising related to such activities, which funds are from sources other than the Borrower's "per pupil funding" sources, and such Depository Accounts will not be subject to the Account Control Agreement requirements of the Loan Agreement.

No Credit Enhancement

There is no credit enhancement securing the Issuer's obligations under the Indenture or the Series 2017 Bonds as initially issued, or the Borrower's obligations under the Loan Agreement, nor is there any requirement or expectation that credit enhancement for the Series 2017 Bonds will ever be provided.

Additional Indebtedness

The Indenture permits Additional Bonds to be issued in order to (i) finance or refinance capital projects for the benefit of the Borrower and any costs associated therewith, including the costs of issuance of such Bonds and the costs of qualified hedges executed in connection with such Bonds, or (ii) refund all or any portion of any one or more of the maturities of any one or more series of Bonds or any other obligations issued by the Issuer for the benefit of the Borrower or by the Borrower then outstanding and any costs associated therewith, including the costs of issuance of such Bonds and the costs of qualified hedges executed in connection with such Bonds, subject in all events to satisfying the requirements and conditions set forth in the Indenture. **Additional Bonds will not be required to bear interest at a rate fixed to maturity and may bear interest pursuant to a variety of interest rate modes permitted under the Indenture.** See Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein. In addition, the Borrower also may incur Additional Indebtedness unrelated to Additional Bonds. See Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" hereto.

Under certain circumstances, if additional parity indebtedness, including with respect to Additional Bonds, is incurred by the Borrower to finance new facilities or improvements to existing Facilities, the Borrower will be required to extend the security title and security interest of the Deed to Secure Debt or provide a comparable deed to secure debt to cover such new facilities (see Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF

PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT" herein).

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below is the current expectation as of the date of this Limited Offering Memorandum as to the estimated sources and uses of funds in connection with the issuance of the Series 2017 Bonds.

<u>Sources of Funds:</u>	<u>Series 2017A</u>	<u>Series 2017B</u>	<u>Series 2017 Total</u>
Par Amount of Bonds	\$34,445,000.00	\$545,000.00	\$34,990,000.00
Net Original Issue Discount	<u>(80,759.60)</u>	<u>-0-</u>	<u>(80,759.60)</u>
Total Sources	\$34,364,240.40	\$545,000.00	\$34,909,240.40
<u>Uses of Funds:</u>			
Deposit to 2017 Project Account (Acquisition of Existing Improvements)	\$21,561,584.00	-0-	\$21,561,584.00
Deposit to 2017 Project Account (Acquisition of Additional Improvements)	7,182,583.18	-0-	7,182,583.18
Deposit to 2017 Project Account (Refinancing)	2,581,967.31	-0-	2,581,967.31
Deposit to 2017 Reserve Account	2,386,785.50	\$ 37,764.50	2,424,550.00
Costs of Issuance	343,416.00	280,289.91	623,705.91
Underwriter's Discount	<u>307,904.41</u>	<u>226,945.59</u>	<u>534,850.00</u>
Total Uses of Funds	\$34,364,240.40	\$545,000.00	\$34,909,240.40

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ANNUAL DEBT SERVICE REQUIREMENTS

The principal (including principal payable at maturity and by mandatory scheduled redemption) and interest payment requirements with respect to the Series 2017 Bonds are as follows:

<u>(June 15)</u> <u>Bond Year</u>	<u>Series 2017A Bonds</u>		<u>Series 2017B Bonds</u>		<u>Series 2017 Bonds</u> <u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	—	\$2,193,018.06	—	\$38,869.10	\$2,231,887.16
2019	—	1,998,700.00	—	35,425.00	2,034,125.00
2020	—	1,998,700.00	\$385,000.00	35,425.00	2,419,125.00
2021	\$ 255,000.00	1,998,700.00	160,000.00	10,400.00	2,424,100.00
2022	435,000.00	1,985,950.00			2,420,950.00
2023	460,000.00	1,964,200.00			2,424,200.00
2024	480,000.00	1,941,200.00			2,421,200.00
2025	505,000.00	1,917,200.00			2,422,200.00
2026	530,000.00	1,891,950.00			2,421,950.00
2027	555,000.00	1,865,450.00			2,420,450.00
2028	585,000.00	1,837,700.00			2,422,700.00
2029	620,000.00	1,804,062.50			2,424,062.50
2030	655,000.00	1,768,412.50			2,423,412.50
2031	690,000.00	1,730,750.00			2,420,750.00
2032	730,000.00	1,691,075.00			2,421,075.00
2033	775,000.00	1,649,100.00			2,424,100.00
2034	820,000.00	1,604,537.50			2,424,537.50
2035	865,000.00	1,557,387.50			2,422,387.50
2036	915,000.00	1,507,650.00			2,422,650.00
2037	965,000.00	1,455,037.50			2,420,037.50
2038	1,025,000.00	1,399,550.00			2,424,550.00
2039	1,080,000.00	1,339,331.26			2,419,331.26
2040	1,145,000.00	1,275,881.26			2,420,881.26
2041	1,215,000.00	1,208,612.50			2,423,612.50
2042	1,285,000.00	1,137,231.26			2,422,231.26
2043	1,360,000.00	1,061,737.50			2,421,737.50
2044	1,440,000.00	981,837.50			2,421,837.50
2045	1,525,000.00	897,237.50			2,422,237.50
2046	1,615,000.00	807,643.76			2,422,643.76
2047	1,710,000.00	712,762.50			2,422,762.50
2048	1,810,000.00	612,300.00			2,422,300.00
2049	1,920,000.00	503,700.00			2,423,700.00
2050	2,035,000.00	388,500.00			2,423,500.00
2051	2,155,000.00	266,400.00			2,421,400.00
2052	2,285,000.00	137,100.00			2,422,100.00
Total	<u>\$34,445,000.00</u>	<u>\$49,090,605.60</u>	<u>\$ 545,000.00</u>	<u>\$120,119.10</u>	<u>\$84,200,724.70</u>

The Series 2017 Bonds will be subject to optional, mandatory and extraordinary redemption as described herein. See "**THE SERIES 2017 BONDS** — Optional Redemption", "— Mandatory Scheduled Redemption", "— Extraordinary Redemption", "—Mandatory Redemption from Unexpended Proceeds" and "— Mandatory Redemption of Series 2017A Bonds upon Determination of Taxability" hereinabove.

Upon the issuance of the Series 2017 Bonds and the application of a portion of the proceeds to refinance certain outstanding loans of the Borrower, the Borrower has represented that it will have no outstanding indebtedness, other than customary short term accounts payable, other than the loan of the Series 2017 Bond proceeds pursuant to the Loan Agreement.

THE ISSUER

The Issuer

The Issuer is a public body corporate and politic and an instrumentality of the County, organized and existing under the laws of the State, including specifically the Issuer's Act. The Issuer is authorized by the Issuer's Act to undertake any "project" which, pursuant to the Issuer's Act, means any undertaking of the Issuer in connection with the redevelopment or revitalization of urban, central city, or downtown areas within the County. Furthermore, certain amendments to the Constitution of the State of Georgia relating to the Issuer's Act and contained in Georgia Laws 1974, p. 1754; Georgia Laws 1976, p. 1827; and Georgia Laws 1980, p. 2128, provide for the issuance of revenue bonds by the Issuer for various other purposes and, among other provisions, authorize the Issuer to participate in the financing of lands, buildings and facilities suitable for use by any "educational enterprise" (as defined in the Issuer's Act) located in the County in connection with the operations or proposed operations of such educational enterprise, and the Issuer's Act empowers the Issuer to issue revenue bonds for the purpose of carrying out its powers and to lend the proceeds of its revenue bonds to educational enterprises to finance projects covered under the Issuer's Act.

Principal Officials of the Issuer

The Issuer's Act provides that the affairs of the Issuer are governed by seven members, each with four-year terms. Terms are staggered so that the terms of at least two members expire each year and the term of at least one member expires every fourth year. The term expiration date is November 5. Upon expiration of their term, members will continue to serve until they are reappointed or until their successor is appointed. Members may serve no more than two consecutive four-year terms; however, it is allowable for a member to serve an unexpired term plus two consecutive four-year terms.

The member positions are filled by the mayor and commissioners of the County. The members of the Issuer elect one of its members as chairperson. The Issuer also elects a vice-chairman and secretary, each of whom shall serve for one year or until a successor is chosen.

The current members of the Issuer and their terms are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>	<u>Years on Board</u>
Chris R. Sheridan, Jr., <i>Chair</i>	November 5, 2016 ⁽¹⁾	Commercial Construction	4
Kathryn (Kay) Gerhardt, <i>Vice Chair</i>	November 5, 2017	Attorney	4
Eugene C. Dunwoody, Jr.	November 5, 2018	Architect	6
Shannon Fickling	November 5, 2016 ⁽¹⁾	Architect	4
Rick Hutto	November 5, 2017	Higher Education, CGTC	3
Carey Pickard	November 5, 2019	Fundraising Consultant	5
Loretta Thomas	November 5, 2018	Realtor	1

⁽¹⁾ As noted hereinabove, members continue to serve beyond the expiration of their respective terms until they are reappointed or until their successors are appointed.

Alex Morrison has been Executive Director of the Issuer since 2011, charged with planning and executing economic development projects in the urban areas of the County. He also serves as Assistant Director of Economic Development for the County. He previously served in the role of Main Street Manager for the City of Macon. Presently, Mr. Morrison and the Issuer are leading the effort to implement the Macon Action Plan, the first urban core master plan for the County. Mr. Morrison is a 2010 graduate of the University of Georgia with a master's degree in public administration. He received his undergraduate degree at Mercer University in 2007 in journalism and philosophy. While at Mercer, Morrison was one of four students who developed the conceptual plan for the College Hill Corridor, served two years as Editor in Chief of *The Cluster* student newspaper and was recipient of the Mercerian award for campus leadership and community involvement. In addition to his work, he is a member of the

Historic Macon Board of Trustees, Macon Rotary Club, a member of the Ocmulgee National Park and Preserve Initiative, the chair of the Main Street Macon Economic Restructuring Committee and a member of the College Hill Corridor Commission.

Governmental Immunity and Insurance Coverage

Governmental Immunity. The Issuer's Act provides that the Issuer has the same immunity and exemption from liability for torts and negligence as the State, and the officers, agents, and employees of the Issuer, when in performance of work of the Issuer, have the same immunity and exemption from liability for torts and negligence as officers, agents, and employees of the County.

Article I, Section II, Paragraph IX of the Constitution of the State extends sovereign immunity to the Issuer, except as to actions for the breach of written contracts. Except as specifically provided by the Georgia Legislature in a State Tort Claims Act, all officers and employees of the Issuer may be subject to suit and may be liable for injuries and damages caused by the negligent performance of, or negligent failure to perform, their ministerial functions and may be liable for injuries and damages if they act with actual malice or with actual intent to cause injury in the performance of their official functions. Except as provided in the previous sentence, officers and employees of the Issuer shall not be subject to suit or liability, and no judgment shall be entered against them, for the performance or nonperformance of their official functions.

The Issuer, however, may be unable to rely upon the defense of sovereign immunity and may be subject to liability in the event of suits alleging causes of action founded upon various federal laws, such as suits filed pursuant to 42 U.S.C. § 1983, alleging the deprivation of federal constitutional or statutory rights of an individual and suits alleging anti-competitive practices and violations of the federal antitrust laws by the Issuer in the exercise of its delegated powers.

THE SERIES 2017 BONDS, INCLUDING INTEREST THEREON AND PREMIUM, IF ANY, WILL CONSTITUTE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER AND WILL NEVER CONSTITUTE AN INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND WILL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, THE COUNTY, THE SCHOOL DISTRICT, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF OR A CHARGE AGAINST THE GENERAL CREDIT OR THE TAXING POWER OF ANY OF THEM. THE ISSUER HAS NO TAXING POWER. THE SERIES 2017 BONDS AND THE INTEREST THEREON SHALL BE PAYABLE SOLELY FROM THE TRUST ESTATE.

The Issuer previously has issued revenue bonds for the purpose of financing other projects for other borrowers that are payable from revenues received from such other borrowers. Revenue bonds issued by the Issuer for other borrowers may now or in the future be in default as to principal or interest. The source of payment for other revenue bonds previously issued by the Issuer for other borrowers is separate and distinct from the source of payment for the Series 2017 Bonds, and accordingly, the Issuer has determined that any default by any such other borrower with respect to any of such other revenue bonds is not considered a material fact with respect to the payment of the Series 2017 Bonds.

The Issuer is not responsible for any information contained in this Limited Offering Memorandum except for the information in this section and under the caption "LITIGATION — The Issuer" herein as such information applies to the Issuer.

THE BORROWER AND THE CHARTER SCHOOL

The Borrower, the Charter School and the Charter Contract Status

The Borrower was incorporated on June 17, 2013 as a nonprofit corporation organized under the laws of the State for the purpose of operating and supporting a school under and pursuant to the Georgia Charter Schools

Act. The Borrower has received a determination letter from the Internal Revenue Service to the effect that the Borrower is an organization described in Section 501(c)(3) of the Code. The Borrower is exempt from federal and state income taxation (except unrelated business taxable income, if any).

The Borrower operates the Charter School as a public, nonsectarian, nonprofit charter school currently for students in kindergarten through 10th grade, located on the Property in northern Macon-Bibb County and within the Bibb County School District. The Borrower created the Charter School as a start-up charter school under the Charter Schools Act and opened the Charter School in August 2014 with approximately 765 students in grades K-8 and a wait-list of over 750 students. The Charter School added the 9th grade the following year and the 10th grade at the beginning of the current school year. As of January 1, 2017, the Charter School had an enrollment of approximately 1,395 students in grades K-10 and a wait-list of almost 800 individuals.

The Borrower's Charter Contract was approved by the District Board on September 19, 2013 and was executed by the State Department of Education on April 3, 2014. The Charter Contract has a five year term beginning July 1, 2014 and ending on June 30, 2019. The State Board of Education allows a maximum length of five year charter contract renewals for start-up charter schools. In the Loan Agreement, the Borrower will covenant to maintain its Charter Contract and to apply for renewal of its Charter Contract prior to its expiration in 2019.

The Borrower's Charter Contract is subject to amendment, renewal and termination under the Charter Schools Act as summarized under the headings "Amendment of Terms of Charter Contract for Charter School; Initial Term of Charter Contract — Charter Contract Renewal — Charter Contract Termination" in **Appendix D "CHARTER SCHOOLS IN GEORGIA"** of this Limited Offering Memorandum. The Borrower's Charter Contract also is subject to termination in the event the Charter School does not meet the Performance-based Goals and Measurable Objectives identified in Section 8 of the Charter Contract, which includes academic and organizational goals.

See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** and **Appendix D "CHARTER SCHOOLS IN GEORGIA"** herein

The School District

The Charter School is located within the boundaries and jurisdiction of the School District. Founded in 1872, the School District is one of the oldest school districts in the State. The School District has more than 3,500 full-time employees, including more than 1,970 teachers and other certified personnel, who work in 46 school buildings and three administrative and support buildings.

For the current academic year, the School District has enrolled approximately 24,230 students in 25 elementary schools, seven middle schools, seven high schools, two magnet schools, two charter schools (including the Charter School) and three other programs.

The School District is not a party to any of the documents relating to the Series 2017 Bonds, including the Indenture and the Loan Agreement, and the School District is not obligated under any circumstances to make any payments of principal of, premium, if any, or interest on the Series 2017 Bonds or any other payments related to the Series 2017 Bonds.

Indemnification of the School District

The Borrower has agreed in its Charter Contract to indemnify, defend and hold harmless the School District, the District Board, the State Board, the State Department of Education, their officials, officers, employees, agents, volunteers and assigns against any and all claims, demands, suits, actions, legal or administrative proceedings, losses, liabilities, costs, interest and damages of every kind and description, with certain stated exceptions. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** herein.

BORROWER COVENANTS UNDER LOAN AGREEMENT

General

In the Loan Agreement the Borrower will agree to a number of financial and operating covenants, including, without limitation, complying with a Liquidity Covenant, a Debt Service Coverage Ratio Covenant, preparing and delivering an Annual Budget, preparing and delivering quarterly unaudited and annual audited financial statements and renewing its Charter Contract. In addition, the Borrower will make certain additional covenants with respect to the use of bond proceeds and maintenance of its existence as a tax-exempt, nonprofit corporation. Certain of such covenants are summarized hereinafter. For a more complete description of certain of such Borrower covenants, see **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT"** herein.

Debt Service Coverage Ratio Covenant

Pursuant to the Loan Agreement, the Borrower will be required to deliver annually, commencing with the Fiscal Year ending June 30, 2017, upon completion of the Borrower's annual audit, to each Required Information Recipient a certificate stating the Debt Service Coverage Ratio for the Fiscal Year then ended and evidencing the calculation thereof. The Debt Service Coverage Ratio is required to be at or above (a) 1.00 to 1 for the Fiscal Year ending June 30, 2018 and (b) 1.15 to 1 for each Fiscal Year thereafter; *provided, however*, that if the Borrower has Unrestricted Cash and Investments in an amount at least equal to 100 Days Cash on Hand on June 30 of any Fiscal Year ending June 30, 2019 or after, the Debt Service Coverage Ratio is required to be at or above 1.10 to 1 for such Fiscal Year. If, for any Fiscal Year ending June 30, 2019, or after, such Debt Service Coverage Ratio is below 1.15 to 1 or 1.10 to 1, as applicable, the Borrower shall retain, at its expense, an Independent Consultant to submit a written report and make recommendations within 45 days of being retained (a copy of such report and recommendations shall be filed with each Required Information Recipient) with respect to increasing the revenues of the Borrower, decreasing Operating Expenses or other financial matters of the Borrower relevant to increasing the Debt Service Coverage Ratio to at least the required level. The Borrower will agree that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it will revise its methods of operation and take such other actions to comply with any reasonable recommendation of the Independent Consultant identified in such report. Within five (5) Business Days of receipt of the aforesaid certificate to be delivered by the Borrower, the Trustee has agreed to notify the Holders if the Debt Service Coverage Ratio is below 1.00 to 1. So long as the Debt Service Coverage Ratio is not below 1.00 to 1, and so long as the Borrower retains an Independent Consultant and complies with such Independent Consultant's reasonable recommendations (subject to applicable requirements or restrictions imposed by law), no default or Event of Default will be declared solely by reason of a violation of the aforesaid Debt Service Coverage Ratio requirements. Notwithstanding the foregoing, however, pursuant to the Loan Agreement the failure of the Borrower to maintain a Debt Service Coverage Ratio of at least 1.00 to 1 for any Fiscal Year ending June 30, 2018 or after shall be an Event of Default thereunder.

2017 Reserve Account Replenishment Covenant

Pursuant to the Indenture, amounts may be transferred from the 2017 Reserve Account to the applicable Debt Service Account and applied to payment of principal of and interest on the Series 2017 Bonds when other money under the Indenture is not available for such purpose. Pursuant to the Loan Agreement, in the event of such a transfer from the 2017 Reserve Account, the Borrower will be required to restore any deficiency in the 2017 Reserve Account by making no more than twelve (12) equal consecutive monthly installments, the first installment payment to be made within seven (7) months of any transfer from the 2017 Reserve Account to a 2017 Debt Service Account or receipt of written notice from the Trustee of such a deficiency in the 2017 Reserve Account. In addition, in the event the value of the Debt Service Reserve Fund Obligations in the 2017 Reserve Account are less than the Debt Service Reserve Fund Requirement, the Borrower will be required to deposit additional Debt Service Reserve Fund Obligations into the 2017 Reserve Account in an amount sufficient to satisfy the Debt Service Reserve Fund Requirement in no more than three equal monthly installments, the first installment to be made within thirty (30) days of receipt of notice from the Trustee of such a deficiency.

Cash on Hand Liquidity Covenant

Pursuant to the Loan Agreement, the Borrower will be required to deliver annually, commencing with the Fiscal Year ending June 30, 2017, upon completion of the Borrower's annual audit, to each Required Information Recipient a certificate stating the Unrestricted Cash and Investments and Days Cash on Hand for the Fiscal Year then ended and evidencing the calculation thereof. The Borrower will be required as of June 30 of each year commencing with the Fiscal Year ending June 30, 2018 and for each Fiscal Year thereafter to have Unrestricted Cash and Investments in an amount at least equal to 45 Days Cash on Hand. If as of any June 30 testing date the Borrower's Unrestricted Cash and Investments is below the aforesaid requirement, the Borrower will be required to retain, at its expense, an Independent Consultant to submit a written report and make recommendations within 45 days of being retained (a copy of such report and recommendations shall be filed with each Required Information Recipient) with respect to increasing revenue of the Borrower, decreasing Operating Expenses of the Borrower or other financial matters of the Borrower relevant to increasing the Borrower's Unrestricted Cash and Investments to at least the required level. The Borrower will agree that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, it shall revise its methods of operation and take such other actions to comply with any reasonable recommendation of the Independent Consultant identified in the report of the Independent Consultant. So long as the Borrower retains an Independent Consultant and complies with such Independent Consultant's reasonable recommendations (subject to applicable requirements or restrictions imposed by law), no default or Event of Default shall be declared solely by reason of a violation of the aforesaid Cash on Hand requirement.

Enrollment Covenant

Pursuant to the Loan Agreement, the Borrower will covenant to have projected funded enrollment count for the Charter School for each next succeeding school year (i.e., April 30, 2018 for the 2018-19 school year) as reported to the School District ("Projected Enrollment") no later than April 30 of each year (each, a "Projected Enrollment Count Date") at least equal to the applicable minimum Projected Enrollment for the respective year as set forth below:

<u>Projected Enrollment Count Date</u>	<u>Projected Enrollment</u>
2018	1,630 (for the 2018-19 school year)
2019	1,705 (for the 2019-20 school year)
2020 and thereafter, subject to the Enrollment Covenant Termination (defined herein)	1,755 (for the 2020-21 school year)

The Borrower also will covenant to provide written notice to the Trustee of the Projected Enrollment within five Business Days of providing the same to the School District and in any event no later than five Business Days after each Projected Enrollment Count Date. The aforesaid covenants with respect to enrollment are referred to herein collectively as the "Enrollment Covenant".

Pursuant to the Loan Agreement, the Borrower will covenant, in the event that the Charter School does not have Projected Enrollment at least equal to the minimum set forth above as of any Projected Enrollment Count Date in compliance with the Enrollment Covenant, (a) to retain, at its expense, an Independent Consultant to undertake a review, make recommendations and submit a written report containing such recommendations (the "Consultant's Enrollment Report") within 45 days of being retained with respect to increasing enrollment of the Charter School to the applicable minimum Projected Enrollment set forth above, and (b) to provide to the Underwriter and the Trustee a copy of the Consultant's Enrollment Report within the aforesaid 45 days. The Borrower will covenant that promptly upon the receipt of the Consultant's Enrollment Report, subject to applicable requirements or restrictions imposed by law, it will revise its methods of operation and take such other actions to comply with all reasonable recommendations of the Independent Consultant identified in the Consultant's Enrollment Report.

In accordance with the Loan Agreement, so long as the Borrower retains an Independent Consultant and complies with such Independent Consultant's reasonable recommendations (subject to applicable requirements or restrictions imposed by law), noncompliance with the requirements of the Enrollment Covenant will not constitute a default or Event of Default under the Loan Agreement.

The Loan Agreement also will provide that in the event the enrollment covenant is satisfied as of the Projected Enrollment Count Date in 2020 or any subsequent year, the enrollment covenant will cease to apply to any year thereafter (the "Enrollment Covenant Termination").

Capital Needs Assessment and Repair and Replacement Fund Covenants

Pursuant to the Loan Agreement, the Borrower will agree that, on or before January 1, 2022, and every fifth anniversary thereafter as long as the Series 2017 Bonds are Outstanding, the Borrower will select an Independent Consultant to complete a capital needs assessment by the immediately succeeding June 1 projecting the Borrower's capital needs and the total cost thereof over the next five year period commencing on the immediately succeeding July 1 (each a "Capital Needs Assessment"). The total cost set forth in a Capital Needs Assessment less the amount then on deposit in the Repair and Replacement Fund, divided by 60, will be the "Repair and Replacement Fund Contribution" for such five year period; provided, however, that in the event (i) the Borrower pays all or a portion of the cost of a capital need projected in the Capital Needs Assessment from a source of funds other than the Repair and Replacement Fund, the Repair and Replacement Fund Contribution for the remainder of the applicable five year period shall be decreased by the amount of such projected cost that is paid from such other source of funds divided by the number of Repair and Replacement Fund Contribution payments remaining in the applicable five year period or (ii) a draw is made upon the Repair and Replacement Fund in excess of the cost for a capital need projected in the Capital Needs Assessment or in any amount for a capital need not projected in the Capital Needs Assessment, the Repair and Replacement Fund Contribution for the subsequent 12 month period shall be increased by the excess amount of such draw or the total amount of such unanticipated draw, as applicable, divided by 12 (the Repair and Replacement Fund Contribution as modified by either clause (i) or clause (ii), the "Modified Repair and Replacement Fund Contribution").

Pursuant to the Loan Agreement, the Borrower will pay or cause to be paid to the Trustee monthly, commencing in July of 2022, for deposit into the Repair and Replacement Fund, the Repair and Replacement Fund Contribution or the Modified Repair and Replacement Fund Contribution, as applicable.

Notwithstanding any provision of the Loan Agreement to the contrary, the failure of the Borrower to conduct the aforesaid Capital Needs Assessment as described hereinabove immediately and automatically will constitute an Event of Default under the Loan Agreement and will not be entitled to any notice and right to cure otherwise applicable under the Loan Agreement. Also see **Appendix E - "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – SUMMARY OF CERTAIN TERMS OF THE LOAN AGREEMENT – Default and Remedies"** herein.

Bond Rating Covenant

Pursuant to the Loan Agreement, the Borrower will agree to consult with an Independent Consultant, the Initial Purchaser, or other consultant experienced in the financing of charter schools (each a "Rating Consultant") within 60 days of receipt of its audited financial statements for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2017. If such Rating Consultant advises that it reasonably believes the Borrower may then obtain an Investment Grade Rating on all outstanding Series of Bonds, the Borrower will apply to any Rating Agency, within thirty (30) days of receipt of such advice from the Rating Consultant, to obtain an Investment Grade Rating on all outstanding Series of Bonds. Notwithstanding the foregoing, (a) the failure to obtain an Investment Grade Rating on the outstanding Series of Bonds will not constitute a default or Event of Default under the Loan Agreement and (b) the requirement to annually consult a Rating Consultant and apply to a Rating Agency shall be suspended so long as the Borrower maintains an Investment Grade Rating on all outstanding Series of Bonds.

Annual Budget Covenant

Pursuant to the Loan Agreement, no later than thirty (30) days before the last day of each Fiscal Year, the Borrower will prepare the Annual Budget (consisting of a statement of income and expenses) for the following Fiscal Year; the Borrower will provide to each Required Information Recipient (a) the Annual Budget no later than thirty (30) days after the start of each Fiscal Year, and (b) any amendment to the Annual Budget within thirty (30) days after its preparation.

Loan Agreement Financial Statements and Financial Reports Covenants

The Borrower will furnish or cause to be furnished to each Required Information Recipient (and the Trustee shall have no duty or obligation to review or examine the contents thereof) all of the following:

(a) Commencing with the quarter ending March 31, 2017, quarterly unaudited financial statements of the Borrower as soon as practicable after they are available but in no event more than 45 days after the completion of such fiscal quarter, including or accompanied by, without limitation, the following, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Authorized Borrower Representative: (i) a combined and combining statement of operations and changes in net assets (deficit) and statement of cash flows of the Borrower during such period, (ii) a combined and combining balance sheet of the Borrower as of the end of each such fiscal quarter, (iii) student enrollment levels of the Facilities as of the end of such quarter, (iv) a calculation of the Debt Service Coverage Ratio for such fiscal quarter, (v) a comparison of income to the budgeted income included in the current Annual Budget and (vi) a calculation of Days Cash on Hand as of the end of such fiscal quarter.

(b) Within 150 days after the end of each Fiscal Year, the audited annual financial statements of the Borrower examined by an Accountant, which will include, without limitation, the following, showing in each case in comparative form the financial figures for the preceding Fiscal Year: (i) a combined and combining balance sheet as of the end of such Fiscal Year, (ii) a combined and combining statement of cash flows and changes in net assets (deficit) for such Fiscal Year, and (iii) a combined and combining statement of revenues and expenses for such Fiscal Year (together with any required supplemental information); provided, however, if the audited financial report of the Borrower is not available by such date, unaudited financial statements shall be provided and the audited financial report will be provided as soon as it is available.

Charter Contract Covenants

Pursuant to the Loan Agreement, the Borrower will covenant to (i) maintain its Charter Contract in good standing at all times, (ii) operate the Facilities in compliance in all material respects with the Charter Contract at all times, (iii) file for renewal of the Charter Contract in accordance with applicable State laws and policies and (iv) promptly notify the Trustee and the Issuer regarding any delays or unanticipated difficulties relating to the filing or renewal of the Charter Contract.

Additional Indebtedness of Borrower

Pursuant to the Loan Agreement, the Borrower will be restricted from incurring any additional Indebtedness that does not exist as of the date of issuance of the Series 2017 Bonds, secured in whole or in part by the Facilities or the Gross Revenues, except as provided in the Loan Agreement and described hereinafter.

(a) **Senior Indebtedness.** Pursuant to the Loan Agreement, the Borrower is prohibited from incurring additional Indebtedness secured by liens on the Facilities or the Gross Revenues that would be senior to the lien of the Deed to Secure Debt on the Facilities and the security interest in the Gross Revenues granted by the Loan Agreement and the Deed to Secure Debt.

(b) **Parity Indebtedness.** Pursuant to the Loan Agreement, the Borrower may incur additional Indebtedness, which may be evidenced by amending the Loan Agreement, and which may be (but is not required to be) secured in whole or in part by liens on the Facilities and/or a security interest in the Gross Revenues on a parity with amounts secured by the lien of the Deed to Secure Debt on the Facilities and the security interest in the Gross Revenues granted by the Loan Agreement in the following instances:

(i) **Long-Term Indebtedness.** Pursuant to the Loan Agreement, the Borrower may issue additional Long-Term Indebtedness if either of the following tests is met:

(A) the Debt Service Coverage Ratio for the most recent Fiscal Year for which an audit has been completed was at least 1.20 to 1 (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby); or

(B) an Independent Consultant reports that (1) the Debt Service Coverage Ratio for the most recent Fiscal Year for which an audit has been completed was at least 1.20 to 1, and (2) the Debt Service Coverage Ratio for each of the first three consecutive Fiscal Years following the incurrence of such Long-Term Indebtedness or, if such Long-Term Indebtedness is being issued to finance improvements, equipment or new facilities, the first three consecutive Fiscal Years after such improvements, equipment or new facilities are placed in service, is projected to be at least 1.35 to 1 (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby and provided that, such projected Net Income Available for Debt Service shall be adjusted to provide for any projected revenues and expenses anticipated as the result of any real or personal property acquired, constructed, or completed with the proceeds of any such Long-Term Indebtedness).

(ii) Completion Indebtedness. Pursuant to the Loan Agreement, the Borrower may issue Completion Indebtedness in an amount not to exceed ten percent (10%) of the original Indebtedness issued for the purpose of financing certain Capital Improvements, if the following conditions are met: (i) the Borrower certifies, in writing, to the Trustee that at the time the original Indebtedness issued for the purpose of financing certain Capital Improvements was incurred, the Borrower believed or had reason to believe that the proceeds of such Indebtedness together with other money then expected to be available to pay for such Capital Improvements would provide sufficient money for the completion thereof; (ii) a Consulting Architect provides the Trustee with a written statement specifying the amount necessary to complete such Capital Improvements; and (iii) the Borrower certifies, in writing, to the Trustee that the proceeds of the proposed Completion Indebtedness, together with other legally available money of the Borrower, will be in an amount equal to the amount set forth in clause (ii) of this subsection.

(iii) Refunding Indebtedness. Pursuant to the Loan Agreement, the Borrower may issue Refunding Indebtedness, provided that the Borrower certifies, in writing, to the Trustee that the Maximum Annual Debt Service on Indebtedness will not be increased by more than ten percent (10%) by such refunding.

(iv) Short-Term Indebtedness. Pursuant to the Loan Agreement, the Borrower may issue Short-Term Indebtedness so long as the principal amount of such Indebtedness, together with all other outstanding Indebtedness incurred pursuant to the provisions of the Loan Agreement described under clause (c) hereinafter does not exceed \$500,000.

(v) Commitment Indebtedness. Pursuant to the Loan Agreement, the Borrower may issue Commitment Indebtedness without limit.

(c) Non-Recourse Indebtedness. Pursuant to the Loan Agreement, the Borrower may issue Non-Recourse Indebtedness so long as the principal amount of such Indebtedness, together with all other outstanding Indebtedness issued pursuant to the provisions of the Loan Agreement described in this paragraph does not exceed \$500,000.

(d) Capitalized Leases. Pursuant to the Loan Agreement, the Borrower may enter into Capitalized Leases so long as the aggregate lease payments in any Fiscal Year do not exceed the greater of \$50,000 or three percent (3%) of the Borrower's Operating Revenues for its most recent Fiscal Year.

In accordance with the Loan Agreement, the Borrower may incur Indebtedness as described under any of subsection of this "**BORROWER COVENANTS UNDER LOAN AGREEMENT- Additional Indebtedness of Borrower**" section even though other Indebtedness is simultaneously being incurred as described under a different subsection.

Selection of Independent Consultants

In the event the Borrower fails to satisfy its Debt Service Coverage Ratio covenant, its Days Cash on Hand covenant or its Enrollment Covenant, the Loan Agreement will require that the Borrower (a) retain an Independent Consultant in accordance with the Loan Agreement, (b) select such Independent Consultant within 15 days of the occurrence of such failure and (c) cause a notice of the selection of such Independent Consultant, including the name of such Independent Consultant and a brief description of the Independent Consultant, to be filed with EMMA and to be delivered to the Trustee, which notice also shall state that such selection of an Independent Consultant shall become effective only upon the receipt by the Trustee of the written consent to such Independent Consultant from the Holders of at least 50% in the aggregate principal amount of Bonds Outstanding and that all Holders of Outstanding Bonds are requested to respond at their earliest convenience and in any event within 30 days from the date of such notice. No later than two Business Days after the first to occur of the Trustee's receipt of the consent to such Independent Consultant from the Holders of at least 50% in aggregate principal amount of Bonds Outstanding or the end of the 30-day response period, the Trustee will notify the Borrower of the aggregate principal amount of Bonds Outstanding held by Holders submitting consents, as well as any submitting objections to such Independent Consultant. In the event the Holders of more than 50% of the aggregate principal amount of the Bonds Outstanding have consented to the selection of the Independent Consultant, the Borrower will engage the Independent Consultant within two Business Days. In the event the Holders of at least 50% of the aggregate principal amount of the Bonds Outstanding have not consented to the Independent Consultant selected, the Borrower will select another Independent Consultant in accordance with the Loan Agreement.

Tax Covenants of the Borrower

Concurrently with the issuance of the Series 2017 Bonds, the Issuer and the Borrower will enter into the Tax Regulatory Agreement and No-Arbitrage Certificate (the "Tax Agreement"). Pursuant to the Loan Agreement and the Tax Agreement, the Borrower will agree to a number of tax covenants related to its status as an organization described in Section 501(c)(3) of the Code and related to the tax status of the Series 2017A Bonds, including, without limitation, that it has not and will not take any action or omit to take any action or permit another person or entity to take any action or omit to take any action if such action or omission would cause the Borrower to no longer constitute an organization described in Section 501(c)(3) of the Code or would cause the Series 2017A Bonds to be treated as "private activity bonds" within the meaning of Section 141(a) of the Code (other than Qualified 501(c)(3) Bonds) or would otherwise cause interest on the Series 2017A Bonds to be includable in the gross income of the holders thereof for federal income tax purposes or be treated as a specific item of tax preference under Section 57 of the Code. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Special Covenants of Borrower – Covenants of Borrower and Issuer with Respect to Series 2017A Bonds as Tax-Exempt Bonds" and "- Arbitrage Covenants"** herein.

CERTAIN BONDHOLDERS' RISKS

Introduction

INVESTMENT IN THE SERIES 2017 BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK AND IS SPECULATIVE IN NATURE. ANYONE CONSIDERING INVESTING IN THE SERIES 2017 BONDS SHOULD CAREFULLY EXAMINE THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO, UNDERTAKE ITS OWN RISK ANALYSIS AND CONSULT ITS OWN FINANCIAL ADVISOR. INVESTMENT IN THE SERIES 2017 BONDS SHOULD BE UNDERTAKEN ONLY BY PERSONS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME SUCH RISK. THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET

FORTH IN THIS LIMITED OFFERING MEMORANDUM, AND OTHER POSSIBLE RISKS AND CONSULT THEIR OWN FINANCIAL ADVISOR BEFORE MAKING AN INVESTMENT DECISION.

This discussion of some of the risk factors is not, and is not intended to be, comprehensive or exhaustive, and such risks are not presented in the order of their magnitude. Potential investors should note that the provisions summarized below are subject to change and this summary pertains only to certain aspects of currently existing law. Legal counsel to the Borrower, the Issuer, and the Underwriter do not represent potential investors in the Series 2017 Bonds, and such investors must rely upon their own legal, tax and financial advisors when evaluating an investment in the Series 2017 Bonds.

General

THE SERIES 2017 BONDS WILL BE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER AND WILL NOT BE A DEBT OR LIABILITY OF THE STATE, THE COUNTY, THE SCHOOL DISTRICT OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. THE SERIES 2017 BONDS WILL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE IN ANY MANNER THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2017 BONDS. THE SERIES 2017 BONDS WILL BE PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE INDENTURE AND THE LOAN AGREEMENT DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2017 BONDS NOR THE FAITH AND CREDIT OF THE ISSUER SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2017 BONDS. THE ISSUER HAS NO TAXING POWER.

Neither the State nor the School District has approved, consented to or participated in the structuring, offering, or issuance of the Series 2017 Bonds or the financing of the improvements to and expansion of the Facilities and neither are liable of responsible for any costs associated with repayment of the Series 2017 Bonds, the Loan Agreement, the Series 2017 Note, the costs of operation or maintenance of the Facilities or any other expenses associated with the Facilities or the Series 2017 Bonds, and the holders of the Series 2017 Bonds should not rely on any State or School District involvement in payment of such costs or other involvement with the Charter School.

Limited Obligations of the Issuer

The Series 2017 Bonds will be special and limited obligations of the Issuer and will be secured primarily by the following sources of payment:

(1) **Loan payments received by the Trustee from the Borrower pursuant to the terms of the Loan Agreement.** The Issuer will have no obligation to pay the Series 2017 Bonds except from the Trust Estate, including Loan Payments derived from the Loan Agreement. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS"** herein for the definition of "Trust Estate." The Series 2017 Bonds and the interest and premium, if any, thereon will be payable solely from the Trust Estate. Under the Loan Agreement, the Borrower will be required to make Loan Payments to the Trustee in amounts sufficient to enable the Trustee to pay the principal and interest on the Series 2017 Bonds. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF FINANCING DOCUMENTS — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"** herein. Such payments are anticipated to be derived primarily from payments from the School District during the term of and pursuant to the Charter Contract. No assurance can be made that the Gross Revenues will be realized by the Borrower in the amounts necessary to pay maturing principal of and interest on the Series 2017 Bonds and operating expenses of the Charter School.

(2) **Gross Revenues received from operation of the Charter School by a receiver upon a default under the Indenture.** Attempts to have a receiver appointed to take charge of properties with respect to which loans have been made are frequently met with defensive measures such as the initiation of protracted litigation and/or the initiation of bankruptcy proceedings, and such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. It is therefore apparent

that prospects for uninterrupted payment of principal and interest on the Series 2017 Bonds in accordance with their terms are largely dependent upon source (1) above, which is wholly dependent upon the success of the Borrower in operating the Charter School in an economically responsible manner and successfully renewing the Charter Contract for the full term of the Series 2017 Bonds. See "**CERTAIN BONDHOLDERS' RISKS** - Enforceability of Remedies; Risk of Bankruptcies" herein.

(3) **Proceeds realized from the sale or lease of the Facilities to a third party by the Trustee at or following sale by the Trustee under the Deed to Secure Debt or proceeds realized from the liquidation of other security for the Series 2017 Bonds.** Attempts to foreclose on commercial property or otherwise realize upon security for obligations may be met with defensive measures, such as protracted litigation and/or bankruptcy proceedings, and such defensive measures can greatly increase the expense and time involved in achieving such sale or other realization. In addition, the Trustee could experience difficulty in selling or leasing the Facilities upon an Event of Default and the proceeds of such sale may not be sufficient to fully pay the Beneficial Owners amounts due on the Series 2017 Bonds. See "**CERTAIN BONDHOLDERS' RISKS** - Liquidation of Security May Not Be Sufficient in the Event of a Default" herein.

The best prospects for uninterrupted payment of principal and interest on the Series 2017 Bonds in accordance with their terms are source (1) above, which is wholly dependent upon the success of the Borrower in operating the Charter School in an economically responsible manner. Even if the Borrower is operating the Charter School in an economically responsible manner, other factors could affect the Borrower's ability to make Loan Payments under the Loan Agreement.

Termination, Non-Renewal or Expiration of Charter Contract

The Borrower's Charter Contract became effective in 2014 for a five year period that expires in 2019, which is prior to the maturity of the Series 2017 Bonds. The Charter Contract must be renewed for successive terms thereafter in order for the Borrower to continue to operate the Charter School. Pursuant to the Charter Schools Act and the Charter Contract, the Charter Contract may be terminated prior to 2019 in certain instances, including without limitation (a) by the State Board if a majority of the parents or guardians of students enrolled at the Charter School or a majority of the faculty and instructional staff employed at the Charter School vote at a public meeting, held after two weeks advance notice and held for this purpose, to request the termination of the Charter Contract or (b) by the State Board on its own or upon the written request of the District Board in accordance with the Charter Schools Act and the grounds set forth in the Charter Schools Act, O.C.G.A. Section 20-2-2068(a)(2) (after giving the Charter School reasonable notice and an opportunity for a hearing), including the Charter School's failure to comply with any material provision of the Charter Contract or failure to adhere to the student performance goals set forth in the Charter Contract. Any future request for renewal of the Charter Contract may be denied by the District Board or the State Board for any of the grounds set forth above in this paragraph resulting in termination of the Charter Contract or for other grounds set forth in the Charter Schools Act and the Charter Contract. In addition, any renewal of the Charter Contract may be granted upon terms substantially different from the terms of the Charter Contract. See [Appendix D "CHARTER SCHOOLS IN GEORGIA - Charter Contract Renewal"](#) and "[- Charter Contract Termination](#)" herein.

Accordingly, no assurance can be given that the Borrower will be able to maintain its Charter Contract until its expiration, or that that the Borrower will be able to obtain and maintain future successive renewals of the Charter Contract through the maturity of the Series 2017 Bonds. The termination or non-renewal of the Charter School's current Charter Contract or any future successive renewal charter contract would require the Borrower to cease operations, would cause payments from the School District to the Charter School to cease and would constitute an immediate Event of Default under the Loan Agreement and the Indenture.

Dependence on Successful Operations of the Borrower

Dependence on Enrollment-Based Funding

The Borrower is not permitted to charge tuition, except as authorized for local boards by O.C.G.A. Section 20-2-133. Reasonable fees may be charged for after-school programs. The Borrower has no taxing authority.

The Borrower derived a substantial portion of its operating revenues during its fiscal year ended June 30, 2016 from enrollment-based funding from the School District to the Borrower and expects that such revenues will continue to constitute a substantial portion of its operating revenues. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE ACADEMY FOR CLASSICAL EDUCATION – Financial Operations and Projections"** herein for more information on the Borrower's past, current and projected revenues. The timely payment of principal of and interest on the Series 2017 Bonds therefore depends on operations of the Borrower attracting and retaining the number of students that are needed to provide sufficient revenues to make timely payment of Loan Payments securing payment of the debt service on the Series 2017 Bonds.

Reliance on Enrollment Growth

The Borrower primarily will rely on, and has forecasted, increasing its level of student enrollment in order to generate sufficient revenues to pay projected operating costs for the Charter School and debt service on the Series 2017 Bonds. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE ACADEMY FOR CLASSICAL EDUCATION – Financial Operations and Projections"** herein. The basis for such forecasts, in part, are the applications for admissions for the Charter School's grades currently in operation (K-10) and a strategy to grow student enrollment to the capacity that can be served in the Facilities following the acquisition, the construction and expansion of the Facilities and as permitted under the Charter Contract. The Existing Improvements currently have the capacity to accommodate approximately 1,540 students in grades K-10, and following completion of the Additional Improvements the Charter School will have the capacity to accommodate approximately 1,820 students in grades K-12. The current Charter Contract authorizes an enrollment of 1,560 students in grades K-12, subject to increases in such maximum enrollment number pursuant to the terms of the Charter Contract. As of January 1, 2017, the Charter School had approximately 1,395 students, approximately 1,135 of whom are returning students and approximately 260 are new first time students in the 2016-17 school year (including, without limitation, all new 10th grade students), and approximately 800 students on the waiting list. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL -- THE ACADEMY FOR CLASSICAL EDUCATION"** herein.

The financial projections of the Borrower for Fiscal Years ending June 30, 2017 through June 30, 2021 in **Appendix B "BORROWER'S FINANCIAL PROJECTIONS FOR FISCAL YEARS ENDING JUNE 30, 2017-2021"** herein (the "Projections") have been prepared on behalf of the Borrower by Prestige Charter School Solutions based upon assumptions and information provided by the Borrower. By its execution of this Limited Offering Memorandum, the Borrower certifies that it is not aware of any facts that would make the Projections, or the assumptions underlying the Projections, misleading. The Projections, however, are "forward-looking statements" and are subject to the general qualifications and limitations described in the foreword to this Limited Offering Memorandum and in **"FORWARD LOOKING STATEMENTS"** herein. The Projections have not been examined or reviewed by Mauldin & Jenkins, LLC, any other independent certified public accountant, or any independent financial advisor. Neither the Underwriter, the Issuer nor any other party has independently verified the Borrower's Projections, and they make no representations or give any assurances that such Projections, or the assumptions underlying them, are complete or correct. The Borrower's ability to meet its student enrollment growth projections involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance and achievements to be materially different from the future results, performance or achievements expressed or implied by the Projections. Furthermore, the Projections relate only to a limited number of fiscal years, Fiscal Years ending June 30, 2017 through June 30, 2021, and consequently do not cover the entire period during which the Series 2017 Bonds will be outstanding. Moreover, no feasibility studies whatsoever have been conducted by any party with respect to the Borrower's operations of the Charter School pertinent to the Series 2017 Bonds.

The Borrower has operated the Charter School only since 2014 and therefore limited historical financial information of the Borrower is provided herein. The Borrower has caused its Projections to be prepared based on its limited operating history with respect to the Charter School and its assumptions about future State funding levels and future operations of the Charter School, including student enrollment and expenses. There can be no assurance that actual enrollment revenues and expenses will be consistent with the Borrower's assumptions underlying such Projections. Moreover, no guarantee can be made that the Borrower's Projections of revenues and expenses included herein will correspond with the results actually achieved in the future because there can be no assurance that actual events will correspond with the Projections' underlying assumptions. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result

of insufficient enrollment, reduced State or federal aid payments, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in education competition and changes in local or general economic conditions. See **Appendix B "BORROWER'S FINANCIAL PROJECTIONS FOR FISCAL YEARS ENDING JUNE 30, 2017-2021"** herein to review the Borrower's Projections, their underlying assumptions, and certain other factors that could cause actual results to differ significantly from projected results. See the foreword to this Limited Offering Memorandum and in **"FORWARD LOOKING STATEMENTS"** herein for qualifications and limitations applicable to all projections and forward-looking statements.

See **Appendix B "BORROWER'S FINANCIAL PROJECTIONS FOR FISCAL YEARS ENDING JUNE 30, 2017-2021"** to review the Projections, their underlying notes, assumptions, limitations and the various other factors that could cause actual results to differ significantly from projected results. See also **"CERTAIN BONDHOLDERS' RISKS"** herein.

NO ASSURANCE OR GUARANTEE OF ANY KIND CAN BE MADE THAT THE RESULTS DESCRIBED IN THE PROJECTIONS WILL BE ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTED INFORMATION OR THAT THERE HAS BEEN NO CHANGE IN UNDERLYING CONSIDERATIONS SINCE THE DATE OF THIS LIMITED OFFERING MEMORANDUM. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), DIFFICULTIES IN EXECUTING PLANS FOR EXPANSION OF THE CHARTER SCHOOL, EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS. **POTENTIAL INVESTORS ARE CAUTIONED THAT THE BORROWER'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH HEREIN.**

Key Management

Generally, the creation of, and the philosophy of teaching in, charter schools initially may reflect the vision and commitment of a few key persons on the board of directors and the upper management of the charter school ("Key Directors/Managers"). Loss of such Key Directors/Managers, and the Borrower's inability to find comparable qualified replacements, could adversely affect the Borrower's operations of the Charter School, the Borrower's ability to attract and retain students, and the Borrower's financial results. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL — Administration"** herein.

Risks Associated with a New Venture

The likelihood of success of the Borrower must be viewed in light of the problems, expenses, difficulties, delays and complications often encountered in the formation of a new venture. The Borrower was incorporated on June 17, 2013 and has been operating the Charter School under a self-governance model since the initial school year 2014-15. The Key Directors/Managers had not previously operated a charter school. For more information, see **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** herein. As a result, potential investors should be aware that the Borrower's Key Directors/Managers have a limited history as it relates to the operation of the Charter School, and the Charter School is subject to all the risks incident to the creation and development of a new business, including the absence of a history of operations upon which to initially evaluate performance and upon which to base the Projections.

Risks Associated with Charter School Operations

The likelihood of success of the Borrower must be viewed in light of the special problems, expenses, difficulties, delays, and complications often encountered in the operation of charter schools. The Borrower's revenues per student should equal the revenues per student of traditional public schools available for operations and maintenance, but do not include the revenues available for capital outlays, and are significantly less than revenues

received by many private schools in the general area of the Borrower. A potential investor should anticipate that significant operational challenges will exist for the Borrower that may not exist for traditional public schools or for established private schools. In addition, potential purchasers should be aware that the system under which the Borrower operates could be significantly affected by unforeseen problems arising from the statutory provisions governing charter schools in the State and governing charter systems in the State or future changes therein. See "**CERTAIN BONDHOLDERS' RISKS - Dependence on the State of Georgia**" and **Appendix D "CHARTER SCHOOLS IN GEORGIA"** herein.

Competition and Surrounding Schools

The Borrower receives its funding based on student enrollment. The Borrower competes for students with School District schools, other charter schools and private schools. No students are required to attend the Charter School, and students at the Charter School may subsequently transfer to other public or private schools at will. There are a number of public, private and charter schools in the area where the Charter School is located and from which the Charter School draws its students. Failure of the Borrower to provide quality facilities or academics or extracurricular activities at a level acceptable to students and their parents may cause the Borrower to fail to attract or maintain the number of students that are needed to produce the revenue necessary to make Loan Payments in an amount sufficient to pay debt service on the Series 2017 Bonds. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL — Service Areas"** and "**— Competition**" herein.

Risks Associated with Schools

There are a number of factors affecting schools in general that could have an adverse effect on the Borrower's financial position and ability to make Loan Payments to be applied to pay debt service on the Series 2017 Bonds. These factors include, but are not limited to, increasing costs of compliance with federal, State, or local regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Borrower's work force with consequent impact on wage scales and operating costs of the Borrower; the ability to attract a sufficient number of students and to maintain faculty meeting appropriate standards; and changes in existing statutes pertaining to the powers and minimum funding levels for charter schools. School operations also present significant risks and operational and management issues not encountered in other enterprises including student safety issues. The Borrower cannot assess or predict the ultimate effect of these factors on its operations or financial results of operations.

Economic and Other Factors

Future economic and other factors may adversely affect the Borrower's revenues and expenses and, consequently, the Borrower's ability to make Loan Payments to be applied to pay debt service on the Series 2017 Bonds. Among the factors that could have such adverse effects are, without limitation: decreases in the number of students seeking to attend the Charter School at an optimum level for each grade level; decreases in the level of student enrollment-based funding by the State to the School District, and, in turn, to the Borrower; decreases in the level of student enrollment-based funding by the School District to the Borrower due to decreases in ad valorem property tax revenue collected by the School District; decline in the ability of the Borrower and its management to provide academic and extracurricular programs and activities desired and expected by the population served; economic developments in the affected service area, including inflation, interest rates, and rates of unemployment; decline of the reputation of the Charter School; revocation of its Charter Contract; competition from other educational institutions, including other charter schools, private schools, and School District schools; lessened ability of the Borrower to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Charter Schools Act; future claims for accidents or other torts at the Charter School and the extent of insurance coverage for such claims; and the occurrence of natural disasters, such as floods.

Dependence on the State of Georgia

Changes to Charter Schools Act and Other Laws

Future changes to the Charter Schools Act by the Georgia Legislature, as well as other legislative or regulatory changes or judicial rulings impacting directly or indirectly charter schools in Georgia, could adversely affect the financial condition or operations of the Borrower and the Charter School and thus the security for the Series 2017 Bonds. There can be no assurance that the Georgia Legislature will not in the future amend the Charter Schools Act or that any other legislative or regulatory changes or judicial rulings will not occur in a manner that is adverse to the interests of the owners of the Series 2017 Bonds. See **Appendix D "CHARTER SCHOOLS IN GEORGIA"** and therein **"PUBLIC SCHOOL FINANCE"** herein.

Changes in the Georgia School Finance System

Because charter schools in Georgia are ultimately funded from the same sources as Georgia public school districts, changes in the system of public school finance could significantly affect how charter schools are funded. Neither the Issuer nor the Borrower can make any representation or prediction concerning if or how the Georgia Legislature may change the current public school finance system, and how those changes may affect the funding or operations of the Borrower. See **Appendix D "CHARTER SCHOOLS IN GEORGIA"** herein.

State Budgetary Constraints

The State of Georgia has from time to time experienced downturns in its economy and tax revenues and may experience additional downturns in the future. STATE BUDGET CONSIDERATIONS MAY ADVERSELY AFFECT APPROPRIATIONS FOR CHARTER SCHOOL FUNDING.

Dependence on the School District

Control and Management by the School District

The Charter Contract and the Charter Schools Act provide the basic framework under which the Borrower operates the Charter School. See and **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** and **Appendix D "CHARTER SCHOOLS IN GEORGIA"** herein. The Charter Schools Act requires that, in determining whether to approve a charter petition or renew an existing charter contract, the local board and the State Board must ensure, among other things, that the charter school is subject to "control and management" of the local board of the local school system (see O.C.G.A. Section 20-2-2065(b)(2)), as provided in the charter contract and in a manner consistent with the Georgia Constitution. Accordingly, the Charter Contract provides that the Borrower is subject to the "control and management" of the School District. There is no current judicial or administrative interpretation of the phrase "control and management" as it relates to the authority of a local board to involve itself in the affairs of a charter school that it has approved. Accordingly, there can be no assurance as to the circumstances under which the School District might assert such authority or whether any exercise of such authority could be adverse to the interest of the Beneficial Owners. In contrast to the "control and management" language, the Charter Schools Act generally grants a waiver to a charter school from compliance by the charter school with certain state or local rules, regulations, policies, or procedures relating to schools within the applicable school system regardless of whether such rule, regulation, policy, or procedure is established by the local board, the State Board, or the State Department of Education, although that the State Board may establish rules, regulations, policies, or procedures relating to charter schools. In exchange for such a waiver, the charter school agrees to meet or exceed the performance based goals included in the charter contract and approved by the local board.

School District Budgetary Constraints

The Borrower's primary source of revenue to make its monthly Loan Payments due under the Loan Agreement will be the funding it receives from the School District. The School District's funding is derived from local, state and federal sources. Local revenues consist primarily of ad valorem taxes. Prospective investors should be aware that funding of the Charter School is directly dependent on the School District's funding, and there can be

no assurance that the School District's budget and the value of the County's ad valorem tax digest will continue at current or improved levels or that they will not otherwise worsen. The School District's ad valorem tax receipts may be further impacted by ad valorem tax related legislation recently enacted or enacted in the future by the Georgia Legislature.

Funds received by the School District from the State depend upon annual appropriations funded by the Georgia Legislature and are determined by certain formulas generally based upon the number and type of students served and the relative wealth of the school district in relation to other school districts in Georgia. Funds received from the federal government are primarily for programs for disadvantaged or disabled students and for the school food service program. Pursuant to the Charter Schools Act as currently enacted, so long as the Charter Contract (including any renewals on substantially the same terms) remains in effect, the Borrower will be entitled to a per student allocation of the School District's funds. The amount of the allocation is set by the School District, and pursuant to the Charter Schools Act as currently enacted, the School District must treat the Charter School no less favorably than other School District schools. The funding from the School District, however, for a variety of reasons, may not be sufficient to enable the Borrower to make the Loan Payments due under the Loan Agreement.

The School District also is substantially dependent upon financial assistance from the State. Due to the economic downturn and resulting decreases in revenue collections during the recent recession, the State imposed "austerity reductions" in state education funding, resulting in reduced education allotments to all local school systems, including the School District. See "**CERTAIN BONDHOLDERS' RISKS**- Dependence on the State of Georgia — *State Budgetary Constraints*" herein.

The Borrower has not received any indication of, and therefore does not expect, any negative budget adjustments in fiscal year 2017. However, the Charter School cannot project what the School District's budget will be in future years and how the School District's budget in future years might impact funding for the Charter School.

In addition, the Borrower depends on the School District to calculate the Charter School's allotment correctly and to make payments to the Borrower on a timely basis in accordance with applicable law.

Tax Reform

From time to time there are legislative proposals in the Congress and in the State's General Assembly that, if enacted, could alter or amend the federal and State income tax matters with respect to the Series 2017 Bonds, adversely affect the market value or liquidity of the Series 2017A Bonds, impact the Borrower's income tax status, impact the Borrower's ad valorem property tax status upon its acquisition of the Property or impact how the State funds public schools within the State. For example, Congress is expected to consider this year various legislative proposals to revise the Code or reduce the federal budget deficit and the federal debt, and some of these proposals as well as other future proposals thereafter, if enacted, could affect the tax status and/or market price or marketability or liquidity of state and local bonds, which could include the Series 2017A Bonds and could affect the Borrower's tax status. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment or the status of tax exempt entities. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or liquidity of the Series 2017A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Series 2017A Bonds or the market value or liquidity thereof would be impacted thereby. Purchasers of the Series 2017A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel and described herein are based upon existing legislation and regulations as interpreted by relevant judicial authorities as of the date of issuance and delivery of the Series 2017A Bonds, and Bond Counsel has not and will not express any opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Construction Risks

Routine Risks Inherent in Construction. See **Appendix A "THE BORROWER AND THE CHARTER SCHOOL – Acquisition of Property, Existing Improvements and Additional Improvements"** herein for a description of the construction and expansion of the Facilities to be financed with proceeds of the Series 2017 Bonds, the

schedule and the terms of the Purchase and Sale Agreement governing such work, and the allocations between the Borrower and the Seller under the Purchase and Sale Agreement of the responsibilities and the risks related to the construction of the Additional Improvements. The risks to the Borrower include, without limitation, no performance bond or payment bond is being required from the Seller or its design-builder, and the Purchase and Sale Agreement does not provide for liquidated damages to the Borrower in the event the Seller breaches the terms related to the completion of the Additional Improvements or the cost of the Additional Improvements. In addition, construction and expansion of the Facilities will occur while a portion of the Facilities is occupied by the Charter School and while the Charter School is in operation and holding classes. Construction and expansion of the Facilities is subject to risk associated with the simultaneous operation of the Charter School and the construction in addition to the usual risks associated with construction projects including, but not limited to, delays in issuance of required building permits or other necessary approvals or permits, strikes, labor disputes, shortages of materials and/or labor, transportation delays, restrictions related to endangered species, adverse weather conditions, fire, casualties, acts of God, war, acts of public enemies, terrorism, orders of any kind of federal, state, county, city or local government, insurrections, riots, adverse conditions not reasonably anticipated or other causes beyond the control of the Borrower, the Seller or its design-builder. Such events could result in delayed substantial completion and/or occupancy of the Facilities and thus could impact parents' decisions regarding maintaining students in the Charter School. In addition, the marketing, substantial completion and occupancy of the expanded Facilities may be extended by reason of changes authorized by the Borrower, delays due to acts (negligent or otherwise) of the Seller or the Borrower or by the design-builder employed by the Seller. Cost overruns also could result in the Borrower not having sufficient money to complete the construction and expansion of the Facilities, thereby materially affecting the receipt of Gross Revenues needed to pay the Series 2017 Bonds. There can be no assurance that the Seller will complete the construction of the Additional Improvements in accordance with its present construction schedule and construction budget.

Delayed Delivery and Completion, Cost Over-Runs. There can be no assurance that construction and expansion of the Facilities will be completed within the time expected by the Borrower or that the damages suffered by the Borrower as a result thereof can be recovered without costly and time-consuming litigation. In the event the portions of the Phase Four build-out needed in order to add the 11th grade are not completed by the commencement of the 2017–2018 school year, the consequences thereof could negatively impact the Borrower's receipt of revenues needed to pay the required amounts with respect to the Series 2017 Bonds.

The Purchase and Sale Agreement provides that the Seller shall provide the Additional Improvements for the Additional Improvements Purchase Price, does not grant the right to the Seller to request change orders and does not obligate the Borrower to pay any amount in excess of the Additional Improvement Purchase Price. In the event cost overruns resulting from delays or other causes are experienced in the construction of the Additional Improvements, and the Borrower in its discretion has agreed to any change orders, the Borrower has no source of funds with which to pay any such additional costs, and the only source of funds that potentially would be available to complete the construction of the Additional Improvements would be Additional Bonds, other Additional Indebtedness, fund raising efforts of the Borrower and the possible receipt of E-SPLOST (defined herein) proceeds from the School District. The issuance of Additional Bonds would be completely dependent on the ability of the Borrower to increase its Loan Payments in an amount sufficient to provide a source of funds to pay the debt service on the Additional Bonds, as to which no assurance can be given. Fundraising efforts would be completely dependent upon the identification of and generosity of potential donors, as to which no assurance can be given. On November 3, 2015 the qualified voters residing in the County approved a special purpose local option 1% sales and use tax for education (the "E-SPLOST") to be levied for up to 20 calendar quarters beginning January 1, 2016, and one of the list of permitted special purposes of the E-SPLOST is "capital outlay projects for educational purposes for use by approved charter school operators". The School District could decide to allocate a portion of the E-SPLOST proceeds to the Borrower, but any such decision is in the complete discretion of the School District, as to which no assurance can be given. Accordingly, there can be no assurance that the construction of the Additional Improvements will be completed if cost overruns are experienced. Failure to complete the construction of the Additional Improvements and/or an extended construction schedule could materially impact the Facilities, the ability of the Borrower to continue its operations as now conducted at the Facilities and/or the attractiveness of the Facilities to parents of current and future students thus decreasing enrollment, any of which could negatively impact the receipt of Gross Revenues needed to pay the Series 2017 Bonds.

In the event a failure to complete the Additional Improvements causes the Borrower to be unable to make the required payments with respect to the Series 2017 Bonds, such events could lead to an acceleration of payments on the Series 2017 Bonds, and proceeds remaining in the Construction Fund together with other funds held under the Indenture would not be sufficient to pay the principal of the Series 2017 Bonds upon acceleration.

Risks of Real Estate Investment in General

General. Development, ownership and operation of real estate, such as the Facilities, involves certain risks, including the risk of adverse changes in general economic and local conditions, including population decreases, uninsured losses, operating deficits and mortgage foreclosure, lack of attractiveness of the property to students/parents, cyclical nature of the real estate market, adverse changes in neighborhood values and adverse changes in zoning laws; other laws and regulations and real property tax rates (to the extent such taxes are applicable to the Charter School). Such losses also include the possibility of fire or other casualty or condemnation. If the Facilities or any portion thereof were not available during the period of restoration, this could adversely affect the ability of the Borrower to generate sufficient Gross Revenues to make Loan Payments in an amount sufficient to pay debt service on the Series 2017 Bonds. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage funding may render the sale or refinancing of the Facilities difficult or unattractive.

Damage, Destruction or Condemnation. Although the Borrower will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement and the Deed to Secure Debt, there can be no assurance that any portion of the Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Borrower, as a result of damage or destruction to the Facilities, cannot generate Gross Revenues, will not exceed the coverage of such insurance policies. If the Facilities, or any portions thereof, are damaged or destroyed, or is taken in a condemnation proceeding, the proceeds of insurance or any such condemnation award for the Facilities, or any portions thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Facilities or to redeem Series 2017 Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Facilities, or any portion thereof, or to redeem Series 2017 Bonds will be sufficient for that purpose, or that any remaining portion of the Facilities will generate Gross Revenues sufficient to pay the expenses of the Borrower and the debt service on the Series 2017 Bonds remaining outstanding.

Environmental Regulations. The Facilities comprising the Charter School are subject to various federal, state and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the owner of the Facilities (and to any beneficiary of a deed to secure debt on the Facilities, particularly following any sale or foreclosure proceeding) for remediating adverse environmental conditions on or relating to the Facilities, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Facilities as the Charter School.

Although the Borrower believes that it is in compliance in all material respects with applicable environmental laws for the Facilities, costs incurred by the Borrower with respect to environmental remediation or liability could adversely affect its financial condition, its ability to own and operate the Charter School and its ability to pay the Loan Payments in the amounts required to be the debt service on the Series 2017 Bonds. If excessive costs are incurred by the Borrower in connection with remediating environmental problems or from liability to third parties, such costs could make it impractical for the Borrower to comply with its obligations under the Loan Agreement or such costs could make it more difficult to successfully release the Facilities following any sale or foreclosure. Owners of real estate such as the Borrower may, in the future, be adversely affected by legislative, regulatory, administrative and enforcement actions involving environmental controls.

Geotechnical & Environmental Consultants, Inc. (the "Environmental Consultant") conducted a so-called "Phase I" environmental site assessment of the Property for the Seller and prepared a Phase I Environmental Assessment report on the Property dated February 12, 2014, and based on the research and conclusions contained therein, concluded that no additional environmental assessment was deemed appropriate at that time. The Environmental Consultants prepared an additional Phase I Environmental Assessment report dated November 21, 2016, for the Borrower and, based on the research and conclusions contained therein, concluded that no additional

environmental assessment was deemed appropriate as of such date. See **Appendix A – "THE BORROWER AND THE CHARTER SCHOOL – THE ACADEMY FOR CLASSICAL EDUCATION – Campus and Facilities – Phase I Environmental Report"** herein.

Any costs incurred by the Borrower or the Borrower with respect to environmental remediation or liability related to any environmental condition could adversely affect the Borrower's financial condition and its ability to pay the Loan Payments in the amounts required to be the debt service on the Series 2017 Bonds.

Appraisal of the Facilities. An Appraisal Report for the Property dated November 16, 2016 (the "Appraisal") was prepared by Williams, Rabun & Associates of Macon, Georgia (the "Appraiser") in order to appraise the "as is" market value (defined therein) of the fee simple interest of the Property as well as the "as complete" market value (defined therein) of the Property. Based on the assumptions and conclusions set forth in the Appraisal, and using the cost approach, the income capitalization approach, and the sales approach, the Appraiser determined the correlated "as is" market value estimate of the fee simple interest in the Property as of the date of the Appraisal is \$21,000,000. In addition, and also based on the assumptions and conclusions set forth in the Appraisal, and using the cost approach, the income capitalization approach, and the sales approach, the Appraiser determined the correlated prospective market value estimate "as complete" as of the date of the Appraisal is \$28,000,000. The "as complete" valuation is based on the following extraordinary assumption: that there will be completed by August 1, 2017, a build-out of 39,396 square feet of space that will include 11th and 12th grade class rooms, computer lab space, band space, and additional café and kitchen space and the renovation of existing space such as the gym, class rooms, labs, and offices, and all such work will be using quality materials and workmanship similar to prior renovations. See **Appendix A – "THE BORROWER AND THE CHARTER SCHOOL – THE ACADEMY FOR CLASSICAL EDUCATION – Campus and Facilities"** herein.

The summary of the Appraisal Report contained in this section is not meant to be exhaustive, and reference should be made to the Appraisal Report for a complete recital of its terms. A copy of the Appraisal is available for inspection upon request to the Underwriter.

The actual value of the Facilities in the future will vary from conclusions in the Appraisal Report, which variance may be material and adverse. Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the values shown in the Appraisal Report represent reliable estimates of what the Facilities would bring in liquidation following an Event of Default. In the event of a foreclosure of the Deed to Secure Debt on the Facilities, the value of the Facilities in such event cannot be predetermined and may be substantially less than the value indicated.

The Facilities, like other real property consisting of buildings, require ongoing capital repairs and improvements to maintain their value. Although the Borrower intends to maintain the Facilities in good condition, and the Repair and Replacement Fund will be established pursuant to the Indenture and is to be funded by the Borrower in accordance with the Loan Agreement, no assurance can be given that the Borrower will have sufficient revenue to be able to maintain a regular capital improvements program for the Facilities in the future.

Pledge, Assignment and Grant of Security Interest in Future Gross Revenues

Under the terms of the Deed to Secure Debt and the Loan Agreement, the Borrower will pledge, among other things, its Gross Revenues (defined herein), subject to Permitted Encumbrances, in order to secure the payment of all amounts payable under the Loan Agreement and the performance of all the covenants expressed or implied by the Loan Agreement. Nevertheless, certain interests and claims of others may be on parity with or prior to the pledge of the Gross Revenues made in the Deed to Secure Debt, and certain statutes and other provisions may limit the Borrower's right to make such pledges. Examples of such claims, interests and provisions are as follows:

- (a) statutory liens and rights of set-off;
- (b) the Georgia Uniform Commercial Code may not recognize a security interest in future revenues;

(c) rights arising in favor of the United States of America or any agency thereof on failure of the Trustee or the Borrower to comply with federal or state statutes regarding the assignment of certain claims;

(d) constructive trusts, equitable liens, or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction;

(e) state and federal bankruptcy or insolvency laws as they affect the enforceability of the security interest in Gross Revenues earned by the Borrower within the statutorily prescribed preference period preceding and at any time after any effectual institution of bankruptcy proceedings by or against a Borrower;

(f) as to those items in which a security interest, lien, or pledge can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Trustee;

(g) prohibitions against assignment contained in federal or state statutes;

(h) provisions prohibiting the direct payment of amounts due to charter schools from the School District to persons other than such charter school;

(i) certain judicial decisions which cast doubt upon the right of the Trustee, in the event of bankruptcy of a Borrower, to collect and retain accounts receivable due the Borrower from the School District and other governmental programs;

(j) the security interest of third party creditors in "proceeds" of property subject to a Permitted Encumbrance, which "proceeds" may be deemed to constitute Gross Revenues;

(k) items not in possession of the Trustee, the records to which are located or moved outside the State, which are thereby not subject to or are removed from the operation of the State's laws;

(l) claims that might arise if appropriate continuation statements are not filed in accordance with the Georgia Uniform Commercial Code as from time to time in effect;

(m) the absence of an express provision permitting assignment of receivables due the Borrower under contracts with the School District and other third-party payors, and present or future prohibitions against assignment contained in any applicable statutes or regulations; and

(n) co-mingling of Gross Revenues with other money of the Borrower not so pledged pursuant to the Loan Agreement.

Cash held by the Borrower may not be subject to any perfectible security interest under the UCC. The security interest in any item of inventory will be inferior to the interest of a buyer in the ordinary course of business and will be inferior to a purchase money security interest, as defined in the UCC, perfected in connection with the sale to the Institution of such item. The lien on certain other Gross Revenues may not be enforceable against third parties unless such other Gross Revenues are transferred and delivered to the Trustee (which transfer the Borrower is not required by the Indenture to make prior to an Event of Default thereunder), is subject to exception under the UCC and may be lost if the proceeds are commingled or expended by the Borrower. In addition, the federal government restricts the assignment of rights arising out of certain federal programs.

In the event of the bankruptcy of a Borrower pursuant to the Federal Bankruptcy Code, any receivables in favor of the Borrower coming into existence and any Gross Revenues of the Borrower received on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of proceedings in the Bankruptcy Court with respect to the Borrower may no longer be subject to the lien granted to secure the Series 2017 Bonds and the interest of the Trustee holding the Series 2017 Note for the benefit of the Beneficial Owners of the Series 2017

Bonds would be shared with general creditors of the Borrower. Under certain circumstances, a bankruptcy court or a court of equity may have the power to direct the use of Gross Revenues to meet expenses of the bankrupt entity before paying debt service on the Series 2017 Bonds.

As noted hereinabove, the pledge of the Gross Revenues may not be enforceable against third parties unless the Gross Revenues are actually transferred to the Trustee. In order to address this issue, pursuant to the Loan Agreement, the Borrower will be required (except as noted herein) to enter into concurrently with the issuance of the Series 2017 Bonds and to maintain throughout the term of the Loan Agreement an Account Control Agreement with the Trustee and each of the Borrower's Depository Banks. Each such Account Control Agreement will be required to identify each of the Borrower's Depository Accounts with such Depository Bank into which its Gross Revenues are and shall continue to be deposited, establish the Trustee's control over such Depository Account, and provide for the Trustee's exclusive control over the Deposit Account (including without limitation, the exclusive right to make withdrawals therefrom) following an Event of Default under the Loan Agreement and written notice to the Depository Bank of such Event of Default and the Trustee's exercise of its right to exclusive control over the Depository Account. Pursuant to the Loan Agreement, however, the Borrower may maintain Depository Accounts solely for the purpose of holding Gross Revenues used solely for extracurricular or similar school support activities, such as athletic programs, after-school programs or clubs, field trips or enrichment events and parent-teacher organizations, including any fundraising related to such activities, which funds are from sources other than the Borrower's "per pupil funding" sources, and such Depository Accounts will not be subject to the Account Control Agreement requirements of the Loan Agreement; see certain Gross Revenues of the Borrower identified as "Enterprise Funds" and "Other Local Funds" in certain charts presenting historical and current financial results and financial projections in **Appendix A "THE BORROWER AND THE CHARTER SCHOOL"** and in **Appendix B "BORROWER'S FINANCIAL PROJECTIONS FOR FISCAL YEARS ENDING JUNE 30, 2017-2021"** herein. See **"SECURITY FOR THE SERIES 2017 BONDS - Deposit Account Control Agreement"** herein.

Additional Bonds

The Indenture provides that Additional Bonds may be issued by the Issuer payable from the Trust Estate on parity with the Series 2017 Bonds, if certain conditions are met. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"** herein. The issuance of Additional Bonds on parity with the Series 2017 Bonds would be likely to dilute the security for the Series 2017 Bonds. Pursuant to the Indenture, Additional Bonds may be issued to bear interest in any one of a number of different interest rate modes. Since each maturity of the Series 2017 Bonds will bear interest at one rate fixed to its maturity date, the description of the Series 2017 Bonds in this Limited Offering Memorandum does not include a description of such other interest rate modes. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"** herein for a description of the other modes of interest rate that may be borne by series of Additional Bonds.

Distribution of Funds and Assets under Charter Contract upon Ceasing Operations

The Charter Contract provides that in the event the Charter School ceases operation for any reason, the Borrower and its governing board will be responsible for concluding the business and affairs of the Charter School and will cooperate with the School District and State Board to the extent necessary to provide an orderly return of the students to their local schools. The Charter further provides that any public surplus remaining at the time the Charter School ceases operation must be remitted to the School District and/or State Board, whichever is appropriate, within 30 days of ceasing operations, and any furniture and equipment purchased with public funds must be delivered to the School District and/or State Board, whichever is appropriate, within 30 days of ceasing operations. For these purposes, the School District would be expected to interpret public surplus to include funds that are not pledged for the payment of indebtedness. Further, the Charter Contract provides that neither the School District nor the State Board will be responsible for the Charter School's unpaid debts in the event the Charter School does not have sufficient funds to pay all of its debts at the time it ceases operation.

Enforceability of Remedies; Risk of Bankruptcy

The realization of value from the pledge of the Trust Estate under the Indenture and from the Deed to Secure Debt upon any default will depend upon the exercise of various remedies specified by the Indenture, the Loan Agreement and the Deed to Secure Debt. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights and remedies with respect to the Series 2017 Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, reorganization, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing law (including particularly federal bankruptcy law), certain remedies specified by the Indenture, the Loan Agreement and the Deed to Secure Debt may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Indenture, the Loan Agreement or the Deed to Secure Debt.

If the Borrower were to file a petition for relief under federal bankruptcy law, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Borrower and its property and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the bankruptcy court so ordered, a Borrower's property, including its Gross Revenues, could be used for the benefit of the Borrower despite the claims of the Trustee with respect to the Indenture, the Loan Agreement or the Deed to Secure Debt, but only by giving appropriate recognition to the right of the Trustee as a secured creditor entitled to "adequate protection" to the extent of the value of the secured claim. If a bankruptcy court concludes that the Trustee has "adequate protection," it may (1) substitute other security for the property subject to the lien of the Indenture or the Deed to Secure Debt and (2) subordinate the lien of the Indenture or the Deed to Secure Debt (a) to claims by persons supplying goods, services, or credit to a Borrower after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding.

In a bankruptcy proceeding, the Borrower could file a plan for the adjustment of its debts, which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who had notice or knowledge of the plan and would discharge all claims against the Borrower provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible, and has been accepted by each class of claims impaired thereunder. Each class of claims will have 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 in favor of junior creditors. In addition, federal bankruptcy law permits the adoption of a reorganization plan even though the plan has not been accepted by the owners of a majority in aggregate principal amount of the obligations outstanding under the Indenture, if such owners are provided with the value of their claim or the "indubitable equivalent" thereof.

In the event of bankruptcy of the Borrower, the amount realized by the Trustee might depend on a federal bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances. A federal bankruptcy court may also have the power to prevent the exercise of remedies arising under certain provisions of the Indenture, the Loan Agreement or the Deed to Secure Debt that make bankruptcy and related proceedings by the Borrower an event of default thereunder.

The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, reorganization, fraudulent conveyance, or other similar laws affecting the enforcement of creditors' rights generally.

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

An Event of Default gives the Trustee the right to possession of, and the right to sell, the Facilities pursuant to a foreclosure sale under the Deed to Secure Debt. The Facilities have been, and expansions thereof will be, specifically designed and constructed for use as a school and may not be readily adaptable and marketable for other uses. Furthermore, while the Borrower considers the location of the Facilities to be desirable for its purposes, there can be no assurance that potential purchasers will consider the location desirable for their particular purposes.

Accordingly, there can be no assurance that the sale of all or a part of the Facilities could be accomplished rapidly, or at all. Any sale of the Facilities may require compliance with the laws of the State. Such compliance may be difficult, time-consuming and expensive. Any delays in the ability of the Trustee to foreclose under the Deed to Secure Debt could result in delays in the payment of the Series 2017 Bonds. Further, attempts to foreclose under the Deed to Secure Debt or to obtain other remedies under the Deed to Secure Debt, the Indenture, the Loan Agreement or any other documents relating to the Series 2017 Bonds may be met with protracted litigation or bankruptcy proceedings, which could cause delays, and a court may decide not to order specific performance of covenants contained in such documents.

In addition, in the event of a sale of the Facilities or any portions thereof, the potential use of the Facilities and the number of potential users that may be interested in purchasing the Facilities or any portions thereof could be limited, and the sale price could thus be affected. As mentioned above under "**CERTAIN BONDHOLDERS' RISKS - Risks of Real Estate Investment in General**" herein.

No assurance can be given that the Facilities can be sold now or in the future, and for the above-described reasons and others, no assurance can be made that the amount realized upon any sale of the Facilities will be sufficient to pay and discharge the Borrower's obligations under the Loan Agreement or to pay debt service on the Series 2017 Bonds in full when due. In particular, there can be no representation that the cost or appraised value of the Facilities constitutes a realizable amount upon any forced sale thereof

Tax-Exempt Status of the Series 2017A Bonds

The Code imposes a number of requirements that must be satisfied in order for interest on state and local obligations, such as the Series 2017A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, without limitation, restrictions on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, a requirement that issuers file an information report with the Internal Revenue Service (the "IRS"), and the Borrower maintaining its status as an organization described in Section 501(c)(3) of the Code. The Borrower will covenant and agree that it will comply with all such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings, and policies may result in the treatment of the interest on the Series 2017A Bonds as taxable. Such adverse treatment may be retroactive to the date of issuance of the Series 2017A Bonds. See "**TAX MATTERS**" herein.

Bond Audits

The IRS audits tax-exempt bonds generally and in particular in the charitable organization sector. The Series 2017A Bonds may be, from time to time, subject to audits by the IRS. The Borrower believes that the Series 2017A Bonds comply with all applicable tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2017A Bonds, as described under the caption "**TAX MATTERS**" herein. Opinions of counsel are not binding on the IRS or the courts and are not guarantees. No ruling with respect to the tax-exempt status of the Series 2017A Bonds has been or will be sought from the IRS. There can be no assurance that an audit of the Series 2017A Bonds will not adversely affect the tax-exempt status of the Series 2017A Bonds.

Tax-Exempt Status of the Borrower

The tax-exempt status of interest paid on the Series 2017A Bonds depends upon maintenance by the Borrower of its status as an organization described in section 501(c)(3) of the Code. The maintenance of this status depends on compliance with general rules regarding the organization and operation of tax-exempt entities, including operation for charitable and educational purposes and avoidance of transactions that may cause earnings or assets to inure to the benefit of private individuals, such as the private benefit and inurement rules.

Tax-exempt organizations are subject to scrutiny from and face the potential for audits and sanction and monetary penalties imposed by the IRS. One primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in inurement or unlawful private benefit is the revocation of tax-exempt status of such entity. Loss of tax-exempt status of the Borrower would result in loss of tax exemption of the Series 2017A Bonds

and defaults in covenants regarding the Series 2017A Bonds and other obligations would likely be triggered. Loss of tax-exempt status of the Borrower also could result in substantial tax liabilities on its income. For these reasons, loss of tax-exempt status of the Borrower could have material adverse consequences on the financial condition of the Borrower and the Series 2017 Bonds.

Form 990, the return that charities and other tax-exempt organizations are required to file annually, imposes stringent reporting requirements for tax-exempt organizations including with limitation relating to executive compensation, related organizations, and tax-exempt bonds. The additional oversight required to comply with the Form 990 requires an increased investment of time and money on the part of the Borrower and may increase the potential for sanctions and monetary penalties imposed by the IRS.

With increasing frequency, the IRS has imposed substantial monetary penalties and future charity or public benefit obligations on tax-exempt entities in lieu of revoking tax-exempt status, as well as requiring that certain transactions be altered, terminated, or avoided in the future and/or requiring governance or management changes. These penalties and obligations typically are imposed on the tax-exempt organization pursuant to a "closing agreement," a contractual agreement pursuant to which a taxpayer and the IRS agree to settle a disputed matter. Given the exemption risks involved in certain transactions, the Borrower may be at risk for incurring monetary and other liabilities imposed by the IRS, which liabilities could be materially adverse.

Less onerous sanctions, referred to generally as "intermediate sanctions," have been enacted that focus enforcement on private persons who transact business with an exempt organization rather than the exempt organization itself, but these sanctions do not replace the other remedies available to the IRS, as mentioned above.

The Borrower may be audited by the IRS. Because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an IRS audit could result in additional taxes, interest, and penalties. An IRS audit ultimately could affect the tax-exempt status of the Borrower, as well as the exclusion from gross income for federal income tax purposes of the interest on the Series 2017A Bonds and any other tax-exempt debt issued for benefit of the Borrower.

Risk of Failure to Comply with Certain Tax Covenants

Failure of the Issuer to comply with certain covenants contained in the Indenture or of the Borrower with certain covenants in the Loan Agreement on a continuing basis prior to the maturity of the Series 2017A Bonds could result in interest on the Series 2017A Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS" herein.

State and Local Tax Exemption

The State has not been as active as the IRS in scrutinizing the tax-exempt status of non-profit organizations. It is possible that legislation may be proposed to strengthen the role of the Attorney General of the State in supervising non-profit organizations. It is likely that the loss by the Borrower of federal tax exemption also would trigger a challenge to the State or local tax exemption of the Borrower. Depending on the circumstances, such event could be adverse and material. It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can also be no assurance that a future change of circumstance or changes in the laws and regulations of federal, State or local governments will not materially adversely affect the operations and financial condition of the Borrower or require the Borrower to pay income or local property taxes.

Failure to Provide Ongoing Disclosure

The Borrower will enter into the Continuing Disclosure Agreement and agree to comply with Rule 15c2-12 (as such terms are defined herein). Failure to comply with the Continuing Disclosure Agreement and Rule 15c2-12 or failure to comply on a timely basis may adversely affect the liquidity of the Series 2017 Bonds and their market price in the secondary market.

Limited Market for the Series 2017 Bonds

Limited Secondary Market. It is the present practice of the Underwriter to make a secondary market in the bond issues which it offers. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, these secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially lower than the original purchase price. While there can be no guarantee or assurance that its present secondary marketing practices will always be continued, the Underwriter presently intends to make a secondary market in the Series 2017 Bonds, subject to the foregoing limitations. Nevertheless, there can be no guarantee that there will be a secondary market for the Series 2017 Bonds or, if a secondary market exists, that the Series 2017 Bonds can be sold for any particular price. Accordingly, a purchaser of the Series 2017 Bonds should be prepared to have his funds committed for an indefinite period of time, possibly until the Series 2017 Bonds mature or are redeemed.

No Rating. The Series 2017 Bonds have not received a credit rating from any securities rating agencies, and there is no expectation that the Series 2017 Bonds will ever receive such rating. The absence of any such ratings likely would adversely affect the ability of Beneficial Owners of Series 2017 Bonds to sell the Series 2017 Bonds or the price at which such Series 2017 Bonds can be sold. See also "NO RATINGS" below.

Restrictions on Transfer of Series 2017 Bonds. The Series 2017 Bonds are offered only to and may be purchased and owned only by and transferred only to (a) Accredited Investors who are either (i) Accredited Institutional Investors or (ii) RIA Represented Accredited Investors or (b) Qualified Institutional Buyers. Each initial purchaser of the Series 2017 Bonds (or, as applicable, each RIA acting on behalf of each initial purchaser constituting a RIA Represented Accredited Investor) will be required to execute an Investment Letter in the applicable form attached hereto as Appendix H. **Such restrictions will limit the market for any potential sale or resale of the Series 2017 Bonds.**

Legal Opinions

The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein on the date thereof. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Conclusion

AN INVESTMENT IN THE SERIES 2017 BONDS INVOLVES A HIGH DEGREE OF RISK AND IS SPECULATIVE IN NATURE. Each prospective investor should carefully examine this Limited Offering Memorandum and the Appendices hereto and such investor's own financial condition and risk tolerance and also should undertake its own risk analysis and consult with its own financial advisor in order to make a judgment as to whether the Series 2017 Bonds are an appropriate investment for such prospective investor.

ROLE OF THE TRUSTEE

U.S. Bank National Association, Atlanta, Georgia, will act as Trustee, bond registrar and paying agent for the Series 2017 Bonds under the Indenture. The Trustee is to carry out those duties it has agreed to under the Indenture. The Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information given in this Limited Offering Memorandum or for the recitals contained in the Indenture or for the validity, sufficiency, or legal effect of any of such documents. Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Issuer or the Borrower of the proceeds from the sale of the Series 2017 Bonds. The Trustee has no duty to, has not undertaken to evaluate, and has not evaluated, the risks, benefits, or propriety of any investment in the Series 2017 Bonds and makes no representation, and has reached no conclusions, regarding the

investment quality of the Series 2017 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

TAX MATTERS

Federal Tax Matters

In the opinion of Butler Snow LLP, Macon, Georgia, Bond Counsel, under existing statutes, rulings, court decisions and applicable regulations, interest on the Series 2017A Bonds (but not the Series 2017B Bonds) will be excludable from gross income for federal income tax purposes, and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the Series 2017A Bonds. The interest on the Series 2017B Bonds will be included in gross income of the United States resident owners thereof for federal income tax purposes.

See **Appendix G "PROPOSED FORM OF BOND COUNSEL OPINION"** herein for the proposed form of the opinion Bond Counsel proposes to deliver in connection with the issuance of the Series 2017 Bonds, which proposed form contains additional information, conditions and limitations.

Ownership of the Series 2017A Bonds may result in other collateral federal income tax consequences to certain taxpayers, including without limitation, corporations subject to the environmental tax, banks, thrift institutions and other financial institutions, foreign corporations which conduct a trade or business in the United States, property and casualty insurance corporations, S corporations, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2017A Bonds. Purchasers of the Series 2017A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

In rendering its opinion that the interest on the Series 2017A Bonds will be excludable from gross income for federal income tax purposes, Bond Counsel will (i) rely as to questions of fact material to its opinion upon representations, certificates and certified proceedings of public officials without undertaking to verify the same by independent investigation and (ii) assume the continued compliance by the Issuer and the Borrower with their respective covenants relating to the use of the proceeds of the Series 2017A Bonds and compliance with the requirements of the Code, including, but not limited to, the arbitrage requirements contained in Section 148 of the Code. The inaccuracy of any such representations or noncompliance with such covenants may cause interest on the Series 2017A Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017A Bonds.

Changes in Federal Tax Law

Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Series 2017A Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Series 2017A Bonds from gross income for federal income tax purposes. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Series 2017A Bonds. In addition, regulatory actions from time to time are announced or proposal and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2017A 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 Series 2017A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2017A Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinion expressed by Bond Counsel is based upon existing law, legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2017A Bonds and Bond Counsel has not and will not express any opinion as of any date subsequent thereto or with any respect to any pending legislation, regulatory initiatives or litigation.

State Tax Matters

In the opinion of Bond Counsel, under existing statutes, interest on the Series 2017A Bonds and the Series 2017B Bonds will be exempt from all present state income taxation within the State of Georgia. Interest on the Series 2017 Bonds may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Purchasers of the Series 2017 Bonds should consult their tax advisors as to the taxable status of the Series 2017 Bonds in a particular state or local jurisdiction other than Georgia.

Premium Bonds

The difference between the principal amount of the Series 2017A Bonds maturing on June 15, 2027 (the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such Premium Bond in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Discount Bonds

With respect to the Series 2017A Bonds maturing on June 15, 2037 and June 15, 2047 (collectively, the "Discount Bonds"), the difference between the stated principal amount of such Discount Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity are sold constitutes original issue discount ("OID"). The offering prices relating to the yields set forth on the inside front cover page of this Limited Offering Memorandum for the Discount Bonds are expected to be the initial offering prices to the public at which a substantial amount of each respective maturity of the Discount Bonds will be sold. Under the Code, OID properly allocable to the owner of the Discount Bond is treated as interest excludable from gross income for federal income tax purposes to the same extent as the interest would be excluded from gross income. For purposes of determining an owner's adjusted basis in a Discount Bond, OID treated as having accrued while the owner holds the Discount Bond will be added to the owner's basis. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition of a Discount Bond. Prospective purchasers of Discount Bonds should consult their own tax advisors with respect to the federal, state and local tax consequences of owning or disposing of such Discount Bonds.

The foregoing is a general discussion of certain federal income tax consequences of original issue premium and OID and does not purpose to deal with all tax questions that may be relevant to particular investors or circumstances. Beneficial Owners of the Series 2017A Bonds should consult their own tax advisors with respect to the apportionment for federal income tax purposes of accrued tax-exempt interest upon a sale or exchange (including redemption) and with respect to the state and local tax consequences of original issue premium and OID.

Other Tax Consequences to Investors

There may be other federal, state, local, or foreign tax considerations applicable to the circumstances of a particular investor. Prospective investors are urged to consult their own tax advisors before determining whether to purchase Series 2017 Bonds. Purchasers of Series 2017 Bonds who are nonresident alien individuals, corporations that are not incorporated in the United States or under the laws of the United States or of any state of the United States, or other non-United States persons should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes on income realized in respect to the Series 2017 Bonds.

Prospective investors are urged to consult their own tax advisors before determining whether to purchase Series 2017 Bonds. The tax discussion herein under "**TAX MATTERS**" is not intended or written to be used, and cannot be used, for purposes of providing tax advice to any particular investor or avoiding taxpayer penalties.

CONTINUING DISCLOSURE

In order to provide certain continuing disclosure with respect to the Series 2017 Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), and in order to provide certain additional annual and quarterly disclosure, the Borrower will enter into a Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Series 2017 Bonds with Digital Assurance Certification, LLC, as Dissemination Agent.

Pursuant to the Continuing Disclosure Agreement, the Borrower will covenant to provide (or to cause the Dissemination Agent to provide) to EMMA (among others) in an electronic format as prescribed by the MSRB (i) certain annual financial information and operating data relating to the Borrower and the Charter School, including without limitation the Borrower's audited financial statements by not later than November 30 following the end of each fiscal year of the Borrower, commencing with fiscal year ending June 30, 2017 (or by March 31 following the end of any fiscal year if the Borrower is required to deliver a "single audit" to the State), (ii) an annual compliance certificate, (iii) certain quarterly financial information, (iv) its Annual Budget and any amendment thereto, and (v) notices of the occurrence of certain enumerated events. See the proposed form of the Continuing Disclosure Agreement in **Appendix I** herein. The Borrower has no prior experience in compliance with a continuing disclosure undertaking under Rule 15c2-12.

The Continuing Disclosure Agreement will provide the Beneficial Owners of the Series 2017 Bonds with certain enforcement rights in the event of a failure by the Borrower to comply with the terms thereof; however, a default under the Continuing Disclosure Agreement will not constitute a default under the Indenture or Loan Agreement. The Continuing Disclosure Agreement may be amended or terminated under certain circumstances in accordance with Rule 15c2-12 as more fully described therein.

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

See **Appendix I "FORM OF CONTINUING DISCLOSURE AGREEMENT"** herein.

FORWARD LOOKING STATEMENTS

This Limited Offering Memorandum contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Limited Offering Memorandum, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected Gross Revenues and expenditures to be materially different from those anticipated include without limitation (i) the ability of the Borrower to maintain projected enrollment levels, (ii) lower than anticipated Gross Revenues, (iii) higher than anticipated operating expenses, (iv) litigation, (v) changes in governmental regulation, (vi) loss of federal tax exempt status, (vii) loss of property tax exemption, (viii) changes in demographic trends, (x) competition from educational institutions, (xi) general economic conditions and (xii) expiration and/or termination and nonrenewal of the Charter Contract of the Borrower. No representation or assurance can be made that Gross Revenues will be generated in amounts sufficient to pay maturing principal and interest on the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should not place undue reliance on those forward looking statements, should review the factors described under the heading "**CERTAIN BONDHOLDERS' RISKS**" herein for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2017 Bonds and should consult their own financial advisors.

UNDERWRITING

Under a Bond Purchase Agreement dated April 28, 2017 by and among the Underwriter, the Issuer and the Borrower (the "Bond Purchase Agreement"), the Series 2017 Bonds will be purchased by BB&T Capital Markets, a division of BB&T Securities, LLC (the "Underwriter"). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2017 Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2017 Bonds is subject to various conditions contained in the Bond Purchase Agreement. The Underwriter has agreed to purchase the Series 2017A Bonds at an aggregate purchase price of \$34,056,335.99 and the Series 2017B Bonds at an aggregate purchase price of \$318,054.41, with the aggregate purchase price equal to the original aggregate principal amount of the Series 2017 Bonds of \$34,990,000.00, minus a net original issue discount of \$80,759.60, minus an Underwriter's discount of \$534,850.00. The Underwriter intends to offer the Series 2017 Bonds initially at the offering prices set forth on the inside cover hereof, which offering prices may subsequently be changed without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Series 2017 Bonds. The Underwriter may offer and sell the Series 2017 Bonds to certain dealers at prices lower than the public offering price or otherwise allow concessions to such dealers who may re-allow concessions to other dealers.

NO RATINGS

No application had been made to S&P Global Ratings, Moody's Investors Service, Inc., Fitch Ratings or any other similar rating service for a rating on the Series 2017 Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2017 Bonds by the Issuer are subject to the approving opinion of Butler Snow LLP, Macon, Georgia, Bond Counsel. The proposed form of such opinion is included as Appendix G hereto. The Bond Opinion will be limited to matters relating to the authorization and validity of the Series 2017 Bonds and to the tax-exempt status of interest on the Series 2017A Bonds as described in "TAX MATTERS" and will make no statement as to the financial resources of the Borrower or its ability to provide for payment of the Series 2017 Bonds. Certain legal matters will be passed on for the Issuer by its counsel and its special disclosure counsel, Butler Snow LLP, Macon, Georgia, for the Borrower by McGuire Woods LLP, Atlanta, Georgia, and for the Underwriter by its counsel, Ice Miller LLP, Columbus, Ohio.

FINANCIAL STATEMENTS

The financial statements of the Borrower for the fiscal years ended June 30, 2016 and June 30, 2015 are included herein as Appendix C "THE BORROWER'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015" herein. The financial statements of the Borrower for the fiscal years ended June 30, 2016 and June 30, 2015 have been audited by Mauldin & Jenkins, LLC, independent certified public accountants, Macon, Georgia. The Borrower has neither sought or received the consent of Mauldin & Jenkins, LLC to the inclusion of the financial statements of the Borrower for the fiscal years ended June 30, 2016 and June 30, 2015 in Appendix C hereto.

The Borrower's actual historical financial results for fiscal years ended June 30, 2015 and June 30, 2016 and the Borrower's projected financial results for the current fiscal year through January 1, 2017 based on unaudited actual financial information as of January 1, 2017 are included in Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE ACADEMY FOR CLASSICAL EDUCATION – Historical and Current Results". The Borrower's unaudited Comparative Statement of Change in Financial Position comparing the six month period July to December 2016 to the six month period July to December 2015 is set forth in Appendix A "THE BORROWER AND THE CHARTER SCHOOL – THE ACADEMY FOR CLASSICAL EDUCATION – Certain Comparative Information" herein.

LITIGATION

The Issuer

Contemporaneously with the issuance of the Series 2017 Bonds, the Issuer will deliver a Certificate whereby it will certify that to the best knowledge of the Issuer following reasonable inquiry there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Issuer seeking to restrain or enjoin the sale or issuance of the Series 2017 Bonds, or in any way contesting or affecting any proceedings of the Issuer taken concerning the sale thereof, the pledge or application of any money or security provided for the payment of the Series 2017 Bonds, the validity or enforceability of the documents executed by the Issuer in connection with the Series 2017 Bonds, the completeness or accuracy of this Limited Offering Memorandum or the existence or powers of the Issuer relating to the sale of the Series 2017 Bonds.

The Borrower

Contemporaneously with the issuance of the Series 2017 Bonds, the Borrower will deliver a Certificate whereby it will certify that to the best knowledge of the Borrower following reasonable inquiry, without limitation, that no litigation and no proceedings of any nature are pending or threatened against the Borrower which, if decided adverse to the Borrower, would affect the sale of the Series 2017 Bonds, the security therefor, the ability of the Borrower to perform its obligations under the Loan Agreement or the Series 2017 Note or which would have a material adverse effect on the financial position of the Borrower.

MISCELLANEOUS

The references, excerpts and summaries of all laws, resolutions and documents referred to herein do not purport to be complete statements of the provisions of such laws, resolutions and documents, and reference is directed to all such laws, resolutions and documents for full and complete statements of all matters of fact and law relating to the Series 2017 Bonds, the security for and the repayment of the Series 2017 Bonds and the rights of the Beneficial Owners thereof. To the extent any statements made in this Limited Offering Memorandum involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation of any kind is made that any such statements will be realized. Neither this Limited Offering Memorandum nor any statement which may have been made orally or in writing is to be construed as a contract with the Beneficial Owners of the Series 2017 Bonds. The Issuer assumes no responsibility for the accuracy or completeness of information in this Limited Offering Memorandum other than in "**THE ISSUER**" and in "**LITIGATION — The Issuer**" herein.

AUTHORIZATION CONCERNING LIMITED OFFERING MEMORANDUM

This Limited Offering Memorandum and its delivery and use have been duly authorized and approved by the Issuer and the Borrower.

MACON-BIBB COUNTY URBAN REDEVELOPMENT AUTHORITY

By: /s/Chris R. Sheridan, Jr.
Chair

ACADEMY FOR CLASSIC EDUCATION, INC.

By: /s/Thomas Gaither
Chair

APPENDIX A

THE BORROWER AND THE CHARTER SCHOOL

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APPENDIX A

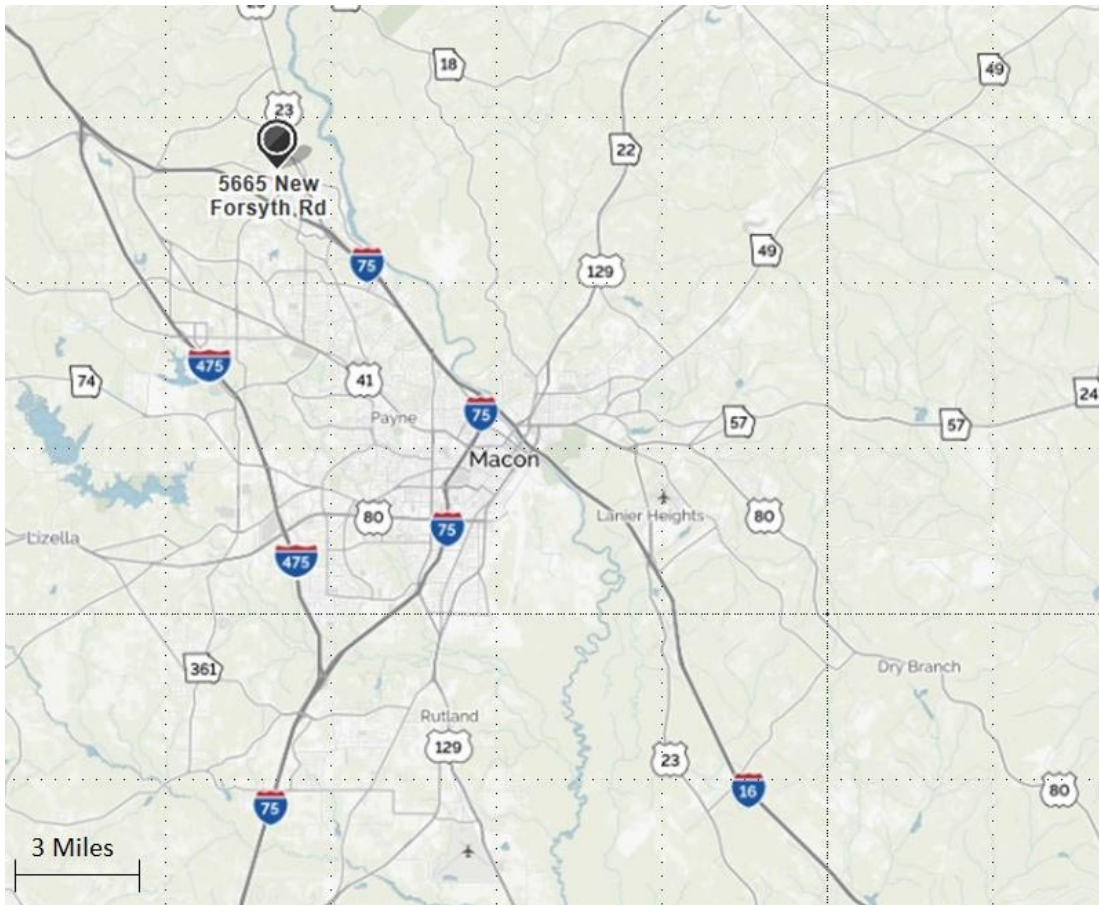
THE BORROWER AND THE CHARTER SCHOOL

OVERVIEW

Academy for Classical Education, Inc. (the “Borrower”) is a nonprofit corporation organized under the laws of the State of the Georgia (the “State”). The Borrower has received a determination letter from the Internal Revenue Service to the effect that it is an organization exempt from federal income taxation pursuant to Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described in Section 501(c)(3) of the Code.

The Borrower operates the Academy for Classical Education (the “Academy for Classical Education”), which is located within the Bibb County School District (the “School District”) in Macon-Bibb County (the “County”) and is approximately 75 miles south of the City of Atlanta, Georgia, along Interstate 75. The Academy for Classical Education is currently located at 5665 New Forsyth Road, Macon, Georgia 31210 (the “Property”), which is approximately 40 acres improved by an approximately 200,000 square foot facility (the “Facility,” and together with the Property, the “Campus”).

The following map shows the location of the Academy for Classical Education.



THE SCHOOL DISTRICT

Founded in 1872 and therefore one of the oldest school districts in the State, the School District was, as of March 3, 2016, the eighteenth largest school district in the State with an enrollment of approximately 24,236 students in 25 elementary schools, seven middle schools, seven high schools, two magnet schools, two charter schools and three other programs. The School District has more than 3,537 full-time employees, including more than 1,976 teachers and other certified personnel, who work in 46 schools buildings and 3 administrative and support buildings.

The School District is not a party to any of the documents relating to the Series 2017 Bonds, including the Indenture and the Loan Agreement, and the School District is not obligated under any circumstances to make any payments of principal of, premium, or interest on the Series 2017 Bonds.

THE ACADEMY FOR CLASSICAL EDUCATION

General Overview

The Academy for Classical Education is a public, nonsectarian, nonprofit charter school organized and operated under the laws of the State. The Academy for Classical Education serves students in kindergarten through tenth grade and intends to add an eleventh grade in school year 2017-18 and a twelfth grade in school year 2018-19. The Borrower was incorporated on June 17, 2013, for the sole purpose of operating and supporting a charter school under and pursuant to the Charter Schools Act of 1998, O.C.G.A. 20-2-2060 (as amended or modified, the “Charter Schools Act”). With respect to the Academy for Classical Education, the Borrower was approved for its original charter on September 19, 2013 (the “Charter”) by the Board of Education of the County (the “District Board”) and subsequently on February 20, 2014, by the State of Georgia Board of Education (the “State Board of Education”). See “– The Charter Status” herein.

The Academy for Classical Education opened its doors August 4, 2014, with 760 students (maximum capacity for the first year) in kindergarten through eighth grade and a wait-list of over 1,000 students. The Academy for Classical Education added the ninth grade in school year 2015-16 and a tenth grade in school year 2016-17.

The school is currently located at the Campus, and its Facility has been expanded as student growth and demand has increased. During the Academy for Classical Education’s inaugural year, 37 classrooms were built to house the students with 8 of those classrooms being in a modular unit. During the second year, 26 more classrooms were added, and in the third year, the modular unit was removed and an additional 24 classrooms were added including two classrooms in the Kindergarten/First Grade building, a new set of bathrooms, and a new dining hall in the Kindergarten/First Grade building. In the upper school building additions included, a Career, Technical, and Agriculture Education (“CTAE”) lab for audio/video technology, a marketing lab, computer lab and a new art room as well as 14 additional classrooms. Two additional bathrooms were added for the older students and two additional bathrooms for the younger students. Four science labs were a part of this build out as well as a patio outside of the dining hall for outdoor eating.

In addition, the Academy for Classical Education parents raised over \$400,000 to begin the build-out of “Friends Field,” which now has a baseball/softball field and a soccer/football field. While this venture is not completed, the fields will be used during the 2016-2017 school year and improvements will continue as revenue becomes available. See “– Campus and Facilities” herein. For the school year 2016-17, the Academy for Classical Education has 1,395 students attending and almost 800 on the wait-list.

History of the Academy for Classical Education

The Academy for Classical Education was the result of 15 months of strategic planning on the part of its founders, Laura Perkins and Esterine Stokes (collectively, the “Founders”), both retired educators with over 60 years of combined experience in public schools. During the winter of 2012, Laura Perkins was approached by two seniors at her previous school, asking her “...why didn’t they matter?” Both seniors believed that more money was spent in the current district to protect and ensure the rights of students whose primary objectives were to disrupt the learning

environment and not enough attention was given to those students who simply wanted an education. That conversation became the impetus to create a school “where teachers could teach and students would learn.”

The Founders then attended a state charter school training in the fall of 2012 and then visited a number of charter schools in the state of Georgia to gain insight into the operation of charters. Believing strongly in a holistic approach that takes into account instructional practices designed to meet the developmental needs of children, the framework for the Academy for Classical Education began to take shape. The curriculum at the Academy for Classical Education is modeled after the work of Susan Wise Bauer, author of many books including “*The Well-Trained Mind: A Guide to Classical Education at Home*,” which was published in 1999. Bauer believes that children must be taught holistically with an understanding of the developmental needs of the child. Teaching strategies utilized in a classical environment focus more on the process of learning than on the product.

Beyond subject matter, classical education develops those skills in students that are essential to higher education and throughout life-independent scholarship, critical thinking, logical analysis, and a love for learning. Further, the Academy for Classical Education leaders believe that class size matters and work to ensure that none of the classes in kindergarten through fifth grade exceed 20 students per class. Class sizes in sixth grade through tenth grade are typically 20 to 23 students, depending on the course.

The Founders believe that the early success of the Academy for Classical Education can be attributed to several factors: a strong curricular premise; a consistent and involved founding board and equally consistent and committed Governing Board (defined herein) and strong parental support. The Governing Board receives annual Governing Board training through the Georgia Charter School Association. While all parents are asked to volunteer a minimum of 20 hours per year, for the 2015-2016 school year, over 78% of parents volunteered for at least 20 hours.

Mission and Goals

The Academy for Classical Education’s mission is to build the foundation of knowledge and critical thinking skills necessary for children to become independent learners for life. The Founders knew that “Students in [the County] WANT and DESERVE a rigorous, structured educational experience. By fully developing the life of the mind, students will become better citizens, better consumers, and more involved in the community and the world in which they live. If we expect the best and demand it, we will get the BEST results.”

The Academy for Classical Education is committed to continuous improvement and established six school-wide goals upon which all decisions are made: (1) to protect and ensure the integrity of the teaching/learning environment; (2) to ensure that all financial expenditures and human resource decisions align with preserving the integrity of the teaching/learning environment; (3) to provide a rigorous, relevant educational experience for all the Academy for Classical Education students in a student-centered environment that encourages students to think and analyze the experiences they encounter, and to develop life skills that will enable them to be creative, self-directing, productive members of the Macon/Bibb County community or any setting in which they may find themselves; (4) to provide a holistic educational experience for all students at the Academy for Classical Education, making sure that the individual skills of each student is fostered and allowed to grow; (5) to utilize all resources both inside the school community as well as the community in the County to bring innovation and expertise to the learning process for the Academy for Classical Education students; and (6) to encourage parents to participate in the Academy for Classical Education learning experience by providing opportunities for volunteerism and other parental/family leadership roles.

Charter Status

The Academy for Classical Education was created by the Borrower as a start-up charter school in the County under the Charter Schools Act. The Academy for Classical Education was approved for the original charter on September 19, 2013, by the District Board and subsequently on February 20, 2014, by the State Board of Education and began operations under its initial charter (the “Charter”) commencing with the 2014-15 academic year. The Charter is for a five-year term beginning July 1, 2014 and ending June 30, 2019. The Charter Schools Act provides for a maximum length of five year charter renewals for start-up charter schools. The Academy for Classical Education

anticipates beginning the required renewal petition in the spring of 2017 and submitting the petition by fall of 2018, with the expectation that the Charter will be renewed in 2019 for the 2019-20 school year.

The Charter is subject to amendment, renewal, and termination as provided by the Charter Schools Act. The Charter is also subject to termination in the event the Academy for Classical Education does not meet the Performance-based Goals and Measurable Objectives identified in of the Charter, which includes academic and organizational goals.

Campus and Facilities

Overview. The Property consists of approximately 38.16 acres. Prior to the transformation into a charter school campus, the Property was previously used for warehouse and office space and the lot was improved by two vacant buildings. The area adjacent to the Property consisted of commercial, residential, and undeveloped wooded land.

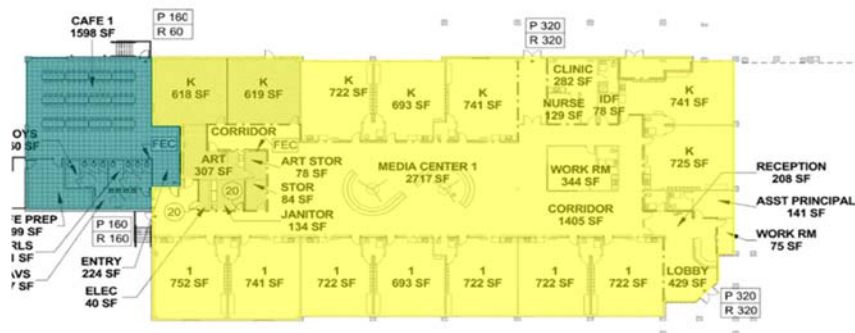
The following diagram shows the location of Building One and Building Two.



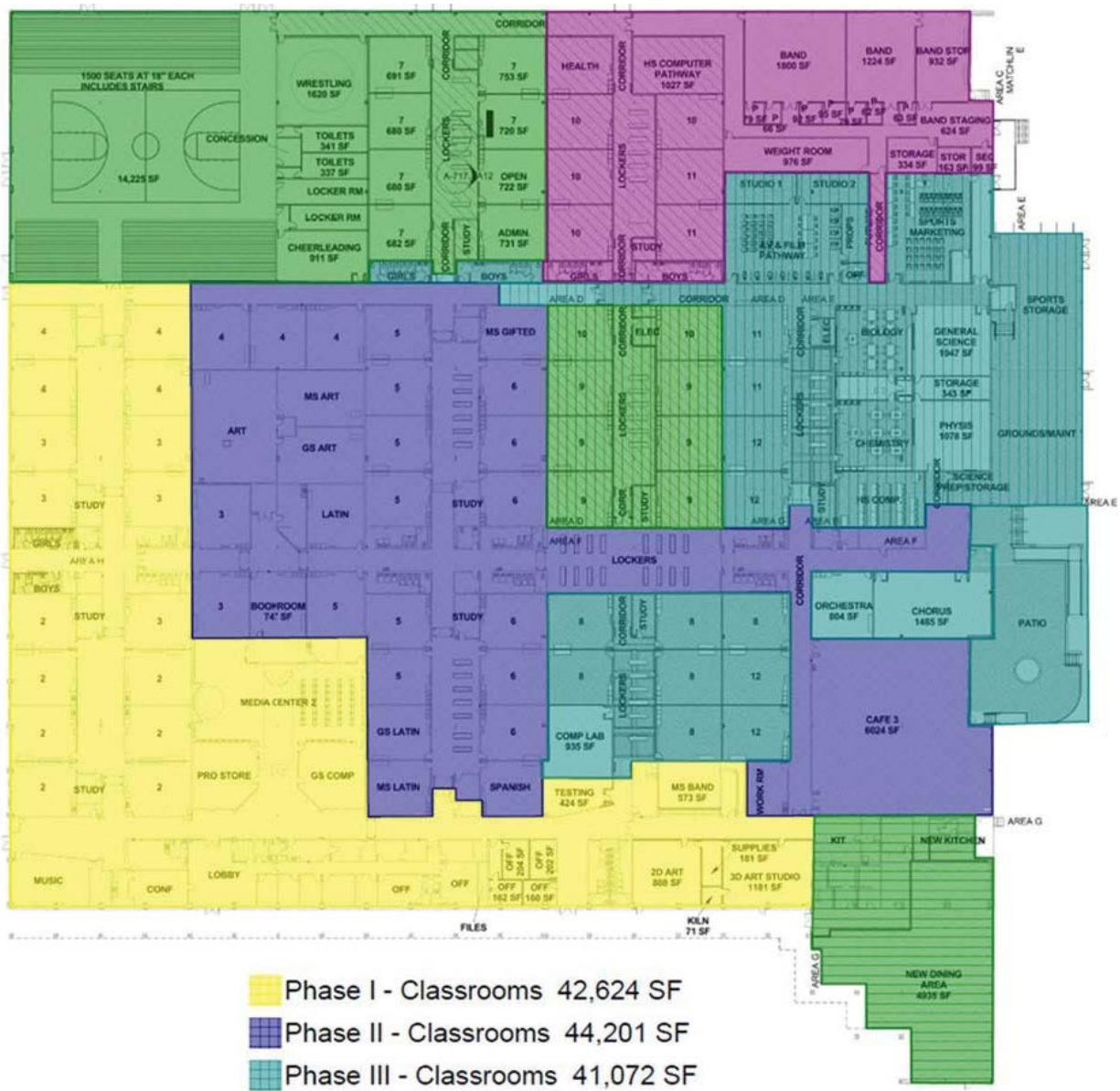
The design and construction team’s goal was to repurpose an existing 200,000 square foot office/warehouse facility into a best-in-class charter school for kindergarten through twelfth grade. The first building (“Building One”) is a one story building that measures approximately 100 feet by 200 feet or 20,000 square feet. The second building (“Building Two”) is a one story building that measures approximately 400 feet by 440 feet or 176,000 square feet. Four mezzanines that occupied approximately 15% of the ground floor space in Building Two were removed during the initial demolition phase.

Build-out has so far occurred in three phases. The following diagram shows the phased build-out of Building One as it has previously occurred.

- Phase I Classrooms approximately 19,441 square feet
- Phase 3 Classrooms approximately 2,753 square feet



The following diagram shows the phased build-out of Building Two as it has previously occurred.



Initial Build-Out and General Contractor.

Phase One. The first phase of the build-out (“Phase One”) included the purchase of the property by ACE Macon One, LLC (the “Seller”), an affiliate of True North Companies. **The Seller** oversaw the construction of all phases.

The construction was completed by True North Construction Group (“True North Construction”), which is also an affiliated entity of True North Companies. The principals of True North Construction have been involved in construction and development for over 25 years and True North Construction has completed over \$300 million in projects throughout the Southeast. In addition to its work for the Academy of Classical Education, in recent years, True North Construction has either completed or is currently working on charter school projects in Baconton, Georgia; Canton, Georgia; Senoia, Georgia; Hephzibah, Georgia; Edison, Georgia; Conyers, Georgia; Evans, Georgia; and Jacksonville, Florida.

Phase One was completed in 2014 and created approximately 12 classrooms in Building One and 21 classrooms in Building Two. It also created music rooms, a computer lab, bathrooms, a media center in each building, administrative offices, and a new dining hall. Building One, which currently serves kindergarten and first grade, was fully developed with 14 instructional spaces and support core. The gymnasium was partially renovated to allow for use by the school during initial phasing. Phase One created approximately 44,000 square feet of educational space for use within Building One and Building Two and cost approximately \$8.5 million.

Phase Two. The second phase of the build-out (“Phase Two”) was completed in 2015 and was limited to Building Two. Phase Two created an additional approximately 27 classrooms, including two art classrooms, and an art gallery, three new sets of bathrooms, and a new dining hall (Café 3). Phase Two added approximately 44,000 additional square feet of space for use within Building Two and cost approximately \$4.6 million.

Phase Three. The third phase of the build-out (“Phase Three”) was completed in 2016 and created an additional 24 classrooms including two classrooms, a new set of bathrooms, and a new dining hall in Building One. In Building Two, additions included a CTAE lab for audio/video technology, a marketing lab, computer lab, a new art room, 14 additional classrooms, and new bathrooms. Four science labs were a part of Building Two as well as a patio outside of the dining hall for outdoor eating and an alternate entrance to the school. Phase Three added approximately 1,900 square feet of space to Building One and 41,000 square feet of total usable space to Building Two and cost approximately \$4.8 million.

In the first three phases, the majority of the classrooms, media center, and cafeteria were retrofitted with new windows by means of cutting into the existing exterior tilt-up wall panel with punched openings. The exact size was determined by a structural review of existing wall reinforcement and construction. The existing loading docks in Building Two remained as they were for phase one construction. Removal of the compactor and chute was required.

Building One does not currently connect with Building Two by a physical enclosure, but it will be desirable to connect these buildings under the existing protective canopy with an ornamental security fence.

Acquisition and Future Build-Out. A portion of the proceeds of the Series 2017 Bonds are being used to finance the acquisition of the Property (including all improvements) plus certain improvements that will be completed by True North Construction following construction. See “The Series 2017 Project – Acquisition and Additional Improvements” herein.

Phase I Environmental Report. Geotechnical & Environmental Consultants, Inc. (the “Environmental Consultants”) prepared for the now-current owner a Phase I Environmental Assessment dated February 12, 2014, for the Property and, based on the research and conclusions contained therein, concluded that no additional environmental assessment was deemed appropriate at that time. The Environmental Consultants prepared an additional Phase I Environmental Assessment dated November 21, 2016, for the Borrower and, based on the research and conclusions contained therein, concluded that no additional environmental assessment was deemed appropriate at this time.

Appraisal. An Appraisal Report for the Property dated November 16, 2016 (the “Appraisal”) was prepared by Williams, Rabun & Associates of Macon, Georgia (the “Appraiser”) in order to appraise the “as is” market value (defined therein) of the fee simple interest of the Property as well as the “as complete” value of the Property. Based on the assumptions and conclusions set forth in the Appraisal, and using the cost approach, the income capitalization approach, and the sales approach, the Appraiser determined the correlated “as is” market value estimate of the fee simple interest in the Property as of the date of the Appraisal is \$21,000,000. In addition, and also based on the assumptions and conclusions set forth in the Appraisal, and using the cost approach, the income capitalization approach, and the sales approach, the Appraiser determined the correlated prospective market value estimate “as complete” as of the date of the Appraisal is \$28,000,000. The “as complete” valuation is based on the following extraordinary assumption: that there will be completed by August 1, 2017, a build-out of 39,396 square feet of space that will include 11th and 12th grade class rooms, computer lab space, band space, and additional café and kitchen space and the renovation of existing space such as the gym, class rooms, labs, and offices, and all such work will be using quality materials and workmanship similar to prior renovations.

Neither the Underwriter nor the Borrower makes any representations as to the accuracy, completeness, assumptions, or information contained in the Appraisal. The assumptions or qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized, and the Borrower and the Underwriter make no representation as to the reasonableness of such assumptions. Prospective purchasers of the Series 2017 Bonds should review the Appraisal in its entirety in order to make an informed decision regarding the suitability of the Series 2017 Bonds as an investment opportunity. A copy of the Appraisal can be obtained by contacting the Underwriter.

Administration

School Governance. The Borrower is the legal entity that operates the Academy for Classical Education. The Borrower is governed by a board of directors (the “Governing Board”) whose responsibility it is to manage the Academy for Classical Education pursuant to the Bylaws of the Academy for Classical Education. The Academy for Classical Education is not under the governance of any local school council (including the School District).

The Governing Board is responsible for upholding the mission and vision of the Academy for Classical Education through visible leadership and stewardship including providing strategic oversight impacting the education of the students at the Academy for Classical Education and connecting the Academy for Classical Education with the broader local and State communities. The Governing Board provides expertise to the school, assists with fundraising, and drives key governance functions and legal responsibilities including management oversight, strategic planning and policymaking, and fiduciary requirements. The Governing Board works to ensure there are adequate resources and local partnerships; serves as a support mechanism on personnel, community, and grievance matters; and supports the Academy for Classical Education and its staff in accomplishing performance goals set forth in the original application for the Charter. In particular, the Governing Board performs the following tasks: approves school improvement plans and updates; approves the annual budget and related allocations; selects the school leaders/principal; supports the vision, mission and the Charter; gathers ideas and feedback from faculty and staff, families and community; makes decisions upon recommendations from leadership; makes recommendations to the principal on school-wide issues, such as budgetary issues, space issues, and curriculum ideas; establishes goals and objectives for the coming year; oversees the preparation and publishing of the annual report; evaluates policies, procedures, operations, and proposes amendments; ensures all decisions and actions are consistent with the Charter; refers individual/personnel grievances to the appropriate staff members; oversees fundraising for the school through a foundation board; and works with the Principal at his/her request through an advisory board.

The following table sets forth the current members of the Governing Board and certain background information, as set forth therein.

Name	Position	Principal Occupation	Years of Service	Expiration of Term
Thomas Gaither*	Chair	Financial Advisor & Planner	4	3/2018
Adam Griffin	Vice-Chair	President Georgia Land Company	2	3/2019†
Mia Corey*	Secretary	GEICO Insurance	4	3/2018
John Eric Dodd	Treasurer	Attorney	1	3/2019
Chris Jackson		360 High Performance Leadership Academy Faculty / Co-founder Jackson Media Group	1	3/2018
Lee M. Gillis, Jr.		Attorney	1	3/2019
Christy Kovac		President of Sheridan Construction	1	3/2019
George Greer		Attorney	1	3/2020
Ember Bishop Bentley		Executive Director, Georgia Forestry Foundation	1	3/2020

* *founding member*

† *expected to resign in July 2017.*

Governing Board Training. The Governing Board follows the rules promulgated under O.C.G.A. § 20-2-2072 and other State Board of Education rules that require members of locally-approved non-profit charter school Governing Boards to participate in nine hours of annual training, with six additional hours of training for newly-

approved Governing Board members during the first year after their approval. The training must include certain topics, such as financial governance and whole board governance team training, and be conducted by a provider approved by the State Board of Education. In addition, the Governing Board has adopted a Code of Ethics and a Conflict of Interest policy.

The State Board of Education has approved certain “Standards for Effective Governance of Georgia Nonprofit Charter School Governing Boards,” which include standards and elements within the following ten (10) domains:

- Domain I Governance
- Domain II Strategic Planning
- Domain III Board and Community Relations
- Domain IV Policy Development
- Domain V Board Meetings
- Domain VI Personnel
- Domain VII Financial Governance
- Domain VIII Ethics
- Domain IX Workforce/Economic Development
- Domain X Joint venture among business, school system, technical college and others

Governing Board Committees. The Governing Board currently has nine working committees as follows:

Finance: The Finance Committee meets monthly to review all accounts receivable and payable and to determine finance status of the school, make recommendations to ensure financial solvency, etc.

Facilities: The Facilities Committee meets with the construction team, the architects, and school personnel to determine design and to oversee the process of building.

Academic: The Academic Committee meets quarterly with selected staff to review curriculum, testing data, and charter to ensure that the academic components of the charter are being met.

Development/Fundraising: The Development/Fundraising Committee meets to review ways to enlist financial support for the Academy for Classical Education through annual giving, grants, and other sources of revenues.

Parent-Teacher Organization (“PTO”) Liaison: This committee meets with the executive arm of the PTO to report on the financial solvency, activities and involvement of the PTO with the school.

Student Engagement: The Student Engagement Committee meets with the school monthly to gather information on student work, activities, and accomplishments in order to report this to the Governing Board.

Grievance: The Grievance Committee is available for any individual who may have a grievance involving the school or personnel that they do not believe has been adequately handled on the school level.

Board Development: The Board Development Committee meets routinely to gather resumes on individuals in the committee interested in serving on the Governing Board.

Parent Engagement Plan: This committee meets with parents and other stakeholders to ensure that parents are engaged in the school process.

Governing Board Members. Biographical information for the members of the Governing Board is set forth below.

Thomas "Witt" Gaither, Chair. Mr. Gaither is a Financial Advisor and financial planner with Smith, Brown and Groover of Macon, Georgia, and is actively involved in community leadership, support, and outreach. Mr. Gaither is currently also the board chair for the Children's Hospital of Middle Georgia, a board member of the Health Services of Central Georgia, a member of the Middle Georgia Military Affairs Committee and is the Church Council Chair at Martha Bowman Methodist Church. Mr. Gaither is a graduate of the United States Military Academy. He currently serves on the Finance Committee.

Adam Griffin, Vice-Chair. Mr. Griffin is the President and owner of Georgia Land Company, a land brokerage company. He graduated from Westside High School and went on to the University of Georgia where he graduated with a degree in Forest Resources. Mr. Griffin mentors with Campus Clubs (a faith-based, educational outreach ministry to at-risk children in Middle Georgia). He currently serves on the Grievance Committee, Board Development Committee, and Parent Engagement Committee.

John Eric Dodd, Treasurer. Jon Eric Dodd is financial representative with Peachtree Planning, Corporation. He has spent 11 years in the financial services industry. He graduated from Monroe Academy and has a degree in business administration from Mercer University. He and his wife, Kim, have two boys: Matthew (9) and Andrew (5). Jon Eric is an active member in Ingleside Baptist Church and enjoys coaching his boys in their various activities.

Mia Cory, Secretary. Mrs. Cory is a graduate of Southwest High School in the County and is currently employed with GEICO. She previously served as a technology specialist for Bibb County Public Schools after obtaining certification from Central Georgia Technical College. She currently serves on the Student Engagement Committee.

Lee M. Gillis, Jr. Mr. Gillis is an attorney and with experience in business, employment, civil rights and general liability defense litigation, which includes overseeing his firm's statewide uninsured motorist litigation practice. He also serves as chair of the board of directors for Campus Clubs and he serves as a Deacon at First Presbyterian Church in Macon, Georgia. Mr. Gillis holds a Bachelor of Arts from the University of Georgia and a Juris Doctorate from Georgia State College of Law.

Chris Jackson. Mr. Jackson teaches leaders and organizations how to inspire people. He is a faculty member of the 360 High Performance Leadership Academy and co-founder of Jackson Media Group. He works with various charities across central Georgia. He currently serves on the board of directors for Leadership Macon. Mr. Jackson has a Bachelor's degree from Tulane University and a Master of Business Administration from Wesleyan College.

Christy Kovac. Ms. Kovac is the president of Sheridan Construction in Macon, Georgia. She has spent 25 years in the building industry and has extensive background in educational construction projects from elementary schools to universities. She earned a Bachelor of Science from Georgia Tech and a Master's degree in Finance from Mercer University. Ms. Kovac is a member of the Downtown Macon Rotary Club and is vice president of the Macon Area Habitat for Humanity board of directors. She is also a chair of the Associated General Contractors Central Georgia Workforce Development Alliance.

George Greer. Mr. Greer is a partner at Spivey, Pope, Green, and Greer, LLC who practices in the areas of secured transactions, commercial real estate, real estate development, and corporate business planning and advice. Mr. Greer received his Bachelor of Arts degree in Political Science from the University of Georgia and his Juris Doctor from the Walter F. George School of Law at Mercer University. George worked in Washington D.C. on the staff of Congressman Mac Collins from 1995-97. His experience also includes working as a commercial realtor for The Summit Group. Mr. Greer serves on several local boards, including the Greater Macon Chamber of Commerce as the Immediate Past Chair and Chair-Elect of the Macon Economic Development Commission.

Ember Bishop Bentley. Ms. Bentley is the Executive Director of the Georgia Forestry Foundation. Prior to becoming Executive Director, she was the Deputy Commissioner for International Relations at the Georgia Department of Economic Development and she also served as the Chief of Staff to Georgia's First Lady, Sandra

Deal. Ms. Bentley earned a Bachelor of Business Administration from Shorter College, where she minored in marketing and political science.

Administrative Staff and Management. Notwithstanding the roles of the Governing Board described above, the day-to-day management of the Academy for Classical Education is the responsibility of the Executive Director, who is responsible for the planning, budgeting, facilities management recruiting staff and supervision and evaluation of staff and who is picked by the Governing Board to ensure that these responsibilities are entrusted to a capable and experienced professional who shares the Governing Board's vision of the Academy for Classical Education. Directors for the respective grades and administrative support staff help the Executive Director lead the school. Their responsibilities include but are not limited to planning and supervising instructional programs, conducting an effective advertisement, recruitment and enrollment program to ensure continuous operation of the school, supporting teaching by enforcing student code of conduct in a consistent manner, helping classroom teachers concerning management issues, managing student services operations such as transportation and food programs, and communicating with parents and the community via different channels such as newsletters and the school's website.

Biographies of the principal administrators of the Academy for Classical Education are set forth below:

Laura Perkins. Mrs. Perkins serves as the Executive Director (Principal/CEO) and has over 33 years in public education serving as a classroom teacher, high school and middle school counselor, high school assistant principal, principal of a career tech high school and principal for a traditional large, urban high school (Westside High School in Macon, Georgia). She has managed budgets and was part of a team that sought and received a 1.5 million dollar grant for a blended learning curriculum implementation in which the State Board of Education determined to be a "model school for blended learning." Mrs. Perkins has a Specialist's degree in Educational Leadership. Mrs. Perkins retired from her previous position in June 2012 and began work toward the Academy for Classical Education charter school proposal.

Esterine Stokes. Mrs. Stokes serves as the director for curriculum and instruction and has over 33 years in public education. She served at Southwest High School from which she graduated, as the registrar while obtaining a degree in Business Administration (Accounting). She moved from that position to teach Business & Computer Science. Mrs. Stokes transferred to Westside High School when it opened where she served as the department chair for the Career and Technical Education Department teaching courses such as accounting, web design, management, and business ethics. In 2009, she moved into the position of Performance Learning Coach working with all teachers in the area of pedagogy. In 2011, she became the Graduation Coach and worked with both teachers and students to ensure student success. She further was an integral part of the Blended Learning Grant team developing the grant and later implementing the grant. Mrs. Stokes also retired from her previous position in June 2012, and began work toward the Academy for Classical Education charter school proposal.

Pat Kelly. Mr. Kelly serves as the Chief Financial Officer (CFO) and has over 30 year of management experience. He received his Associate's degree in Applied Science in 1985 from the Community College of the Air Force. In 1985 he founded and served until 2005 as the CEO/CFO of Bike Tech, Inc. a multi-state merchandising and assembly company that employed over approximately 125 people. Mr. Kelly then served as the County Manager for Crawford County, Georgia, overseeing all day-to-day operations, until he resigned in December of 2016 in order to work with the Academy of Classical Education.

Larry Dudney. Mr. Dudney serves as the Chief Operating Officer. He spent over 35 years in the Army and Army National Guard, commanded at all levels and retired at the rank of Brigadier General. Some of his assignments include: Deputy Commander of an Infantry Brigade in Iraq and Commander of a Combined Multi-National Joint Task Force in Afghanistan training and mentoring Afghan National Security forces, He also spent time working in the Pentagon on the Quadrennial Defense Review, the purpose of which was to rebalance America's armed forces capabilities to prevail in today's wars and to further reform the Department of Defense's institutions and processes to better support the urgent needs of the armed forces while ensuring responsible spending of taxpayer dollars. He also spent 19 years in education in the public and private schools as an educator, coach, and administrator. Mr. Dudney has earned a Bachelor of Science in Health and Physical Education from Georgia Southern University, a Master's degree in Educational Administration and Supervision from Georgia College, a

Master’s degree in Public Administration from Shippensburg University, and a Master’s degree in Strategic Studies from the Army War College.

Lara Relyea. Ms. Relyea serves as the Dean of Compliance at the Academy for Classical Education. Mrs. Relyea has 20 years in public education. She began her career as a Biology and Physical Science teacher at Southwest High School in 1996. Ms. Relyea became the Science Department Chair in 1999 and led the Southwest Science Department’s growth to having the highest test scores in the school. Ms. Relyea transferred to Westside High School in 2011 to teach Biology and Physics. Ms. Relyea has a Bachelor of Arts degree in Biology from Wesleyan College, a Master of Science Education from Mercer University, an Education Specialist’s degree in Biology Curriculum and Instruction from Georgia College and State University, a Master’s degree in Educational Leadership from Georgia College and State University and will be pursuing a Specialist’s degree in Educational Leadership from Georgia College and State University this fall. Her duties include testing and all assessments as well as compliance with all state and federal program requirements.

County Demographic Information Service Areas

The Academy for Classical Education’s primary service area consists of the County. For the 2015-16 academic year, approximately 99.9% of the students enrolled in the Academy for Classical Education reside in the County. As of July 1, 2015, as reported by the United States Census Bureau (the “U.S. Census Bureau”), the County’s population was 153,721, with 24.9% of the population under the age of 18, and of this population, and the County had 70,267 housing units. In 2014, the County has 4,116 employer establishments with a total employment of 72,701, according to the U.S. Census Bureau, and it was also reported that the owner-occupied housing unit rate from 2010-2014 was 53.8% and the median household income (in 2014 dollars) from 2010-2014 was \$36,614.

The Academy for Classical Education also enrolls students from Monroe County because the Academy for Classical Education has several employees who live in the Monroe County area and due to student priority rules, children of the Academy for Classical Education employees may attend the school. For the 2015-16 academic year, approximately 0.1% of the students enrolled in the Academy for Classical Education reside in Monroe County.

Employees

General. In order to provide the variety of services required by law, the Academy for Classical Education currently employs 119 “full time” employees and five “part time” employees. “Full time” is designated when an employee is working 40 hours or more per week on a permanent basis.

The following table sets forth the type of full time and part time employees currently employed by the Academy for Classical Education.

Employees
(as of January 1, 2017)

<u>Position</u>	<u>Full Time</u>	<u>Part Time</u>
Principal/CEO	1	
Director of Curriculum/Instruction	1	
Dean of Compliance	1	
Chief Operating Officer	1	
Dean of Instruction		1
Teachers	90	
Administrative Assistant	1	
Business Operations Specialists	1	
School Secretaries	2	
Librarians	1	
Nurses		2
Counselors	2	
Campus Security		1

Registrar	1	
Library Clerk	1	
Paraprofessionals	16	
After School Director		1
Total	119	5

Teaching Staff: Current and Projected. In selecting teaching staff, the Academy for Classical Education management states it focus on an applicant’s strong academic preparation, professional competence, intellectual thoroughness, emotional maturity, enthusiastic professional attitude, knowledge of instructional practices and ability to contribute to the advancement of the school mission. Emphasis is placed on the candidate’s academic records, professional certification, and relevant experience. Teachers at the Academy for Classical Education must hold a baccalaureate degree relevant to the field being taught. Special education teachers, are also required to have certification from the Georgia Professional Standards Committee.

Teachers at the Academy for Classical Education are responsible for implementing the curriculum. The guiding motto of the Academy for Classical Education is that the Academy for Classical Education is a place where teachers can teach, and students will learn. As such, the classroom experience for students is considered sacrosanct. Para-professionals work in conjunction with the teachers in grades Kindergarten through third grade to ensure that students receive support as needed. In addition, the Academy for Classical Education employs other para-professionals to assist specific special needs students as well as an Early Intervention Program Teacher to provide early intervention services for the youngest students.

Teachers are responsible for supervising their students throughout the day and for providing a rich and fertile learning environment for their students as well. Each year teachers are asked to provide the administration with a list of their classroom needs and these materials are ordered by the administration within the budget established by the Governing Board. All books are accounted for through the library to ensure an accuracy in the book count as well as to minimize loss, and to document those books that are lost or destroyed. The Academy for Classical Education librarian oversees this process. Students check their academic books out of the library in the fall of the year and return them to the library to at the end of the school year. All teachers are required to work 40 hours per week including after-hours tutoring sessions.

The average annual salary of the teachers at the Academy for Classical Education is \$36,741.60 (July 1, 2015 to June 30, 2016) compared to the average annual salary of other non-charter school public teachers in the School District of \$42,924.00.

The following table sets forth the breakdown by teaching experience of full time teachers at the Academy for Classical Education.

Teachers and Experience
(as of January 1, 2017)

Professional Teacher Experience	Number of Teachers	Percentage
20 or more years	7	8%
15 to 19 years	13	14%
10 to 14 years	13	14%
5 to 9 years	26	29%
2 to 4 years	27	30%
First year	4	4%
TOTAL	90	

Of the 90 full time teachers employed by the Academy for Classical Education, approximately 49% hold a Bachelor’s degree and approximately 51% hold a Master’s, Specialist’s or Doctorate degree(s). Teachers at the Academy for Classical Education have an average of 8 years of teaching experience. See “– Academic Programs” below.

In its first year of operations (the 2014-15 academic year), the Academy for Classical Education had a daily full-time teacher attendance rate of approximately 98%. The teacher retention rate is as follows.

Teacher Retention Rate

	2014-2015	2015-2016
Retention Rate Teachers	98%	96%

The following chart shows both the historic and projected numbers for staff. The projected figures are based on the projected enrollment described below. See “– Enrollment, Admission, Recruitment and Waiting List” below.

Historical and Projected Staffing
(as of January 1, 2017)

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
K-5	24	37	41	41	41	41	41
6-8	12	12	13	15	17	17	17
9	–	4	–	–	–	–	–
9-10	–	–	8	–	–	–	–
9-11	–	–	–	13	–	–	–
9-12	–	–	–	–	17	17	17
Electives	11	14	20	22	27 [†]	29 [†]	30 [†]
SPED/EIP/Reading	2	2	5	7	8	8	8
Paraprofessionals	10	15	16	17	17	17	17
Administrative Staff ^{††}	4 ^{**}	4	4	5	6	7	7
Counselors	1	2	2	3	3	3	3
Library	1	1	1	1.5	1.5	2	2
Library Clerk	0	1	1	1	1	1	1
Clerical Staff	4	5	5.5	5.5	6	7	7
Nurses ^{†††}	2	2	2	2	2	2	2

[†] Elective teachers ultimately project to serve students in grades K-12.

^{††} The Administrative staff consists of a head of school, a dean of instruction, a dean of compliance and a chief operating officer. Expected additions include a part-time CFO for school year 2017-18 and a maximum of two other administrators (to the four that are currently in place) to meet future growth.

^{†††} Based on current experience, the school projects to have two nurses who will work on a part-time basis rotating days so one nurse is at the school each day.

Enrollment, Admission, Recruitment and Waiting List

Admissions. In accordance with public law, any child who is qualified under the laws of the state for admission to a public school is qualified for admission to a charter school. Charter schools are prohibited from discriminating against any student on the basis of intellectual ability, national origin, gender, or disability and cannot limit admission to students on the basis of intellectual ability, measures of achievement or aptitude, disability, race, creed, national origin, religion, or ancestry.

The Academy for Classical Education will enroll any eligible student who resides in the County, and who submits a timely application, if space is available. The Academy for Classical Education does not accept any students who reside outside of the School District unless that child is the child of an employee or a Governing Board member as required by the Georgia Charter School provisions. Current students do not have to reapply after each academic year.

The table below shows the admission statistics for the Academy for Classical Education for the past two academic years and the current academic year.

Admission Statistics
(as of January 1, 2017)

Academic Year	Applicants	Acceptances	Rate of enrolled acceptances
2014-15	1340	760	100%
2015-16	1200	1130	100%
2016-17	1488	1395	100%

Enrollment. The following table shows: (1) the enrollment numbers from the Academy for Classical Education for the past two academic years and the current academic year and (2) enrollment projections until the school years 2020-21.

The enrollment projections set forth below have been developed by the management of the Academy for Classical Education. New fiscal management policies recognized the need for increased revenues to increase teachers' salaries and retention. For fiscal year 17-18, the administration of the Borrower has decided to add an additional 22 students across seven grades. When coupled with a new kindergarten class of 140, the Borrower anticipates fiscal year 2017-18 enrollment numbers to increase to 1550 students. This increase is based on historical growth patterns for similar schools and the waiting list.

These projections are "forward looking statements" as discussed below and are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those presented in the following projections. Inevitably, some assumptions used to develop these projections will not be realized and unanticipated events and circumstances may occur. Therefore, there will likely be differences between the projections and actual results, and those differences may be material.

Historical and Projected Enrollment by Grade
(as of January 1, 2017)

Grade	2014-15	2015-16	2016-17 (current)	2017-18 (projected)	2018-19 (projected)	2019-20 (projected)	2020-21 (projected)
K	80	120	140	140	140	140	140
First	80	120	137	140	140	140	140
Second	79	120	142	140	140	140	140
Third	80	120	147	145	140	140	140
Fourth	80	119	144	145	145	140	140
Fifth	80	122	142	145	145	145	140
Sixth	100	120	144	145	145	145	145
Seventh	97	119	120	145	145	145	145
Eighth	89	114	122	125	145	145	145
Ninth	–	87	87	125	125	145	145
Tenth	–	–	70	85	125	125	145
Eleventh	–	–	–	70	85	125	125
Twelfth	–	–	–	–	70	85	125
TOTAL	765	1,161	1,395	1,550	1,690	1,760	1,815

Note: table includes 40 students in school year 2014-15 and 35 students in school year 2015-16 who repeated the same grade.

Waiting List and Lottery Policy. The Academy for Classical Education accepts applications from new students during the period January 1 - January 31 prior to the school year. If the combined number of recommitment forms and new applications submitted exceeds the capacity of the program, class, grade level, or building, the Academy for Classical Education employs a random selection process that gives all new applicants an equal chance of being admitted (the "Lottery"). The Lottery assigns an enrollment or waitlist priority to each new applicant. The

Lottery is handled by an outside entity who verifies the results. Prestige (defined herein), the school’s education services provider, typically handles all of the school’s Lottery information and procedures including hosting the public Lottery during an evening event in February of each year.

After notification of acceptance, a student registration packet must be completed and submitted by the date set by the Enrollment Office otherwise a seat cannot be guaranteed for that student. Newly enrolled students must be present on the first day of school otherwise their seat will be assigned to the next student on the waiting list. Parents must provide proof of grade placement/promotion from their previous school.

The Academy for Classical Education uses a “waiting list” system to accommodate prospective students who cannot be accepted immediately. Acceptance from the waiting list is based on a Lottery placement system. Priority for enrollment of prospective students, however, is given to siblings of students already enrolled at the Academy for Classical Education, children of full-time employees of the Academy for Classical Education, and the children of the members of the Governing Board. When a student leaves the Academy for Classical Education, that student’s spot is filled using the wait list system.

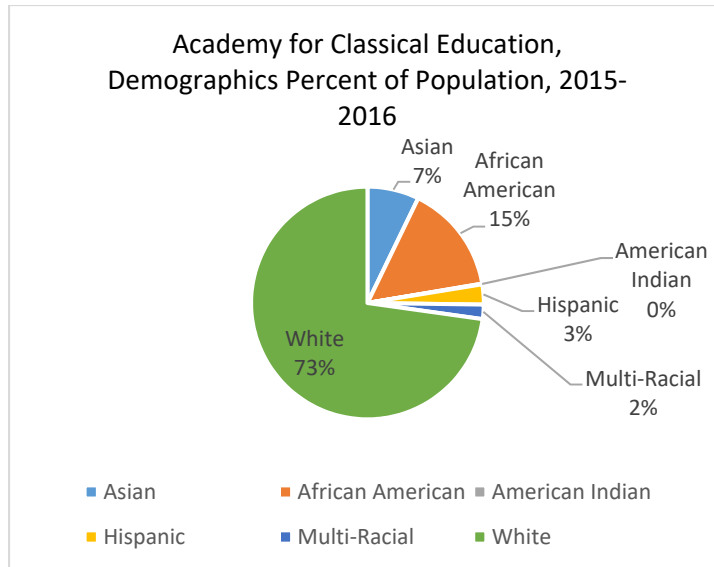
The Academy for Classical Education follows the directives of the State Board of Education when it comes to using the waitlist, so when a seat is vacated by a student, the school is required to offer that seat to the next student on the waitlist in that grade.

The following table sets forth the wait list for the Academy for Classical Education for the past two years and the current year.

Waiting List
(as of January 1, 2017)

<u>Grade</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
Kindergarten	79	123	119
First	58	92	58
Second	98	68	54
Third	102	141	64
Fourth	102	119	106
Fifth	124	93	103
Sixth	145	187	141
Seventh	17	90	108
Eighth	28	20	46
TOTAL	753	933	799

Student Demographic Information. The following graph shows the demographic information for the Academy for Classical Education for the school year 2015-16.



All students in the County receive Free Breakfast and Free Lunch by virtue of the District’s consolidated free lunch program.

Financial Operations, Projections, and Comparative Information

Prestige School Solutions, LLC. The Academy for Classical Education retained Prestige School Solutions, LLC (“Prestige”) to maintain its financial records and assists with financial projections, budgeting and audit preparations. Details of the Academy for Classical Education’s financial records are embodied in its annual audited financials. See [Appendix C](#) “THE BORROWER’S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015.”

Prestige is a charter school management consulting group founded in 2013, and its principals each have over two decades of experience working directly in charter school operations, finance, governance, and management. Prestige began working with the Academy for Classical Education soon after the school’s charter was granted by the District Board in 2013. During this time, Prestige has provided ongoing, on-site consulting and support in all areas of operations, including management consulting services, financial accounting oversight, staff development, curricular and special education guidance, compliance monitoring, and governance training. Prestige assisted with the development of the \$8 million capital and operating budgets for the school, including and guidance with any necessary financing.

As Prestige’s contract with the school expires on or about June 30, 2017, and is not expected to be renewed, the Academy for Classical Education is finalizing its final-year transition phase to full, on-campus, local, independent operation.

Forward Funding of Enrollment. The Academy for Classical Education receives its funding on a monthly basis, generally during the final week of each month, via a wire from Bibb County Board of Education (“BCBOE”). BCBOE and the Academy for Classical Education have shared access to a computerized student information management system (“Infinite Campus”), which contains up-to-date information reflecting the number of students enrolled in the Academy for Classical Education. Using this number, BCBOE advances – or “forward funds” monthly funding to the Academy for Classical Education using the applicable enrollment information reflected in Infinite Campus. The Academy for Classical Education believes that this approach by BCBOE to providing funding is the most effective means of maintaining consistent funding levels based on current information.

Historical and Current Results. The table on the following page shows the historical financial results for the Academy for Classical Education for fiscal years 2014-15 and 2015-16 and the Borrower’s projected financial results for the current year. Past performance does not guarantee future results.

See **Appendix B** “**BORROWER’S FINANCIAL PROJECTIONS FOR FISCAL YEARS ENDING JUNE 30, 2017-2021**” for the Borrower's financial projections, together with accompanying notes, assumptions, and limitations.

On November 3, 2015 the qualified voters residing in the County approved a special purpose local option 1% sales and use tax for education (the "E-SPLOST") to be levied for up to 20 calendar quarters beginning January 1, 2016, and one of the list of permitted special purposes of the E-SPLOST is "capital outlay projects for educational purposes for use by approved charter school operators". The Borrower has requested reimbursement of approximately \$890,000 in costs through the E-SPLOST program. While the Borrower believes such reimbursement will be approved, no amounts have been included in the financial projections for any fiscal year. See “CERTAIN BONDHOLDERS’ RISKS – Construction Risks” in the forepart of this Limited Offering Memorandum.

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Historical and Current Results

	760	1135	1395
Enrolled Students	760	1135	1395
State Funding per student	\$6,437	\$6,351.96	\$6,742
Square Footage	53,578	98,290	143,849
	FY 2014-2015 ACTUAL	FY 2015-2016 ACTUAL	FY 2016-2017 PROJECTED
REVENUES			
State Funds via BCBOE	\$4,892,117	\$7,209,480	\$9,405,916
Enterprise Funds	155,930	285,531	327,130
Other Local Funds	352,499	586,148.64	867,872
Federal Funds (Implementation)	623,116	0	81,433
Total Revenues	\$6,023,662	\$8,081,160	\$10,682,352
EXPENDITURES			
Instructional Services	\$3,128,997	\$4,693,278	\$5,331,600
Instructional Support Services	\$1,769,059	2,154,522	2,901,281
Pupil Services	232,019	229,321	490,584
Instructional Improvement	90,154	81,769	412,789
Educational Media Services	6,282	7,885	119,896
School and Business Administration	1,040,340	1,049,212	1,027,125
Maintenance and Operation of PPE	266,632	501,374	531,409
Student Transportation	28,946	97,089	94,497
Enterprise Operations	104,686	187,873	224,982
Capital Outlay	10,968,214	5,392,246	17,073,882
Debt Service	1,157,957	1,735,600	2,046,935
Principal	349,731	420,671	507,543
Interest	808,226	1,314,929	1,539,392
Total Expenditures	\$17,024,227	\$13,975,647	\$27,353,698
Surplus/(Deficiency) Over Revenues	(\$11,000,565)	(\$5,894,487)	(16,671,346)
Issuance/(Retirement) of Debt	\$10,630,322	\$5,139,272	\$19,648,461
Issuance	10,630,322	5,139,272	43,829,286
(Retirement/Replacement)	0	0	24,180,825
Net Change in Fund Balance	(\$370,243)	(\$755,214)	\$2,977,115
Fund Balance Beginning of Fiscal Year	\$0	(\$370,243)	(\$1,125,457)
Fund Balance at Year End	(\$370,243)	(\$1,125,457)	\$1,851,658
ASSETS			
Cash and Cash Equivalents	\$160,573	\$264,421	748,666
Debt Service Reserve Fund	0	0	2,424,550
Accounts Receivable	1,124	0	0
Prepaid Items + Due from Other Gvts	333,122	0	0
Total Assets	\$494,819	\$264,421	\$3,173,216
LIABILITIES			
Accounts Payable	\$47,818	\$265,261	\$405,546
Accrued Salaries and Benefits Payable	520,576	805,792	831,661
Accrued Interest	1,221	378	84,350
Line of Credit Payable	295,447	318,447	0
Total Liabilities	\$865,062	\$1,389,878	\$1,321,558
FUND BALANCES			
Beginning Fund Balance	\$0	(\$370,243)	(\$1,125,457)
Assigned		2,125	0
Unassigned		(372,368)	(1,125,457)
Change in Fund Balance	(\$370,243)	(\$755,214)	\$2,977,115
Assigned	2,125	0	0
Unassigned	(372,368)	(755,214)	2,977,115
Ending Fund Balance	(\$370,243)	(\$1,125,457)	\$1,851,658
Total Liabilities and Fund Balance	\$494,819	\$264,421	\$3,173,052

: Source: Prestige

Note: Numbers may not foot because of rounding.

* Cash balances excludes cash held in the 2017 Reserve Account within the Debt Service Reserve Fund.

FY 2016-17 Projected Calculations

Net Change in Fund Balance (1)	\$2,977,115
Add Debt Service (Principal and Interest) (2)	\$2,046,935
Add Capital Items	\$17,073,882
Less Issuance/Retirement of Debt	(\$19,648,461)
Net Income Available for Debt Service*	\$2,449,471
Maximum Annual Debt Service	\$2,424,550
DEBT SERVICE COVERAGE RATIO	1.01
Cash on Hand*	\$748,502
Operating Expense	\$9,632,431
DAYS CASH ON HAND	28

Source: Prestige

Note: Numbers may not foot because of rounding.

* Cash balances excludes cash held in the 2017 Reserve Account within the Debt Service Reserve Fund.

(1) Gross Revenues less Operating Expenses (Net of Depreciation and Amortization)

(2) The line item "Debt Service" includes Principal and Interest per Modified Accrual Presentation.

Certain Comparative Information. The following table contains certain comparative information for the periods indicated therein. The information contained in this table is unaudited and the notes with respect to such information follow the table.

Comparative Statement of Change in Financial Position

	Jul - Dec 2016	Jul - Dec 2015 (PY)	Change
Revenue			
1970 Enterprise Revenues	\$ 168,842.79	\$ 134,517.97	\$ 34,324.82
Fundraising and Contributions	480,045.17	280,477.61	199,567.56
Local Revenues	4,706,017.09	3,720,299.99	985,717.10
Total Revenues	\$5,354,905.05	\$4,135,295.57	\$1,219,609.48
Expenditures			
100 Salaries	\$1,655,127.58	\$1,300,928.24	\$ 354,199.34
200 Employee Benefits and Payments	720,479.75	549,954.99	170,524.76
300 Professional / Technical Services	163,695.15	283,702.83	(120,007.68)
332 Background and Employee Screening	7,331.50	3,320.00	4,011.50
340 Legal Services	12,807.00	3,226.00	9,581.00
362 Professional Development	7,793.00	22,462.69	(14,669.69)
430 Repair and Maintenance Services	37,604.46	1,956.38	35,648.08
441 Building Rental	898,069.06	559,340.77	338,728.29
442 Rental of Equipment	15,488.28	12,541.41	2,946.87
519 Student Transportation	2,604.00	6,610.00	(4,006.00)
520 Insurance	37,310.00	36,334.50	975.50
530 Telephone and Telecom	12,543.23	18,636.86	(6,093.63)
580 Travel - Staff	308.18	1,644.08	(1,335.90)
595 Other Purchased Services	40,768.32	13,150.10	27,618.22
610 Supplies	272,726.58	147,919.96	124,806.62
612 Computer Software	46,307.94	17,880.68	28,427.26
615 Non Capitalized Equipment	650.00	33,590.50	(32,940.50)
620 Energy and Utilities	115,269.12	84,301.81	30,967.31
641 Textbook Purchases	55,063.52	100,950.58	(45,887.06)
810 Dues and Fees	89,369.99	30,724.15	58,645.84
830 Interest Expense	55,008.97	37,615.54	17,393.43
890 Other Expenditures	1,121.38	1,334.34	(212.96)
Total Expenditures	\$4,247,447.01	\$3,268,126.41	\$979,320.60
NET REVENUE	\$1,107,458.04	\$ 867,169.16	\$240,288.88

source: Prestige

Note: Any applicable depreciation expense and accumulated depreciation are reported as of the prior fiscal year end.

The information in the preceding table has not been audited or reviewed by the Borrower's auditors and is therefore subject to revision and change as a result of audit adjustments, errors, misclassifications, or other factors that might affect their accuracy. Since the information in the preceding table has not been so reviewed or audited, management has elected to omit substantially all disclosures required by generally accepted standards related to

financial statement preparation, audit, or review with the exception of any “Selected Disclosures” stated herein. The information presented in the preceding table has been prepared based on information available to the Borrower and Prestige, including information derived sources that have not been independently verified. Neither the Borrower nor Prestige has any obligation to update or revise these reports to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events. Inevitably unanticipated events and circumstances may affect the ultimate financial results.

Disclosure Generally. This historical, projected, and comparative financial information does not take into account the investment objectives, financial situation or needs of any investor. All investors should consider such factors in consultation with a professional advisor of their choosing when deciding if an investment is appropriate. These reports should not be considered a comprehensive representation of the Borrower’s cash generation performance and should not be relied upon as the sole reason or reasons to invest.

All phases of the operations of the Academy for Classical Education involve risks and uncertainties, many of which are outside of the control of the Borrower and any one of which, or combination of which, could materially affect its results with respect to its operations. **THE BORROWER CANNOT REPRESENT OR PROVIDE ANY ASSURANCE THAT IT WILL REALIZE REVENUES IN AMOUNTS SUFFICIENT TO MAKE THE REQUIRED PAYMENTS. THE REALIZATION OF FUTURE REVENUES IS DEPENDENT UPON, AMONG OTHER THINGS, FUTURE CHANGES IN ECONOMIC AND OTHER CONDITIONS THAT ARE UNPREDICTABLE AND CANNOT BE DETERMINED AT THIS TIME.** Factors that could cause actual results to differ from those expected include, but are not limited to, termination of or limitations on the Charter; general economic conditions; the willingness of the State to fund public schools including charter schools at present or increased levels; lower per pupil expenditures; decreased funding from other State, local, or federal sources; competitive conditions within the Academy for Classical Education’s service area; lower-than-projected enrollment; unanticipated expenses; changes in government oversight or regulation including changes in the law governing charter schools in the State; future claims (including but not limited to accidents or special education claims) against the Borrower and the extent of insurance coverage for such claims; and other risks discussed in the Limited Offering Memorandum. SEE, FOR EXAMPLE, “THE BORROWER AND THE CHARTER SCHOOL” AND THE SECTIONS ENTITLED “– LIMITED OBLIGATIONS OF THE ISSUER,” “– TERMINATION, NON-RENEWAL OR EXPIRATION OF CHARTER CONTRACT,” “– DEPENDENCE ON SUCCESSFUL OPERATIONS OF THE BORROWER,” “– DEPENDENCE ON THE STATE OF GEORGIA,” “– DEPENDENCE ON THE SCHOOL DISTRICT,” “– CONSTRUCTION RISKS,” “– RISKS OF REAL ESTATE INVESTMENT IN GENERAL,” AND “– TAX-EXEMPT STATUS OF THE BORROWER” UNDER “CERTAIN BONDHOLDERS’ RISKS” in the forefront of the Limited Offering Memorandum.

Academic Programs

Gifted Education. The Academy for Classical Education uses an inclusion model for gifted education. Students who are high achieving and classified “gifted” or “advanced content” are scheduled together for all of their content classes. Approximately 30% of the student population is designated as gifted. Teachers from grades 2 through 12 are required to earn the gifted endorsement by the time they are offered a 2nd contract. Thus far, 34 of the 48 core content teachers have earned that endorsement.

Special Education. The Academy for Classical Education uses a co-teach model for applicable students with special needs. Approximately 7% of the student population are served by special education teachers and an additional 4% of the student population have a plan under Section 504 of the Rehabilitation Act of 1973, as amended.

Curriculum and Instruction. The targeted ratio of students to teachers is 1:20 for kindergarten through fifth grade at the Academy for Classical Education. The maximum classroom size for any class in sixth grade through tenth grade is 23. The Academy for Classical Education provides a minimum of 180 days per year of instruction and approximately 7.5 hours per day of instructional time as specified by the School District.

The Academy for Classical Education works to meet the standards for the Georgia Common Core Performance Standards; however, the Academy for Classical Education is not restricted to this curriculum and uses other curriculum as appropriate to meet the needs of its students.

The Academy for Classical Education utilizes a solid curriculum model that has been time-tested for centuries. The classical education model is a curriculum that works well for children at all intellectual levels. In 1947, Dorothy Sayers, a pioneer in the return to classical education, observed, “although we often succeed in teaching our pupils ‘subjects,’ we fail lamentably on the whole in teaching them how to think.” Beyond subject matter, classical education develops those skills in students that are essential in higher education and throughout life-independent scholarship, critical thinking, logical analysis, and a love for learning. Students who are intellectually talented will respond to this curriculum model by moving quickly through materials and requiring extensive work on the part of the teacher to extend the learning. Students who may face academic challenges will find that the organization and structure of the curriculum, its ability to build skill upon skill, helps the learner gain skills as they progress.

The Founders believe that the classical education curriculum has stood the test of time and has contributed to the greatest thinkers in the world. A classical education introduces students to the tools of learning and provides them with the experiences to master those tools with the end result being students who know how to learn as to better understand well as why learning is important.

Lawrence J. Peter, teacher and author, wrote, “If you don’t know where you are going, you’ll end up someplace else.” The classical education curriculum enables students to study the past in great depth so that they have a better understanding of how to maneuver the future. Further, by reading and studying the great literature of the world, students develop the ability to have the “great conversations” that classical education headmaster and author, Dr. Christopher Perrin, describes. Through the readings, writing and discussions, students develop the skills to not only parse the words but analyze the meanings and extrapolate beliefs and ideas for future use.

The Academy for Classical Education focuses on instructional techniques that enhance learning opportunities for all of its students by hiring teachers who are not only qualified but who are interested in teaching in a style that encourages students to actively participate in the process of learning. The Academy for Classical Education specifically looks at teacher qualifications and experience, but in addition, gives preference to teachers with specific certification types such as gifted endorsement, reading endorsement or the advanced placement endorsements. The Academy for Classical Education also recognizes that teachers must fundamentally form strong relationships with their students regardless of the grade so class sizes are kept low from kindergarten to fifth grade and increase only slightly in sixth grade and higher. Experienced educators know quantitatively and qualitatively that their ability to help students learn and grow diminishes as class sizes increase. The Academy for Classical Education believes that through the use of class size waivers, the Academy for Classical Education teachers will be able to form positive relationships with students in their class and impact those students educationally because the class sizes will be capped at each level from kindergarten through high school. In addition, through the use of a blended learning delivery model, students will be able to utilize a variety of technology to support the learning process as well as to encourage communication among students, teachers, parents, peers, and external resources.

As a charter school, the Academy for Classical Education enjoys the luxury of being an autonomous entity that can develop a vision for the educational needs of its students based on research, and then follow that plan consistently. The leadership of the Academy for Classical Education believes this will set the Academy for Classical Education as a charter school apart from its traditional public school cousins. Enabling the Academy for Classical Education to develop its students in one setting from Kindergarten to graduation provides the time, structure, and relationships that foster growth and academic excellence. Further, having a school that encompasses kindergarten through grade 12 ultimately fosters an investment in all the Academy for Classical Education students by their teachers. Teachers in the lower grades have the opportunity to see their students grow and learn over a period of several years, ultimately graduating from high school. This investment is shared by all teachers involved.

Extracurricular Activities and After School Care. The mission of the Academy for Classical Education Athletic Department is to provide athletic programs that help develop the student-athlete through education and competition. The athletic programs teach an attitude of discipline, sportsmanship, and integrity. The athletic program provides a competitive environment which complements and supports the academic program by teaching student-athletes perseverance, leadership, and teamwork.

The Academy for Classical Education has the following athletic teams: girls’/boys’ soccer, baseball, softball, swimming, cross country, tennis, golf, and cheerleading. With the start of the 2016 school year, boys in

grades 6 through grade 10 are able to participate in an “after school conditioning” in preparation for football in the 2017 school year.

The after-hours program serves approximately 400 students whose parents require care for their children after the school day ends. The Academy for Classical Education offers traditional after school care where students complete homework, receive help with homework if needed, are provided a snack, and have supervised play time. The Academy for Classical Education offers an Athletic After-School program where students complete homework, are provided a snack, and then participate in organized athletic events. The Academy for Classical Education also offers an Art After-School activity where students complete homework, are provided a snack and then work on art activities. Much of the art on display at the Academy for Classical Education comes from the Academy for Classical Education After-school students.

In addition to the athletic teams described above, the following table is a summary of the after school and other clubs and organizations offered at the Academy for Classical Education.

Club/Organization

Name	Description Organization	Grade Levels
Show Choir	Show Choir is an auditioned group open to male and female students in grades 7-9 who are enrolled in chorus during the school day. The focus of this group is performance of popular and Broadway style music with choreography.	8 th - 10 th
Grammar School Choir	Students in grades 4 and 5 will have the opportunity to audition to perform in the Grammar School Choir. Students in this choir will be introduced to choral music in several forms and will memorize songs for public performances.	4 th + 5 th
Drama Club	Students explore the performing arts through dramatic expression. The Drama Club will have two productions for the 2015-2016 school year. Students involved will have the opportunity to audition for parts. Those students not interested in acting but enjoy the “back stage” features of the dramatic arts are also encouraged to become involved. Students whose interests are in these areas will be involved in learning how to set up sound systems, lighting, props, stage management, etc.	Varies depending on play produced
ACE Chess Club	The chess club meets weekly depending on the skill level of the players. Intermediate and advanced players also work with the beginning players. Space in this club is limited.	5 th -10 th
Zone 2 Fiddlers	The Zone 2 Fiddlers is an auditioned performance group that concentrates on traditional “old time” music. Students will learn jamming etiquette as well as how to play melody, harmony, and back-up. Performances will be from memory, as fiddling is an aural tradition. Students in this group commit to school and community performances. Students must be enrolled in orchestra to participate.	6 th - 10 th
4 th and 5 th Grade Chorus	Students in grades 4 and 5 may audition for the 4 th and 5 th grade chorus. Auditions will be held at the beginning of the year. Students in this organization practice for school and community performances.	4 th - 5 th
Technology Student Association (TSA)	The mission of Georgia TSA is to prepare its membership to be successful leaders and responsible citizens in a technological society through co-curricular activities with the technology education program which include: communication, leadership, and competitive skill development in the classroom/laboratory environment.	6 th - 10 th
Student Government	Student representatives are selected from each homeroom class to present student concerns, develop protocols for school improvement, and organize student charitable and extra-curricular activities such as canned food drives and student vs. teacher kickball games. Council members are nominated and elected from each homeroom and officers are elected by a school-wide vote.	5 th - 10 th
Academic Bowl	Students interested in competing against other students to answer intellectually challenging questions and problems in areas such as history, literature, science, math, arts, and entertainment. Students must apply for a position on the Academic Bowl team and selection is based on past and current grades, standardized test scores, and teacher recommendations.	6 th - 10 th

Name	Description Organization	Grade Levels
Junior Beta Club	The Junior Beta Club is a service organization for students in grades 4-12 that promotes the ideals of achievement, character, leadership, and service. The motto for Junior Beta is "Let Us Lead by Serving Others." Students are invited to join Junior Beta Club who have an average of 93. Rising 6 th -10 th graders must have an average of 93 in the four core subjects (English, math, science, and social studies.)	4 th + 5 th 6 th - 8 th 9 th - 10 th
Science Olympiad-Grammar School	The grammar school Science Olympiad organization will enable students interested in science to prepare for team events that require hands-on, group participation to solve science problems and to improve the quality of science education and interest in science.	3 rd - 6 th
Math 24 Team	Math 24 is a card game in which students find different ways to make the number 24 using the basic operations of addition, subtraction, multiplication, and division. All 4 th and 5 th graders will learn how to play during the first semester. The competition team will be selected, attend practices and compete during the second semester	4 th + 5 th
Math Team	The math team for the grammar school will prepare students to solve math problems individually and as a team.	4 th + 5 th
Fellowship of Christian Athletes	The purpose of the Fellowship of Christian Athletes organization is to unite faith and athletics for interested student athletes. Student athletes meet weekly to read and discuss topics appropriate to these student athletes.	6 th - 10 th

Summer Camps. During the summer of 2016, the Academy for Classical Education offered several summer camps for students. Kindergarten teachers offered a two week "kindergarten prep" for students who would be coming into kindergarten for the 2016-2017 school year. This camp worked to acclimate students to the daily routine of kindergarten. Five teachers from the Academy for Classical Education offered reading or math camps to help struggling students or to provide support for summer reading or math activities. The Academy for Classical Education also offered a summer band camp for students who are in or interested in the Academy for Classical Education band. The Academy for Classical Education coaches offered summer camps in soccer and softball.

Student Performance and Assessment

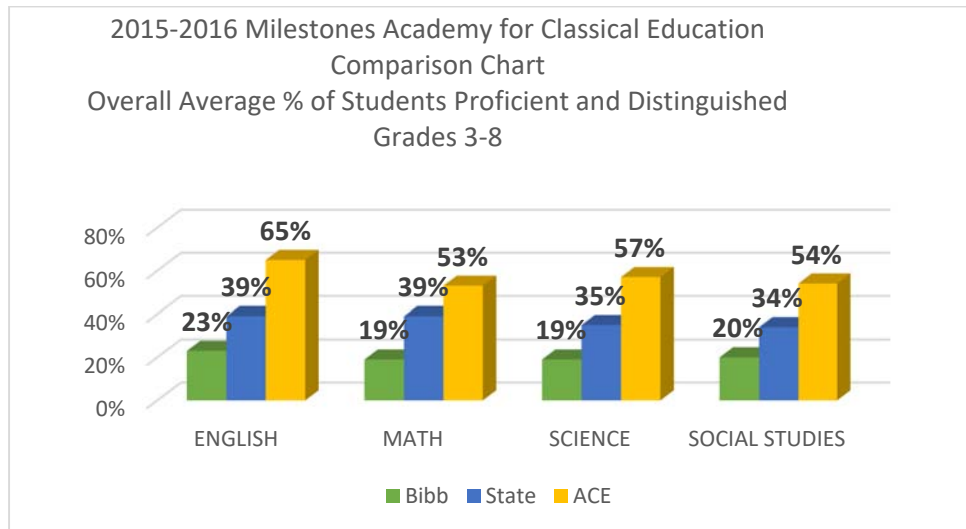
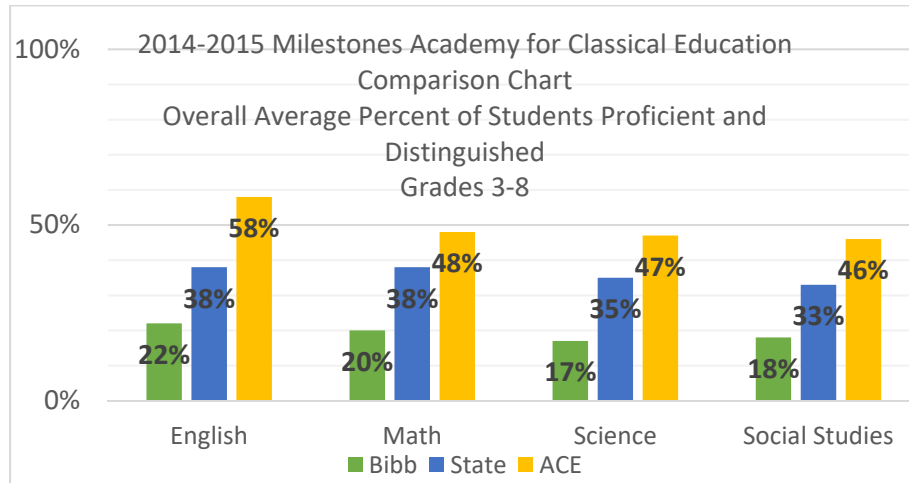
Pursuant to its Charter, the Academy for Classical Education has established and agreed to meet or exceed a performance-based goal with measurable objectives in order to improve student achievement. The performance goal, as demonstrated by the measurable objectives are designed to result in improvement of student achievement and to comply with the State's Single Statewide Accountability System in accordance with the Charter Schools Act. The leadership of the Academy for Classical Education reports the students have consistently outperformed the School District averages and Georgia state averages on the annual state mandated "Milestones" test.

The Academy for Classical Education administers all standardized tests required by the School District and the State Board of Education based on the testing calendar of the School District. The Academy for Classical Education provides results of these tests and other data relating to the performance goals to the School District and prepares and provides an annual report to parents/guardians, the State Board of Education, the Governing Board, and the community by October 1 of each year in the format required by the State.

For students in sixth, seventh, and eighth grades, the Academy for Classical Education and the State Board of Education measure student performance through report cards, informal benchmark assessments, the Milestones, advanced placement exams, and as of this year, will offer the Preliminary Scholastic Aptitude Test ("PSAT") in October to the tenth grade students.

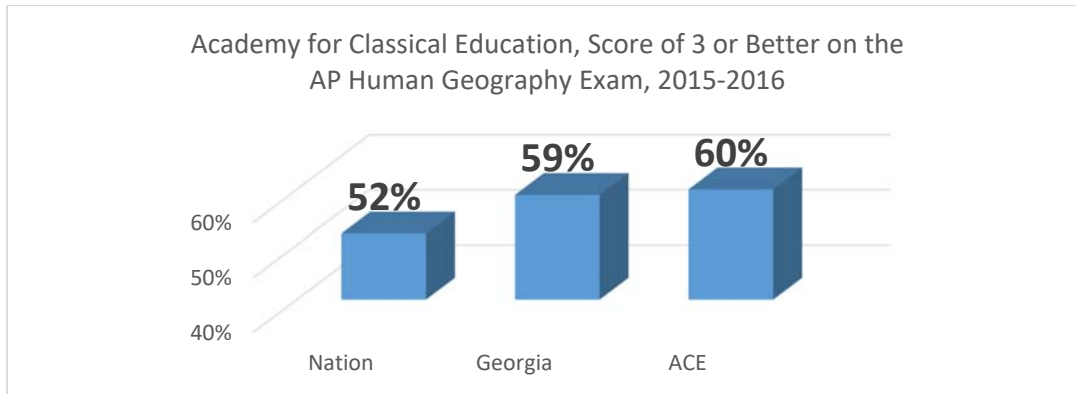
The Milestones are a statewide single-point-in-time test, aligned with the State's performance standards, that covers limited grades and subjects each year.

The table below summarizes the Academy for Classical Education students' scores that met or exceeded the standards in every test grade and subject for the years 2014-15 and 2015-16.



In the 2015-2016 school year, the Academy for Classical Education ninth graders were offered the opportunity to take their first Advanced Placement course: AP Human Geography. Forty-one students from the Academy for Classical Education took the Advanced Placement exam in the spring of last year and of those students, two ninth graders scored a “5,” which is the highest score on the exam.

The results from this exam are shown in the graph below.



Recruitment. The Academy for Classical Education’s main recruitment effort includes providing marketing information about charter school programs, services, and amenities to the families of eligible students. The recruitment period starts in November when the Academy for Classical Education hosts “Walk-Through Wednesdays” each Wednesday from the first of November until the end of January. Information goes home to current families and flyers are mailed to local day care centers, church schools, etc. This information includes dates and times for “Walk Through Wednesday” as well as beginning and end dates for admission applications, lottery date and enrollment periods. Information is posted on the school’s website and sent to local media as well.

Competition. The Academy for Classical Education competes for students against other schools in the School District, as well as charter schools and private schools located in the County. Management of the Academy for Classical Education believes that parents decide to apply and enroll their children at the Academy for Classical Education because of the quality of the academic programs offered and the reputation of the school.

The following two tables sets forth certain schools that management believes are the main competitors with the Academy for Classical Education for students. Although the Borrower has attempted to obtain accurate information concerning the following competing schools, the Borrower does not warrant as to the completeness or accuracy of such information.

Competition: Public Schools
(as of January 1, 2017)

School	Grade Levels	Distance from ACE	Teacher/Student Ratio	Estimated Enrollment
Alex II Elementary	K-5	10.2 miles	17:1	586
Lane Elementary	K-5	4.2 miles	17:1	518
Heritage Elementary	K-5	7.6 miles	18:1	816
Skyview Elementary	K-5	14.1 miles	17:1	542
Sonny Carter Elementary	K-5	5.0 miles	16:1	592
Springdale Elementary	K-5	2.7 miles	18:1	684
Rosa Taylor Elementary	K-5	7.1 miles	14:1	567
Vineville Elementary	K-5	8.7 miles	19:1	555
Howard Middle School	6-8	5.3 miles	16:1	1,024
Miller Middle School	6-8	10.0 miles	17:1	881
Rutland Middle School	6-8	18.2 miles	15:1	942

Source: The Borrower, based on information from the School Board website.

Competition: Private Schools
(as of January 1, 2017)

Covenant Academy	K-12	7.1 miles	8:1	396
First Presbyterian Academy	K-12	5.0 miles	12:1	1,007
Mt. de Sales Academy	K-12	10.0 miles	9:1	640
St. Joseph's	K-6	10.0 miles	12:1	305
Stratford Academy	K-12	5.1 miles	9:1	961
Tattnall Square Academy	K-12	3.6 miles	11:1	550
Windsor Academy	K-12	19.4 miles	11:1	210

Source: The Borrower, based on publicly available sources.

THE SERIES 2017 PROJECT

Overview

The Series 2017 Bonds are being issued to (i) finance all or a portion of the costs of the acquisition of the Property, which includes the two existing buildings and improvements (the “Existing Improvements”) and the Additional Improvements (defined herein) to be completed following conveyance of the Property (collectively, the “Acquisition”), such property and improvements currently constituting the campus on which the Borrower operates its charter school, (ii) refinancing certain prior loans as described herein; (iii) fund the 2017 Reserve Account within the Debt Service Reserve Fund, and (iv) pay all or a portion of the costs of issuing the Series 2017 Bonds (collectively, the “Series 2017 Project”).

Acquisition of Property, Existing Improvements, and Additional Improvements

A portion of the proceeds of the Series 2017 Bonds will be used to finance the Acquisition. See “SOURCES AND USES” in the front section of this Limited Offering Memorandum. The Borrower and the Seller have entered into Purchase and Sale Agreement, dated March 2, 2017 (the “Purchase and Sale Agreement”), pursuant to which the Borrower will purchase from the Seller the Property, the Existing Improvements, and the Additional Improvements (defined herein) for \$27,790,900 (the “Purchase Price”). The Additional Improvements are improvements the Seller has begun to design and construct but are not expected to be completed until fall of 2017. A portion of the Purchase Price in the amount of \$6,225,000 (the “Additional Improvements Purchase Price”) will be held by the Trustee and disbursed in accordance with the Indenture as the Additional Improvements are completed in accordance with the provisions of the Purchase and Sale Agreement.

The Additional Improvements include the final phase of the build-out of the Campus and is expected to include approximately 60,000 square feet of the original 200,000 square foot facility. For information on the previous phases, see “THE ACADEMY FOR CLASSICAL EDUCATION – Campus and Facilities” above. The “Additional Improvements” described in the Purchase and Sale Agreement as follows and are expected to be completed in three sections.

Section 1 of the Additional Improvements (“Section 1”) is expected to include the following: (i) a suite of three offices for coaches; (ii) program space for six 7th grade classrooms; (iii) the reconfiguration of the existing 8th grade build out; (iv) the build out of 9th and 10th grade suite with six units in each grade; (v) the enlargement of the original phase I cafeteria by removing the existing stage and access ramp (to facilitate fewer lunch time zones and create a more efficient food service delivery system), the reconfiguration of the existing unused kitchen facility from the original building program (adjacent to prior area), and the addition of a middle school band room which will allow such room to be acoustically isolated from traditional classroom space and allows direct access to the outside for band practice and march drills; and (vi) the reconfiguration of a portion of the original administrative suite for needed office space and creating a computer lab and testing suite adjacent to the original administrative suite to meet the final program needs.

Section 2 of the Additional Improvements (“Section 2”) is expected to include the following: (i) a 14,225 square feet gymnasium with seating for no fewer than 1,200 spectators in retractable bleachers and floor seating for special events that will accommodate an additional 890 seats in movable chairs, matching (and required) restroom facilities, and a separate multi-purpose space sized for a regulation wrestling mat and ceiling heights that can accommodate competitive cheer team practice; (ii) gymnasium support space which also includes a concession facility and sport training room with laundry and basic medical needs; and (iii) two 11th grade classrooms so as to create six total classrooms for 11th grade and 12th grade (which were reconfigured in the previously completed phase). The gymnasium retrofit will require removal of four roof structure supporting columns.

Section 3 of the Additional Improvements (“Section 3”) is expected to include the following: (i) a 2,200 square feet, state of the art band and music suite to include a retrofitted acoustical wall shell system (designed to isolate the noise generally associated with this program element) and large and small practice areas and (ii) a 1,700 square foot unfinished storage area with direct access to the outside through overhead doors and a semi-level loading dock adjacent to band and music suite.

In the Purchase and Sale Agreement, as Section 1 is required to allow the Borrower to open eleventh grade, the Seller has agreed to substantially complete Section 1 by July 31, 2017. The Purchase and Sale Agreement also requires the Seller to substantially complete Section 2 by October 31, 2017 as such construction can take place during the school year without major disruption of school activities. The Purchase and Sale Agreement, however, does not contain a liquidated damages provision with respect to late delivery.

The Seller and the Borrower have agreed that the Additional Improvement Purchase Price may not be increased without Borrower’s consent, which may be withheld or conditioned in Borrower’s sole and absolute discretion and/or for any reason that is in Borrower’s interest. In the event that the cost to complete Section 3 to the same finish level as the remainder of the Additional Improvements would cause the cost of the Additional Improvements to exceed the Additional Improvements Purchase Price, then the parties shall cause the finishes of Section 3 to be value engineered so that the Additional Improvements may be completed for the Additional Improvements Purchase Price, but the same shall not permit any reduction in the quality or quantity of the Additional Improvements or omission of Section 3. The Additional Improvements are to be constructed to the same quality level as the previous phases of build-out.

The Seller has commissioned various designs and plans for the Additional Improvements and has executed a construction contract with True North Construction to complete the Additional Improvements (and finish the build-out of the school facility). The Seller will continue to consult with the Borrower on design and aesthetic aspects of the plans. The Purchase and Sale Agreement does not allow the Seller to propose change orders to the Additional Improvements and the parties have agreed that no changes shall be allowed that would materially affect the Seller’s obligations to deliver the Additional Improvements by the applicable substantial completion date described above for the Additional Improvement Purchase Price. The Seller shall provide, or shall cause to be provided, copies of certificates of insurance from the architect and the general contractor in form and substance acceptable to the Borrower, and the Borrower and the Trustee shall be named as additional insured on all such insurance policies.

The Purchase and Sale Agreement does not require the Seller or True North Construction to obtain payment or performance bonds.

The Purchase and Sale Agreement provides that as the Seller completes a portion of the Additional Improvements, the Seller may (but not more than once a month) submit a request for payment in the form and meeting the conditions provided by the Indenture. See **Appendix E "CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – Indenture"** herein. Upon the submission of such request, the Architect will inspect to (i) verify that the work for which payment is requested was completed, (ii) verify that all applicable governmental approvals and any other permits or inspections required in connection with the construction of such completed improvements have been received or approved, as applicable, (iii) verify that such completed improvements were completed in accordance with the plans and specifications and with all applicable governmental approvals, and (iv) verify and approve the actual costs of such work specified.

At the time of each payment application, the Seller or True North Construction (on behalf of the Seller) shall furnish the Borrower with evidence that the applicable work is free from all mechanics' and materialmen's liens, which shall be in the form of lien waivers from the True North Construction (or such other means of assurance as is reasonably acceptable to the Borrower and such other parties that might be required under the bond financing) if any such liens are filed and are in the process of being contested in good faith.

Refinancing

A portion of the proceeds from the Series 2017 Bonds are expected be used to refund/refinance certain outstanding debt of the Borrower. See "PLAN OF FINANCE" in the forefront of the Limited Offering Memorandum. The description of the prior debt is as follows.

State Bank and Trust Company. The Borrower has entered into a line of credit with State Bank and Trust Company, a Georgia state-chartered bank (the "State Bank Line of Credit"). The State Bank Line of Credit has a maximum amount of \$500,000 and a maturity date of December 19, 2017. As of January 31, 2017, the outstanding principal amount was \$468,477.00. The proceeds of the State Bank Line of Credit has been used for working capital purposes. The Borrower expects to use a portion of the proceeds of the Series 2017 Bonds to pay in full the State Bank Line of Credit, after which the line of credit will be cancelled.

Renasant Bank. The Borrower has outstanding a loan from Renasant Bank ("Renasant"), a Mississippi banking association with operations in Mississippi, Tennessee, Alabama, Florida and Georgia, that is in an original principal amount of \$1,614,878.00 (the "Renasant Loan"). The Renasant Loan refinanced certain prior loans made to the Borrower by Renasant (or an entity acquired by Renasant). All of the proceeds of the Renasant Loan, and the prior loans that were refinanced, were used to finance the acquisition of certain technology and technology infrastructure equipment, such as a VOIP phone system, data centers, routers, switches, audio equipment, and other similar equipment. As of April 3, 2017, the Renasant Loan has an outstanding principal amount of \$1,475,558.95. The Borrower expects to use a portion of the proceeds of the Series 2017 Bonds to pay in full the Renasant Loan.

Kingsbridge Master Lease. In order to finance certain technological equipment and fixtures and furnishing, the Borrower entered into a master lease arrangement (the "Kingsbridge Master Lease") with Kingsbridge Holdings, LLC, as master lessor. The Kingsbridge Master Lease contains four separate schedules, pursuant to which the Borrower financed fixtures, furnishings, and equipment including (but not limited to) maker boards, storage equipment, audio-visual equipment, presentation equipment, furniture, such as desks, chairs, activity and other tables, and cabinets, lab and other equipment, and certain installation services in connection therewith. Each schedule has a base term of 36 months but has certain automatic renewal provisions and also allows the Borrower to purchase the equipment for fair market value plus the remaining applicable rents.

The Borrower expects to use a portion of the proceeds of the Series 2017 Bonds to purchase all of the equipment financed pursuant to the Kingsbridge Master Lease. As of March 31, 2017, the purchase price of each schedule has been calculated as follows: the aggregate remaining required rents and the fair market value at the end of the term is \$ \$529,131.78 and \$159,277.25, respectively, for an aggregate total of \$688,409.03.

APPENDIX B

**BORROWER'S FINANCIAL PROJECTIONS FOR FISCAL YEARS
ENDING JUNE 30, 2017-2021**

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PROJECTIONS

Projections. The following table contains the projections of financial position for fiscal years 2017-18 to 2020-21. See “NOTES AND ASSUMPTIONS” below for the notes, assumptions, and limitations underlying such projections.

Enrollment State funding per student Square Footage	1550 \$7,090 207,975	1690 \$7,231 207,975	1760 \$7,376 207,975	1815 \$7,523 207,975
	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
REVENUES				
State Funds via BCBOE	\$10,988,765	\$12,220,925	\$12,981,659	\$13,655,083
Enterprise Funds	357,142	389,400	405,529	418,202
Other Local Funds	964,303	1,051,401	1,094,950	1,129,167
Total Revenues	\$12,310,210	\$13,661,725	\$14,482,138	\$15,202,452
EXPENDITURES				
Instructional Services	\$6,274,559	\$6,841,293	\$7,124,660	\$7,347,306
Instructional Support Services	2,688,111	3,025,913	3,245,712	3,370,778
Pupil Services	372,778	406,448	423,283	436,511
Inst Improvement	260,816	284,374	296,152	305,407
Educ Media Services	106,704	116,341	124,947	124,947
School and Business Administration	1,039,422	1,132,402	1,215,420	1,211,920
Maintenance and Operation of PPE	620,000	694,400	777,728	871,055
Student Transport	65,000	130,130	135,520	139,755
Enterprise Ops	223,391	261,817	272,662	281,183
Capital Outlay	50,000	50,000	50,000	50,000
Debt Service	2,231,887	2,034,125	2,429,125	2,424,100
Principal	0	0	385,000	415,000
Interest	2,231,887	2,034,125	2,034,125	2,009,100
Total Expenditures	\$11,244,557	\$11,951,331	\$12,839,498	\$13,192,184
Surplus/(Deficiency) over Revenues	\$1,065,652	\$1,710,394	\$1,642,640	\$2,010,268
Issuance (Retirement) of Debt	0	0	0	0
Net Change in Fund Balance	\$1,065,652	\$1,710,394	\$1,642,640	\$2,010,268
Fund Balance Beginning of Fiscal Yr	1,851,658	2,917,311	4,627,705	6,270,345
Fund Balance at Year End	\$2,917,311	\$4,627,705	\$6,270,345	\$8,280,613
ASSETS				
Cash and Equivalents	\$2,138,550	\$3,980,920	\$5,697,755	\$7,762,337
Debt Service Reserve Fund	2,424,550	2,424,550	2,424,550	2,424,550
Accounts Receivable	0	0	0	0
Prepaid Items + Due from other Gvts	0	0	0	0
Total Assets	\$4,563,100	\$6,405,470	\$8,122,305	\$10,186,887
LIABILITIES				
Accounts Payable	\$431,257	\$475,415	\$500,282	\$517,211
Accrued Salaries/Benefits	1,092,237	1,190,891	1,240,218	1,278,975
Accrued Interest	122,295	111,459	111,459	110,088
Line of Credit Payable	0	0	0	0
Total Liabilities	\$1,645,789	\$1,777,765	\$1,851,959	\$1,906,274
FUND BALANCES				
Beginning Fund Balance	\$1,851,658	\$2,917,311	\$4,627,705	\$6,270,345
Assigned	0	0	0	0
Unassigned	1,851,658	2,917,311	4,627,705	6,270,345
Change in Fund Balance	\$1,065,652	\$1,710,394	\$1,642,640	\$2,010,268
Assigned	0	0	0	0
Unassigned	1,065,652	1,710,394	1,642,640	2,010,268
Ending Fund Balance	\$2,917,311	\$4,627,705	\$6,270,345	\$8,280,613
Total Liabilities and Fund Balance	\$4,563,100	\$6,405,470	\$8,122,305	\$10,186,887
Net Change in Fund Balance (1)	\$1,065,652	\$1,710,394	\$1,642,640	\$2,010,268
Add Debt Service (Principal and Interest)(2)	\$2,231,887	\$2,034,125	\$2,419,125	\$2,444,100
Add Capital Items	\$50,000	\$50,000	\$50,000	\$50,000
Less Issuance/Retirement of Debt	\$0	\$0	\$0	\$0
Net Income Available for Debt Service*	\$3,347,540	\$3,794,519	\$4,111,765	\$4,487,868
MADS	\$2,424,550	\$2,424,550	\$2,424,550	\$2,424,550
DEBT SERVICE COVERAGE RATIO	1.38	1.57	1.70	1.85
Cash on Hand*	\$2,138,550	\$3,980,920	\$5,697,755	\$7,762,337
Operating Expense	\$11,194,557	\$11,901,331	\$12,404,498	\$12,727,184
DAYS CASH ON HAND	70	122	168	223

Source: Prestige

Note: Numbers may not foot because of rounding.

(1) Gross Revenues less Operating Expenses (Net of Depreciation and Amortization)

(2) The line item “Debt Service” includes Principal and Interest per Modified Accrual Presentation.

* Cash balances exclude cash held in 2017 Reserve Account within the Debt Service Reserve Fund.

SENSITIVITY ANALYSES

The following tables demonstrate that variances in assumptions underlying the projections table above that would cause different results for calculation of coverage ratio and days cash on hand.

Table 1 below shows the coverage ratio and days cash on hand based on annual debt service rather than Maximum Annual Debt Service. Table 2 shows the coverage ratio and days cash on hand assuming a level State funding per student.

Table 1: Annual Debt Service

Enrollment	1550	1690	1760	1815
State funding per student	\$7,090	\$7,231	\$7,376	\$7,523
	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
TOTAL REVENUES	\$12,310,210	\$13,661,725	\$14,482,138	\$15,202,452
TOTAL EXPENDITURES	\$11,244,557	\$11,951,331	\$12,839,498	\$13,192,184
Net Change in Fund Balance (1)	\$1,065,652	\$1,710,394	\$1,642,640	\$2,010,268
Add Debt Service (Principal and Interest) (2)	\$2,231,887	\$2,034,125	\$2,419,125	\$2,424,100
Add Capital Items	50,000	50,000	50,000	50,000
Less Issuance/Retirement of Debt	0	0	0	0
Net Income Available for Debt Service*	\$3,347,540	\$3,794,519	\$4,111,765	\$4,484,368
Actual Debt Service (Principal and Interest) (2)	\$2,231,887	\$2,034,125	\$2,419,125	\$2,424,100
Modified Debt Service Coverage Ratio	1.50	1.87	1.70	1.85
Cash on Hand*	\$2,138,550	\$3,980,920	\$5,697,755	\$7,762,337
Operating Expense	\$11,194,557	\$11,901,331	\$12,404,498	\$12,727,184
DAYS CASH ON HAND	70	122	168	223

Source: Prestige

Note: Numbers may not foot because of rounding.

(1) Gross Revenues less Operating Expenses (Net of Depreciation and Amortization)

(2) The line item "Debt Service" includes Principal and Interest per Modified Accrual Presentation.

* Cash balances exclude cash held in 2017 Reserve Account within the Debt Service Reserve Fund.

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Table 2: Level Funding

Enrollment	1550	1690	1760	1815
State funding per student	\$6,742	\$6,742	\$6,742	\$6,742
	FY 2017-18 Projected	FY 2018-19 Projected	FY 2019-20 Projected	FY 2020-21 Projected
TOTAL REVENUES	\$11,771,545	\$12,834,781	\$13,366,399	\$13,784,099
TOTAL EXPENDITURES	\$11,244,557	\$11,951,331	\$12,839,498	\$13,192,184
Net Change in Fund Balance (1)	\$526,987	\$883,450	\$526,901	\$591,915
Add Debt Service (Principal and Interest) (2)	\$2,231,887	\$2,034,125	\$2,419,125	\$2,424,100
Add Capital Items	50,000	50,000	50,000	50,000
Less Issuance/Retirement of Debt	0	0	0	0
Net Income Available for Debt Service*	\$2,808,875	\$2,967,575	\$2,996,026	\$3,066,015
MADS	\$2,424,550	\$2,424,550	\$2,424,550	\$2,424,550
DEBT SERVICE COVERAGE RATIO	1.16	1.22	1.24	1.26
Cash on Hand*	\$1,599,885	\$2,615,310	\$3,216,406	\$3,862,636
Operating Expense	\$11,194,557	\$11,901,331	\$12,404,498	\$12,727,184
DAYS CASH ON HAND	52	80	95	111

Source: Prestige

Note: Numbers may not foot because of rounding.

(1) Gross Revenues less Operating Expenses (Net of Depreciation and Amortization)

(2) The line item "Debt Service" includes Principal and Interest per Modified Accrual Presentation.

* Cash balances exclude cash held in 2017 Reserve Account within the Debt Service Reserve Fund.

NOTES AND ASSUMPTIONS

The following are the notes and assumptions to the various information in this Appendix B.

Notes and Assumptions

Basic Assumptions:

- The statements are presented using the modified accrual basis to most closely match the format and content of the audited financial statements.
- The projections use an estimated building square footage of 207,975.
- Enrollment assumptions derived from chart entitled "Historical and Projected Enrollment by Grade" in "APPENDIX A – THE ACADEMY FOR CLASSICAL EDUCATION – Enrollment, Admission, Recruitment and Waiting List."
- The Borrower has been notified by the School District that a 3% administrative fee collected in previous years would be removed so the line item, "Student funding per student" has been increased by this amount. The Borrower can provide no assurance that this administrative fee will not be reinstated at any time.

Revenue Assumptions:

- The line item "Enterprise Revenues" are calculated at an average rate of \$230.41 per student based on 3-year rolling average.
- The line item "Other Local Funds" primarily includes school-based fundraising, athletics funds, and collections for field trips. Beginning in 2017-18, rate of annual growth in "Other Local Funds" is based on an amount equal to the percentage increase in current period enrollment over prior period enrollment.
- The Borrower will receive "e-rate" funds in fiscal year 2016-17, however, as these amounts are not estimable, these projections do not include any such funds.

Expense Assumptions:

- Projections for 2017-18 projections are based upon the most recent draft of the projected budget for 2017-18.
- Beginning in 2018-19, the rate of annual growth in the expense line items (and the sub items within) “Instructional Services,” “Pupil Services,” “Instructional Improvement,” “Educational Media Services,” “School and Business Administration” (all net of payroll costs) is based on an amount equal to the percentage increase in current period enrollment over prior period enrollment.
- Growth in instructional payroll (included in the “Instructional Services” expense line item) is based on 3.5% salary increase per year.
- The line item, “Instructional Support Services - School and Business Administration” includes \$159,035 reduction to reflect June 30, 2017, expiration of contract employing Prestige as administrative consultant.
- Growth in administrative payroll is based on 2.5% increase per year.
- Beginning in 2018-2019, the rate of annual growth in "Maintenance and Operation of PPE" expenses (net of all payroll costs) is based on an amount equal to 12% per year over the prior year
- The “Enterprise Expense” line item is calculated based on 67% of “Enterprise Revenues” (based on 3-year rolling average).
- Fees for the Dissemination Agent and the Trustee are included in calculation of annual interest expense.
- For “Debt Service,” the amounts in subsequent years is based on estimated debt service as noted above.

Other Assumptions or Notes:

- Accounts payable is presented as a 20-day average of operating expenses
- Accrued payroll is presented at 17% of applicable instructional payroll costs.
- Accrued interest is calculated based on 20-days of the average daily interest costs.

Forward Funding of Enrollment: the Academy for Classical Education receives its funding on a monthly basis, generally during the final week of each month, via a wire from Bibb County Board of Education (“BCBOE”). BCBOE and the Academy for Classical Education have shared access to a computerized student information management system (“Infinite Campus”), which contains up-to-date information reflecting the number of students enrolled in ACE. Using this number, BCBOE advances – or “forward funds” monthly funding to ACE using the applicable enrollment information reflected in Infinite Campus. ACE believes that this approach by BCBOE to providing funding is the most effective means of maintaining consistent funding levels based on current information.

In addition to other information in the Limited Offering Memorandum, the tables in this “APPENDIX B” contain certain “forward-looking” statements of the typed described in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For a description of the general qualifications and limitations of such statements, see the foreword to and the section entitled, “**FORWARD LOOKING STATEMENTS**” in the forepart of this Limited Offering Memorandum. Although the Borrower believes that the assumptions upon which the forward-looking statements contained in this table (and the remainder of the Limited Offering Memorandum) are based are reasonable, any of the assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could be incorrect. The forecasted financial information included in these forecasts is preliminary, unaudited, and subject to revision. Neither Borrower nor Prestige undertake any obligation to update or revise these forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

All phases of the operations of the Academy for Classical Education involve risks and uncertainties, many of which are outside of the control of the Borrower and any one of which, or combination of which, could materially affect its results with respect to its operations. **THE BORROWER CANNOT REPRESENT OR PROVIDE ANY ASSURANCE THAT IT WILL REALIZE REVENUES IN AMOUNTS SUFFICIENT TO MAKE THE REQUIRED PAYMENTS. THE REALIZATION OF FUTURE REVENUES IS DEPENDENT UPON, AMONG OTHER THINGS, FUTURE CHANGES IN ECONOMIC AND OTHER CONDITIONS THAT ARE UNPREDICTABLE AND CANNOT BE DETERMINED AT THIS TIME.** Factors that could cause actual results to differ from those expected include, but are not limited to, termination of or limitations on the Charter; general economic conditions; the willingness of the State to fund public schools including charter schools at present or increased levels; lower per pupil expenditures; decreased funding from other State, local, or federal sources; competitive conditions within the Academy for Classical Education's service area; lower-than-projected enrollment; unanticipated expenses; changes in government oversight or regulation including changes in the law governing charter schools in the State; future claims (including but not limited to accidents or special education claims) against the Borrower and the extent of insurance coverage for such claims; and other risks discussed in this Limited Offering Memorandum. SEE, FOR EXAMPLE, "THE BORROWER AND THE CHARTER SCHOOL" AND THE SECTIONS ENTITLED "- LIMITED OBLIGATIONS OF THE ISSUER," "- TERMINATION, NON-RENEWAL OR EXPIRATION OF CHARTER CONTRACT," "- DEPENDENCE ON SUCCESSFUL OPERATIONS OF THE BORROWER," "- DEPENDENCE ON THE STATE OF GEORGIA," "- DEPENDENCE ON THE SCHOOL DISTRICT," "- CONSTRUCTION RISKS," "- RISKS OF REAL ESTATE INVESTMENT IN GENERAL," AND "- TAX-EXEMPT STATUS OF THE BORROWER" UNDER "CERTAIN BONDHOLDERS' RISKS" in the forepart of this Limited Offering Memorandum.

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APPENDIX C

**THE BORROWER'S AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

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**ACADEMY FOR CLASSICAL EDUCATION
MACON, GEORGIA**

**REPORT ON AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

ACADEMY FOR CLASSICAL EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

**To the Members of the Board
of the Academy for Classical Education
Macon, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Academy for Classical Education** (the "Academy"), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 major fund of the Academy, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 10 and 13, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2015. These standards significantly changed the accounting for the Academy's net pension liability and the related disclosures. Our opinions are not modified in respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of proportionate share of the net pension liability and schedules of contributions on pages 30 through 34 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 the appropriate operational, economic, and 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 our limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
November 8, 2016

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ACADEMY FOR CLASSICAL EDUCATION

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 264,421
Capital assets (non-depreciable)	328,067
Capital assets (depreciable, net of accumulated depreciation)	<u>15,406,234</u>
Total assets	<u>15,998,722</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>2,817,155</u>
Total assets and deferred outflows of resources	<u><u>\$ 18,815,877</u></u>
LIABILITIES	
Accounts payable	\$ 265,261
Salaries and benefits payable	805,793
Accrued interest payable	22,941
Line of credit payable	318,447
Notes payable, due within one year	212,527
Notes payable, due in more than one year	723,297
Capital leases, due within one year	280,273
Capital leases, due in more than one year	13,783,096
Net pension liability	<u>2,647,041</u>
Total liabilities	<u>19,058,676</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>245,680</u>
NET POSITION	
Net investment in capital assets	735,108
Unrestricted	<u>(1,223,587)</u>
Total net position (deficit)	<u>(488,479)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 18,815,877</u></u>

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

ACADEMY FOR CLASSICAL EDUCATION

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	PROGRAM REVENUES		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 5,492,816	\$ -	\$ -	\$ -
Support services				
Pupil services	232,452	-	-	-
Improvement of instruction	43,593	-	586,149	100,000
Educational media services	87,382	-	-	-
School administration	1,071,733	-	-	-
Business administration	2,370	-	-	-
Maintenance and operation	524,588	-	-	80,979
Student transportation	97,089			
Enterprise operations	187,873	285,531	-	-
Interest and fiscal charges	1,326,055	-	-	-
Total governmental activities	<u>\$ 9,065,951</u>	<u>\$ 285,531</u>	<u>\$ 586,149</u>	<u>\$ 180,979</u>

General revenues:

Grants and programs not restricted for program purposes

Total general revenues

Change in net position

Net position - beginning of fiscal year, as restated

Net position - end of fiscal year

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

**NET (EXPENSES)
REVENUES
AND CHANGES IN
NET POSITION**

\$ (5,492,816)

(232,452)

642,556

(87,382)

(1,071,733)

(2,370)

(443,609)

(97,089)

97,658

(1,326,055)

(8,013,292)

7,209,480

7,209,480

(803,812)

315,333

\$ (488,479)

ACADEMY FOR CLASSICAL EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	\$ 264,421
Total assets	<u>\$ 264,421</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 265,261
Salaries and benefits payable	805,793
Accrued interest	378
Line of credit payable	<u>318,447</u>
Total liabilities	<u>1,389,879</u>
FUND BALANCES	
Unassigned	<u>(1,125,458)</u>
Total fund balance (deficit)	<u>(1,125,458)</u>
Total liabilities and fund balances	<u>\$ 264,421</u>

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

ACADEMY FOR CLASSICAL EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Total fund balance - governmental funds	\$	(1,125,458)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Historical cost of capital assets	\$	16,541,439	
Less accumulated depreciation		(807,138)	
Total capital assets		<u>15,734,301</u>	15,734,301

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Note payable	\$	(935,824)	
Capital leases payable		(14,063,369)	
Deferred outflows - pensions		2,817,155	
Deferred inflows - pensions		(245,680)	
Net pension liability		(2,647,041)	
Accrued interest payable		<u>(22,563)</u>	
			<u>(15,097,322)</u>

Net position of governmental activities	\$	<u>(488,479)</u>
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The accompanying notes are an integral part of these financial statements.

ACADEMY FOR CLASSICAL EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>GENERAL FUND</u>
REVENUES	
State funds	\$ 7,209,480
Local funds	871,680
Total revenues	<u>8,081,160</u>
EXPENDITURES	
Current	
Instruction	4,693,278
Support services:	
Pupil services	229,321
Improvement of instructional services	7,885
Educational media services	81,769
School administration	1,046,843
Business administration	2,370
Maintenance and operation of plant	501,374
Student transportation	97,089
Enterprise operations	187,873
Capital outlays	5,392,246
Debt service:	
Principal	420,671
Interest	1,314,929
Total expenditures	<u>13,975,648</u>
Deficiency of revenues over expenditures	(5,894,488)
OTHER FINANCING SOURCES	
Issuance of debt	<u>5,139,273</u>
Net change in fund balance	(755,215)
Fund balance (deficit) - beginning of fiscal year	<u>(370,243)</u>
Fund balance (deficit) - end of fiscal year	<u>\$ (1,125,458)</u>

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

ACADEMY FOR CLASSICAL EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total net change in fund balance - governmental funds	\$	(755,215)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay		5,573,225
Depreciation expense		(572,952)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of notes payable		(370,356)
Issuance of capital leases		(4,768,917)
Principal payment on note		182,232
Principal payment on capital leases		238,439

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net pension liability and related deferred outflows and deferred inflows		(319,142)
Accrued interest		(11,126)

Change in net position of governmental activities	\$	<u>(803,812)</u>
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The accompanying notes are an integral part of these financial statements.

ACADEMY FOR CLASSICAL EDUCATION

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
State funds	\$ 7,321,404	\$ 7,439,920	\$ 7,209,480	\$ (230,440)
Local funds	621,350	727,850	871,680	143,830
Total revenues	<u>7,942,754</u>	<u>8,167,770</u>	<u>8,081,160</u>	<u>(86,610)</u>
EXPENDITURES				
Current				
Instruction	7,294,264	7,380,282	4,693,278	2,687,004
Support services:				
Pupil services	-	-	229,321	(229,321)
Improvement of instructional services	-	-	7,885	(7,885)
Educational media services	-	-	81,769	(81,769)
School administration	-	-	1,046,843	(1,046,843)
Business administration	-	-	2,370	(2,370)
Maintenance and operation of plant	-	-	501,374	(501,374)
Student transportation	46,395	46,395	97,089	(50,694)
Enterprise operations	-	-	187,873	(187,873)
Capital outlay - instruction	-	-	5,392,246	(5,392,246)
Debt service	582,258	582,258	1,735,600	(1,153,342)
Total expenditures	<u>7,922,917</u>	<u>8,008,935</u>	<u>13,975,648</u>	<u>(5,966,713)</u>
Excess (deficiency) of revenues over (under) expenditures	19,837	158,835	(5,894,488)	(6,053,323)
OTHER FINANCING SOURCES				
Issuance of debt	-	-	5,139,273	5,139,273
Net change in fund balance	19,837	158,835	(755,215)	(914,050)
Fund balance (deficit) - beginning	<u>(370,243)</u>	<u>(370,243)</u>	<u>(370,243)</u>	<u>-</u>
Fund balance (deficit) - ending	<u>\$ (350,406)</u>	<u>\$ (211,408)</u>	<u>\$ (1,125,458)</u>	<u>\$ (914,050)</u>

Notes to the statement of revenues, expenditures, and changes in fund balance budget and actual

The accompanying statement of revenues, expenditures, and changes in fund balance - budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

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

ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. DESCRIPTION OF ACADEMY AND REPORTING ENTITY

Reporting Entity

The Academy for Classical Education (the "Academy") is responsible for the public education of all students attending its school. The Academy was created through a contract between the Bibb County School District and the Academy whereby all State funding associated with the students attending the Academy and certain specified local funds are turned over to the Academy to cover the cost of its operations. The fiscal year ended June 30, 2015, was the first year of operations for the Academy.

The Academy is located in Bibb County, Georgia providing education for almost 800 students in grades kindergarten through eighth grade. In future years, one grade will be added each year until the school serves kindergarten through twelfth grade. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financing Reporting Entity: Omnibus – an amendment to GASB Statement No. 14 and No. 34*, the Academy is considered to be a component unit of the Bibb County School District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Academy's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the Academy for Classical Education.

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Academy. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Academy's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Academy related to the administration and support of the Academy's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes (if any), and unrestricted amounts. The net investment in capital assets is calculated by taking the capital assets, net of accumulated depreciation, less any related long-term financing arrangements, and adding back in any unspent bond or contract proceeds.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements:

The fund financial statements provide information about the Academy's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Academy reports only one major governmental fund:

- The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

Basis of Accounting/Measurement Focus

The basis of accounting determines when transactions are reported on the financial statements. 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 at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Academy uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Academy considers all revenues reported in the governmental funds to be available if they are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The Academy funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Academy's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Receivables, which include amounts due from other governments, consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the government-wide financial statements, all purchased capital assets are valued at cost. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that does not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The Academy does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

The capitalization threshold for all classes of assets is \$5,000. The estimated useful lives of capital assets reported in the Academy-wide statements are as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Land Improvements	N/A
Buildings	40 Years
Building Improvements	20 Years
Equipment	3 - 7 Years

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period in which they occur.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Liabilities (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Governmental Activities reports two types of deferred outflows of resources related to the reporting of the net pension liability. The two deferred outflows of resources being recognized are: (1) a deferred outflow of resources for changes in the Academy's proportionate share of the net pension liability and the difference between the Academy's actual contributions towards the pension plan and the Academy's proportionate share of contributions, and (2) the Academy's actual contributions to the pension plan during the fiscal year ended June 30, 2016 which will be applied to the next future measurement period. The difference between the Academy's actual contributions towards the pension plan and the Academy's proportionate share of contributions will be amortized over the remaining service period of plan members.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Governmental Activities reports two types of deferred inflows of resources related to the reporting of the net pension liability. The two deferred inflows of resources being recognized are: (1) a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets, and (2) the difference between expected and actual experience of plan members. These deferred inflows of resources will be amortized over five years.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and the Employees' Retirement System (ERS) and additions to/deductions from TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Fund balance is a measurement of available financial resources defined as the difference between total assets/deferred outflows and total liabilities/deferred inflows in each fund.

The Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

Nonspendable – Fund balance reported as “nonspendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

Restricted – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

Committed – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board as the highest level of decision making authority will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board through a formal resolution voted on by the Board. Actions to constrain resources should occur prior to the end of the Academy’s fiscal year, though the exact amount may be determined subsequently.

Assigned – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed either by the Board or a high level body (budget or finance committee) or an individual authorized by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Unassigned – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The Academy applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available.

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Academy adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the Academy has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2016.

Current		
Support services:		
Pupil services	\$	(229,321)
Improvement of instructional services		(7,885)
Educational media services		(81,769)
School administration		(1,046,843)
Business administration		(2,370)
Maintenance and operation of plant		(501,374)
Student transportation		(50,694)
Enterprise operations		(187,873)
Capital outlays		(5,392,246)
Debt service		(1,153,342)

These excesses were funded by lower than anticipated expenditures in other functions.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Collateralization of Deposits

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2016, all of the Academy's cash and cash equivalent accounts were properly collateralized as required by State statutes.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 328,067	\$ -	\$ 328,067
Total	-	328,067	-	328,067
Capital assets, being depreciated:				
Building improvements	1,060,794	476,241	-	1,537,035
Buildings	9,248,300	4,549,872	-	13,798,172
Equipment	659,120	219,045	-	878,165
Total	10,968,214	5,245,158	-	16,213,372
Less accumulated depreciation for:				
Building improvements	(75,771)	(185,559)	-	(261,330)
Buildings	(115,605)	(288,081)	-	(403,686)
Equipment	(42,810)	(99,312)	-	(142,122)
Total	(234,186)	(572,952)	-	(807,138)
Total assets being depreciated, net	10,734,028	4,672,206	-	15,406,234
Governmental activities capital assets, net	\$ 10,734,028	\$ 5,000,273	\$ -	\$ 15,734,301

Current fiscal year depreciation expense by function is as follows:

Instruction	\$ 514,030
Improvement of instruction	35,708
Maintenance and operation of plant	23,214
	\$ 572,952

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The Academy has obtained commercial insurance for risks of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The Academy has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Academy's insurance coverage in any of the past two fiscal years.

NOTE 7. LONG-TERM DEBT

Capital Leases

During the fiscal year ended June 30, 2016, the Academy entered into various lease agreements to finance the cost of acquiring, constructing, and equipping the charter school and related facilities. The lease payments qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments as of the dates of their inception. Interest rates vary from 9.00% to 19.80%. Total cost of assets acquired under these capital leases as of June 30, 2016 is \$14,549,238. Accumulated depreciation of assets acquired under capital lease as of June 30, 2016 is \$517,129. Annual debt service requirements to maturity for these leases are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 280,273	\$ 1,407,266	\$ 1,687,539
2018	212,894	1,400,531	1,613,425
2019	123,518	1,404,816	1,528,334
2020	64,767	1,421,233	1,486,000
2021	67,729	1,442,271	1,510,000
2022-2026	509,096	7,505,904	8,015,000
2027-2031	938,161	7,844,839	8,783,000
2032-2036	1,938,624	7,706,376	9,645,000
2037-2041	4,430,742	6,196,258	10,627,000
2042-2045	5,497,565	1,574,435	7,072,000
	<u>\$ 14,063,369</u>	<u>\$ 37,903,929</u>	<u>\$ 51,967,298</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Note Payable

During the fiscal year ended June 30, 2016, the Academy renegotiated a promissory note with a local financial institution to finance the acquisition of additional fixtures, furniture and equipment. This note carries an interest rate of 4.25% and matures on August 20, 2020. Annual debt service requirements to maturity for this note are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2017	\$ 212,527	\$ 32,776	\$ 245,303
2018	218,792	26,511	245,303
2019	228,274	17,029	245,303
2020	238,167	7,136	245,303
2021	38,064	197	38,261
	\$ 935,824	\$ 83,649	\$ 1,019,473

The changes in long-term debt during the fiscal year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
Governmental activities:						
Capital leases payable	\$ 9,532,891	\$ 4,768,917	\$ (238,439)	\$ 14,063,369	\$ 280,273	\$ 13,783,096
Note payable	747,700	370,356	(182,232)	935,824	212,527	723,297
Governmental activities						
Long-term liabilities	\$ 10,280,591	\$ 5,139,273	\$ (420,671)	\$ 14,999,193	\$ 492,800	\$ 14,506,393

NOTE 8. SHORT-TERM DEBT

During the fiscal year ended June 30, 2016, the Academy renewed short-term financing in the form of a line of credit, totaling \$500,000, from a local financial institution, to fund operating expenses. The Academy made total draws on this line of credit of \$23,000. The line of credit was due on July 21, 2016 and carried an interest rate of 4.25%. Subsequent to year end, this line of credit was renewed. See also Note 12 for discussions of subsequent events. Short term debt activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Short-term debt	\$ 295,447	\$ 23,000	\$ -	\$ 318,447

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The Academy believes that such disallowances, if any, will be immaterial to its overall financial position.

NOTE 10. RETIREMENT PLANS

The Academy participates in various retirement plans administered by the State of Georgia, as further explained below.

Teachers Retirement System of Georgia (TRS)

Plan Description: All teachers of the Academy as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple- employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The Academy's contractually required contribution rate for the year ended June 30, 2016 was 14.27%. For the current fiscal year, employer contributions to the pension plan were \$427,214.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees' Retirement System (ERS)

Plan description: The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Academy's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$11,656 for the current fiscal year.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2016, the School District reported a liability of \$2,647,041 for its proportionate share of the net pension liability for TRS (\$2,579,099) and ERS (\$67,942).

The net pension liability for TRS and ERS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2015.

At June 30, 2015, the School District's TRS proportion was 0.016941%, which was an increase of 0.016941% from its proportion measured as of June 30, 2014. At June 30, 2015, the School District's ERS proportion was 0.001677%, which was an increase of 0.001677% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$723,156 for TRS, \$34,856 for ERS.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Teachers Retirement System		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 22,685
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 217,550
Changes in proportion and differences between District contributions and proportionate share of contributions	2,331,336	-
District contributions subsequent to the measurement date	427,214	
Total	\$ 2,758,550	\$ 240,235

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Employees Retirement System		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 543
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,902
Changes in proportion and differences between Employer contributions and proportionate share of contributions	46,949	-
Employer contributions subsequent to the measurement date	11,656	-
Total	\$ 58,605	\$ 5,445

The School District contributions subsequent to the measurement date of \$427,214 for TRS and \$11,656 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	TRS
2017	\$ 448,657
2018	448,657
2019	448,657
2020	635,193
2021	109,937
Year ended June 30:	ERS
2017	\$ 28,753
2018	13,283
2019	(2,185)
2020	1,653
2021	-

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	3.00%
Salary increases	3.75% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Employees' Retirement System:

Inflation	3.00%
Salary increases	5.45% – 9.25%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

The long-term expected rate of return on TRS, ERS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation (%)	Long-term expected real rate of return (%) ¹
Fixed income	30.00	3.00
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
Total	100.00	

* Rates shown are net of the 3.00% assumed rate of inflations

Discount rate: The discount rate used to measure the total TRS, ERS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's 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%) or 1-percentage-point higher (8.50%) than the current rate:

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System

	1.00% Decrease (6.50%)	Current discount rate (7.50%)	1.00% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$ 4,431,987	\$ 2,579,099	\$ 1,051,879

Employees Retirement System

	1.00% Decrease (6.50%)	Current discount rate (7.50%)	1.00% Increase (8.50%)
Academy's proportionate share of the net pension liability	\$ 96,310	\$ 67,942	\$ 43,757

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial report which is publically available at www.trsga.com/publications and <http://www.ers.ga.gov/formspubs/formspubs.html>.

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The Academy participates in the Georgia Retiree Health Benefit Fund ("GRHBF"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of Georgia Department of Community Health. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of the State of Georgia Department of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of plan members and participating employers are established and may be amended by the Board of the State of Georgia Department of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

Participating state employers, including local Boards of Education, are statutorily required to contribute in accordance with the employer contribution rate established by the Board. The contribution rate is established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The combined rate for the active and retiree plans (pay-as-you-go basis) for the fiscal year ended June 30, 2016 were as follows:

<u>Period</u>	<u>Employer Contribution</u>
<i>Certificated Personnel</i>	
July 2015 - June 2016	\$945.00 per member per month
<i>Non-certificated Personnel</i>	
July 2015 - June 2016	\$746.20 per member per month

Currently, the state is requiring that participating employers pay only on active employees. The Academy's contribution to the health insurance plans for the fiscal years ended June 30, 2016 and June 30, 2015 were \$760,239 and \$421,801, respectively, which equaled the required contribution.

NOTE 12. SUBSEQUENT EVENTS

Subsequent to year end, the Academy renewed its line of credit with a local financial institution. The interest rate is variable at 1% over the prime index rate which equaled 4.5% as of the date of note. The new maturity for the line of credit is December 19, 2017.

Additionally, subsequent to year end, the Academy's capital lease for its building was expanded to include the additional buildout of the current building. The monthly lease payment increased from \$106,000 to \$151,000, but the term date of the thirty year lease was not extended.

NOTE 13. PRIOR PERIOD ADJUSTMENT

The Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financing Reporting for Pensions – an amendment of GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified. As restatement to the July 1, 2015 beginning net position of governmental activities was required to recognize these changes in accounting principles. The resulting adjustments are as follows:

Net position, governmental activities, as previously reported	\$ 71,757
Deferred outflows - Teachers Retirement System	235,158
Deferred outflows - Employees Retirement System	8,418
Net position, governmental activities, as restated	<u>\$ 315,333</u>

REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016
Academy's proportion of the net pension liability	0.016941%
Academy's proportionate share of the net pension liability	\$ 2,579,099
Academy's covered-employee payroll	\$ 1,788,274
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	144.22%
Plan fiduciary net position as a percentage of the total pension liability	81.44%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>2016</u>
Contractually required contributions	\$ 427,214
Contributions in relation to the contractually required contribution	<u>427,214</u>
Contribution deficiency (excess)	<u><u>-</u></u>
Academy's covered employee payroll	\$ 2,993,791
Contributions as a percentage of covered-employee payroll	14.27%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Changes of assumptions

The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016
District's proportion of the net pension liability	0.001677%
District's proportionate share of the net pension liability	\$ 67,942
District's covered-employee payroll	\$ 38,333
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.24%
Plan fiduciary net position as a percentage of the total pension liability	76.20%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016
Contractually required contributions	\$ 11,656
Contributions in relation to the contractually required contribution	11,656
Contribution deficiency (excess)	<u>\$ 47,152</u>
District's covered employee payroll	\$ 311,239
Contributions as a percentage of covered-employee payroll	24.72%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Changes of assumptions

The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule.

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation



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

**To the Members of the Board
of the Academy for Classical Education
Macon, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Academy for Classical Education, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 8, 2016. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2015.

Internal Control Over Financial Reporting

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

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

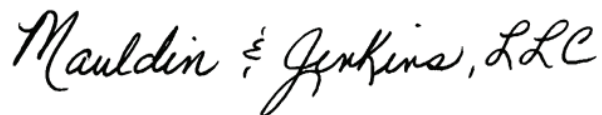
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Macon, Georgia
November 8, 2016

ACADEMY FOR CLASSICAL EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

There was not an audit of major federal award programs as of June 30, 2016 due to the total amount of federal funds expended being less than \$750,000.

ACADEMY FOR CLASSICAL EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2015-001 Accrued Salaries

Criteria: In accordance with generally accepted accounting principles, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

Condition: Material misstatements were detected in the reporting of the Academy's expenditures/expenses and related liabilities.

Auditee's Response/Status: Resolved

2015-002 Capital Leases

Criteria: Internal controls should be in place to ensure that general ledgers are properly maintained using full accrual or modified-accrual accounting methods, as applicable and based on generally accepted accounting principles (GAAP) for the entity. Specifically, transactions qualifying as capital leases should be recorded as revenues and capital outlay expenditures under modified-accrual accounting and as liabilities and capital assets under full accrual accounting.

Condition: Internal controls were not sufficient to detect and prevent misstatements in the reporting of certain expenditures and the related liabilities.

Auditee's Response Status: Resolved

**ACADEMY FOR CLASSICAL EDUCATION
MACON, GEORGIA**

**REPORT ON AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

ACADEMY FOR CLASSICAL EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

**To the Members of the Board
of the Academy for Classical Education
Macon, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Academy for Classical Education** (the "Academy"), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 major fund of the Academy, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
October 27, 2015

ACADEMY FOR CLASSICAL EDUCATION

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES JUNE 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 160,573
Intergovernmental receivable	330,997
Accounts receivable	1,124
Prepaid items	2,125
Capital assets (depreciable, net of accumulated depreciation)	<u>10,734,028</u>
Total assets	<u>\$ 11,228,847</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 47,818
Salaries and benefits payable	520,576
Accrued interest payable	12,658
Line of credit payable	295,447
Notes payable, due within one year	109,282
Notes payable, due in more than one year	638,418
Capital leases, due within one year	217,663
Capital leases, due in more than one year	<u>9,315,228</u>
Total liabilities	<u>11,157,090</u>
<u>NET POSITION</u>	
Net investment in capital assets	453,437
Unrestricted	<u>(381,680)</u>
Total net position	<u>71,757</u>
Total liabilities and net position	<u>\$ 11,228,847</u>

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

ACADEMY FOR CLASSICAL EDUCATION

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>			
Instruction	\$ 3,350,731	\$ 582,291	\$ (2,768,440)
Support services			
Pupil services	232,019	3,500	(228,519)
Improvement of instructional services	90,999	216,076	125,077
Educational media services	6,282	162,948	156,666
School administration	1,010,339	10,798	(999,541)
Business administration	30,001	-	(30,001)
Maintenance and operation of plant	278,239	-	(278,239)
Student transportation	28,946		(28,946)
Enterprise operations	104,686	155,932	51,246
Interest and fiscal charges	819,663	-	(819,663)
	<u>\$ 5,951,905</u>	<u>\$ 1,131,545</u>	<u>(4,820,360)</u>
General revenues:			
Grants and programs not restricted for program purposes			<u>4,892,117</u>
Total general revenues			<u>4,892,117</u>
Change in net position			71,757
Net position - beginning of fiscal year			<u>-</u>
Net position - end of fiscal year			<u>\$ 71,757</u>

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

ACADEMY FOR CLASSICAL EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2015

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 160,573
Intergovernmental receivable	330,997
Accounts receivable	1,124
Prepaid items	2,125
	<hr/>
Total assets	\$ 494,819
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 47,818
Salaries and benefits payable	520,576
Accrued interest	1,221
Line of credit payable	295,447
	<hr/>
Total liabilities	865,062
	<hr/>
<u>FUND BALANCES</u>	
Nonspendable - prepaid expenditures	2,125
Unassigned	(372,368)
	<hr/>
Total fund balance	(370,243)
	<hr/>
Total liabilities and fund balances	\$ 494,819
	<hr/> <hr/>

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

ACADEMY FOR CLASSICAL EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Total fund balance - governmental funds	\$ (370,243)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Historical cost of capital assets	\$ 10,968,214	
Less accumulated depreciation	<u>(234,186)</u>	
Total capital assets		10,734,028

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Note payable	\$ (747,700)	
Capital leases payable	(9,532,891)	
Accrued interest payable	<u>(11,437)</u>	
		<u>(10,292,028)</u>

Net position of governmental activities	<u><u>\$ 71,757</u></u>
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The accompanying notes are an integral part of these financial statements.

ACADEMY FOR CLASSICAL EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
State funds	\$ 4,892,117
Local funds	508,429
Federal funds	623,116
Total revenues	<u>6,023,662</u>
<u>EXPENDITURES</u>	
Current	
Instruction	3,128,997
Support services:	
Pupil services	232,019
Improvement of instructional services	90,154
Educational media services	6,282
School administration	1,010,339
Business administration	30,001
Maintenance and operation of plant	266,632
Student transportation	28,946
Enterprise operations	104,686
Capital outlays - instruction	10,968,214
Debt service:	
Principal	349,731
Interest	808,226
Total expenditures	<u>17,024,227</u>
Deficiency of revenues over expenditures	(11,000,565)
<u>OTHER FINANCING SOURCES</u>	
Issuance of debt	<u>10,630,322</u>
Net change in fund balance	(370,243)
Fund balance - beginning of fiscal year	<u>-</u>
Fund balance - end of fiscal year	<u>\$ (370,243)</u>

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

ACADEMY FOR CLASSICAL EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total net change in fund balance - governmental funds	\$ (370,243)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	10,968,214
Depreciation expense	(234,186)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of notes payable	(850,000)
Issuance of capital leases	(9,780,322)
Principal payment on note	102,300
Principal payment on capital leases	247,431

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	<u>(11,437)</u>
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Change in net position of governmental activities	<u><u>\$ 71,757</u></u>
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The accompanying notes are an integral part of these financial statements.

ACADEMY FOR CLASSICAL EDUCATION

**GENERAL FUND -
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<u>REVENUES</u>				
State funds	\$ 4,737,804	\$ 4,738,154	\$ 4,892,117	\$ 153,963
Local funds	35,000	61,011	508,429	447,418
Federal funds	625,000	706,308	623,116	(83,192)
Total revenues	<u>5,397,804</u>	<u>5,505,473</u>	<u>6,023,662</u>	<u>518,189</u>
<u>EXPENDITURES</u>				
Current				
Instruction	5,013,590	5,103,737	3,128,997	1,974,740
Support services:				
Pupil services	-	-	232,019	(232,019)
Improvement of instructional services	-	-	90,154	(90,154)
Educational media services	-	-	6,282	(6,282)
School administration	-	-	1,010,339	(1,010,339)
Business administration	-	-	30,001	(30,001)
Maintenance and operation of plant	-	-	266,632	(266,632)
Student transportation	2,500	2,500	28,946	(26,446)
Enterprise operations	-	-	104,686	(104,686)
Capital outlay - instruction	-	-	10,968,214	(10,968,214)
Debt service	298,286	298,286	1,157,957	(859,671)
Total expenditures	<u>5,314,376</u>	<u>5,404,523</u>	<u>17,024,227</u>	<u>(11,619,704)</u>
Excess (deficiency) of revenues over (under) expenditures	83,428	100,950	(11,000,565)	(11,101,515)
<u>OTHER FINANCING SOURCES</u>				
Issuance of debt	-	-	10,630,322	10,630,322
Net change in fund balance	83,428	100,950	(370,243)	(471,193)
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 83,428</u>	<u>\$ 100,950</u>	<u>\$ (370,243)</u>	<u>\$ (471,193)</u>

Notes to the statement of revenues, expenditures, and changes in fund balance budget and actual

The accompanying statement of revenues, expenditures, and changes in fund balance - budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

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

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1: DESCRIPTION OF ACADEMY AND REPORTING ENTITY

REPORTING ENTITY

The Academy for Classical Education (the “Academy”) is responsible for the public education of all students attending its school. The Academy was created through a contract between the Bibb County School District and the Academy whereby all State funding associated with the students attending the Academy and certain specified local funds are turned over to the Academy to cover the cost of its operations. The fiscal year ended June 30, 2015 was the first year of operations for the Academy.

The Academy is located in Bibb County, Georgia providing education for almost 800 students in grades kindergarten through eighth grade. In future years, one grade will be added each year until the school serves kindergarten through twelfth grade. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financing Reporting Entity: Omnibus – an amendment to GASB Statement No. 14 and No. 34*, the Academy is considered to be a component unit of the Bibb County School District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Academy's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the Academy for Classical Education.

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Academy. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Academy's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Academy related to the administration and support of the Academy's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes (if any), and unrestricted amounts. The net investment in capital assets is calculated by taking the capital assets, net of accumulated depreciation, less any related long-term financing arrangements, and adding back in any unspent bond or contract proceeds.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Fund Financial Statements:

The fund financial statements provide information about the Academy's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Academy reports only one major governmental fund:

- General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The basis of accounting determines when transactions are reported on the financial statements. 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 at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Academy uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Academy considers all revenues reported in the governmental funds to be available if they are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The Academy funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Academy's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

RECEIVABLES

Receivables, which include amounts due from other governments, consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the government-wide financial statements, all purchased capital assets are valued at cost. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that does not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The Academy does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

The capitalization threshold for all classes of assets is \$5,000. The estimated useful lives of capital assets reported in the Academy-wide statements are as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Land Improvements	N/A
Buildings	40 Years
Building Improvements	20 Years
Equipment	3 - 7 Years

LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period in which they occur.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM LIABILITIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Fund balance is a measurement of available financial resources defined as the difference between total assets/deferred outflows and total liabilities/deferred inflows in each fund.

The Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

Nonspendable– Fund balance reported as “nonspendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

Restricted – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

Committed – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board as the highest level of decision making authority will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board through a formal resolution voted on by the Board. Actions to constrain resources should occur prior to the end of the Academy’s fiscal year, though the exact amount may be determined subsequently.

Assigned – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed either by the Board or a high level body (budget or finance committee) or an individual authorized by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND EQUITY (Continued)

Unassigned – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The Academy applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available.

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Academy adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the Academy has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2015.

Current		
Support services:		
Pupil services	\$	(232,019)
Improvement of instructional services		(90,154)
Educational media services		(6,282)
School administration		(1,010,339)
Business administration		(30,001)
Maintenance and operation of plant		(266,632)
Student transportation		(26,446)
Enterprise operations		(104,686)
Capital outlays - instruction		(10,968,214)
Debt service		(859,671)

These excesses were funded by lower than anticipated expenditures in other functions.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2015, all of the Academy's cash and cash equivalent accounts were properly collateralized as required by State statutes.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Balances				Balances
	July 1, 2014	Increases	Decreases		June 30, 2015
Governmental Activities					
Capital assets, being depreciated:					
Building improvements	\$ -	\$ 1,060,794	\$ -		\$ 1,060,794
Buildings	-	9,248,300	-		9,248,300
Equipment	-	659,120	-		659,120
Total	-	10,968,214	-		10,968,214
Less accumulated depreciation for:					
Building improvements	-	(75,771)	-		(75,771)
Buildings	-	(115,605)	-		(115,605)
Equipment	-	(42,810)	-		(42,810)
Total	-	(234,186)	-		(234,186)
Total assets being depreciated, net	-	10,734,028	-		10,734,028
Governmental activities capital assets, net	\$ -	\$ 10,734,028	\$ -		\$ 10,734,028

Current fiscal year depreciation expense by function is as follows:

Instruction	\$ 221,734
Improvement of instruction	845
Maintenance and operation of plant	11,607
	<u>\$ 234,186</u>

NOTE 6: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The Academy has obtained commercial insurance for risks of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The Academy has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Academy's insurance coverage in any of the past two fiscal years.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7: LONG-TERM DEBT

CAPITAL LEASES

During the fiscal year ended June 30, 2015 the Academy entered into various lease agreements to finance the cost of acquiring, constructing, and equipping the charter school and related facilities. The lease payments qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments as of the dates of their inception. Interest rates vary from 9.00% to 9.86%. Total cost of assets acquired under these capital leases as of June 30, 2015 is \$9,780,322. Accumulated depreciation of assets acquired under capital lease as of June 30, 2015 is \$148,855. Annual debt service requirements to maturity for these leases are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 217,663	\$ 851,910	\$ 1,069,573
2017	227,491	930,082	1,157,573
2018	80,726	938,259	1,018,985
2019	43,012	951,988	995,000
2020	40,670	966,330	1,007,000
2021-2025	306,606	5,037,394	5,344,000
2026-2030	545,342	5,301,658	5,847,000
2031-2035	1,102,783	5,307,217	6,410,000
2036-2040	2,470,529	4,562,471	7,033,000
2041-2044	4,498,069	1,755,932	6,254,001
	<u>\$ 9,532,891</u>	<u>\$ 26,603,241</u>	<u>\$ 36,136,132</u>

NOTE PAYABLE

During the fiscal year ended June 30, 2015, the Academy entered into a promissory note with a local financial institution to finance the acquisition of fixtures, furniture and equipment. This note carries an interest rate of 3.75% and matures on July 25, 2017. Annual debt service requirements to maturity for this note are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 109,282	\$ 26,234	\$ 135,516
2017	116,567	21,951	138,518
2018	521,851	3,231	525,082
	<u>\$ 747,700</u>	<u>\$ 51,416</u>	<u>\$ 799,116</u>

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7: LONG-TERM DEBT (Continued)

The changes in long-term debt during the fiscal year ended June 30, 2015, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due In More Than One Year</u>
Governmental activities:						
Capital leases payable	\$ -	\$ 9,780,322	\$ (247,431)	\$ 9,532,891	\$ 217,663	\$ 9,315,228
Note payable	-	850,000	(102,300)	747,700	109,282	638,418
Governmental activities						
Long-term liabilities	<u>\$ -</u>	<u>\$ 10,630,322</u>	<u>\$ (349,731)</u>	<u>\$ 10,280,591</u>	<u>\$ 326,945</u>	<u>\$ 9,953,646</u>

NOTE 8: SHORT-TERM DEBT

During the fiscal year ended June 30, 2015 the Academy obtained short-term financing in the form of a line of credit, totaling \$300,000, from a local financial institution, to fund operating expenses. The Academy made total draws on this line of credit of \$618,447, but the ending balance was \$295,447. The line of credit was due on June 25, 2015 and carried an interest rate of 4.25%. As of June 30, 2015, the Academy was in the process of re-financing the line of credit and did so in early July 2015. See also Note 12 for discussions of subsequent events. Short term debt activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Short-term debt	<u>\$ -</u>	<u>\$ 618,447</u>	<u>\$ (323,000)</u>	<u>\$ 295,447</u>

NOTE 9: COMMITMENTS AND CONTINGENCIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The Academy believes that such disallowances, if any, will be immaterial to its overall financial position.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

TRS PLAN DESCRIPTION

The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRPB-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRPB-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service.

It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability, and spousal benefits are also available.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10: RETIREMENT PLANS (Continued)

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)

TRS CONTRIBUTIONS REQUIRED AND MADE

Employees of the Academy who are covered by TRS are required by State statute to contribute 6% of their gross earnings to TRS. The Academy makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. The required employer contribution rate is 13.15% and employer contributions for the current fiscal year are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$235,158

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of the Statement establish accounting and financial reporting standards for pensions that are provided to employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the Academy to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it is a member. The administrators of the TRS plan have elected to use a measurement date of June 30, 2014 for its financial reporting as of June 30, 2015. As the fiscal year ended June 30, 2015, was the first year of operations for the Academy, there is no liability to record related to the measurement date of June 30, 2014.

NOTE 11: OTHER POST EMPLOYMENT BENEFITS

GEORGIA RETIREE HEALTH BENEFIT FUND

Plan Description. The Academy participates in the Georgia Retiree Health Benefit Fund (“GRHBF”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of Georgia Department of Community Health. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of the State of Georgia Department of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of plan members and participating employers are established and may be amended by the Board of the State of Georgia Department of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election.

**ACADEMY FOR CLASSICAL EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11: OTHER POST EMPLOYMENT BENEFITS (Continued)

GEORGIA RETIREE HEALTH BENEFIT FUND (Continued)

Participating state employers, including local Boards of Education, are statutorily required to contribute in accordance with the employer contribution rate established by the Board. The contribution rate is established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The combined rate for the active and retiree plans (pay-as-you-go basis) for the fiscal year ended June 30, 2015 were as follows:

<u>Period</u>	<u>Employer Contribution</u>
<i>Certificated Personnel</i>	
July 2014 - June 2015	\$945 per member per month
<i>Non-certificated Personnel</i>	
July 2014 - June 2015	\$596.20 per member per month

Currently, the state is requiring that participating employers pay only on active employees. The Academy's contribution to the health insurance plans for the fiscal years ended June 30, 2015 were \$421,801, which equaled the required contribution.

NOTE 12: SUBSEQUENT EVENTS

Subsequent to year end, the Academy renegotiated its line of credit with a local financial institution to increase the limit from \$300,000 to \$500,000 with the interest rate increasing from 3.75% to 4.25%. The new maturity for the line of credit is July 21, 2016.

Also subsequent to year end, the Academy renegotiated its note payable with a local financial institution to secure additional financing for new information technology improvements and equipment. The principal balance of the new note is \$1,101,085 with an interest rate of 4.25%. Payments are due in monthly installments of \$20,442 until August 20, 2020.

Additionally, subsequent to year end, the Academy's capital lease for its building was expanded to include the additional buildout of the current building. The monthly lease payment increased from \$72,000 to \$106,000, but the term date of the thirty year lease was not extended.



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

**To the Members of the Board
of the Academy for Classical Education
Macon, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Academy for Classical Education, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2015-001 and 2015-002, to be material weaknesses.

Compliance and Other Matters

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

The Academy for Classical Education's Responses to Findings

The Academy for Classical Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
October 27, 2015

ACADEMY FOR CLASSICAL EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? X yes no

Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Section II – Financial Statement Findings

2015-001 Accrued Salaries

Criteria: In accordance with generally accepted accounting principles, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

Condition: Material misstatements were detected in the reporting of the Academy’s expenditures/expenses and related liabilities.

Context/Cause: The Academy did not record expenditures and related liabilities for salaries and benefits payable at year end for summer payroll earned but not yet paid.

Effects: An audit adjustment in the amount of \$494,175 was required to accrue salaries and related benefits payable at June 30, 2015.

Recommendation: We recommend the Academy carefully review all expenditures/expenses and related balance sheet accounts to ensure all necessary transactions are reported in the proper period.

Auditee’s Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures and their related liabilities are properly recorded.

2015-002 Capital Leases

Criteria: Internal controls should be in place to ensure that general ledgers are properly maintained using full accrual or modified-accrual accounting methods, as applicable and based on generally accepted accounting principles (GAAP) for the entity. Specifically, transactions qualifying as capital leases should be recorded as revenues and capital outlay expenditures under modified-accrual accounting and as liabilities and capital assets under full accrual accounting.

ACADEMY FOR CLASSICAL EDUCATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings (Continued)

2015-002 Capital Leases (Continued)

Condition: Internal controls were not sufficient to detect and prevent misstatements in the reporting of certain expenditures and the related liabilities.

Context/Cause: The Academy did not record a material capital lease and instead accounted for its lease payments as operating lease expenditures.

Effects: An audit adjustment totaling approximately \$9,250,000 was needed to correctly record capital outlay expenditures and proceeds from capital lease as required under modified accrual. At the government-wide level, adjustments were required to record the capital lease and related asset.

Recommendation: We recommend that the Academy carefully review all transactions of the Academy to ensure that transactions are recorded in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding and will review any new agreements to determine the appropriate accounting.

Section III – Federal Award Findings and Questioned Costs

There was not an audit of major federal award programs as of June 30, 2015 due to the total amount of federal funds expended being less than \$500,000.

APPENDIX D
CHARTER SCHOOLS IN GEORGIA

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APPENDIX D

CHARTER SCHOOLS IN GEORGIA

The following is a general summary of certain provisions of State of Georgia (the "State") charter school law and other relevant State law. The summaries as hereinafter set forth do not purport to be complete and are for informational purposes only. Potential investors should refer to and independently evaluate applicable provisions of State law in their entirety, with the assistance from counsel, as necessary, for a complete understanding of their terms. In addition, please note that the provisions summarized herein are subject to change and these only summarize current law. See "CERTAIN BONDHOLDERS' RISKS – Termination, Non-Renewal or Expiration of Charter Contract," " – Dependence on Successful Operations of the Borrower," " – Dependence on the State of Georgia," and " – Dependence on the School District" in the forepart of this Limited Offering Memorandum for further discussion of certain concepts discussed herein.

There are six types of charter schools in the State, each of which is described briefly under "Types of Georgia Charter Schools" below. The Academy for Classical Education (the "Charter School") is a Local Start-Up Charter School, as described and defined herein. As a Local Start-Up Charter School, the Charter School's State funding is determined as set forth under "Quality Basic Education Funding Formulas and Funding for Charter Schools' Operation – Non-Commission Charter Schools" below.

General Background

Charter schools are a relatively recent innovation in public education in the State. They are public schools holding State or local school board contracts to meet specified student achievement goals in return for which a charter school is allocated public educational funds for a stated period of time.

The Georgia Charter Schools Act of 1998 (O.C.G.A. § 20-2-2060 *et seq.*), as amended (the "Charter Schools Act") provides that "the General Assembly finds that schools and school systems should be given flexibility to tailor their educational program to meet the unique needs of their communities. In furtherance of this, schools and school systems should be encouraged to use innovative educational programs including local management of schools and should be provided resources to help design and implement innovative programs. The General Assembly further finds that schools and school systems shall be held accountable for student achievement." 1998 Ga. Laws p. 1080 § 3. Similarly, the Georgia Department of Education (the "Department") describes its charter school mission as "Improving student achievement by expanding public school options through the development of high quality charter schools."

Under State law, a charter school is a public school that operates according to the terms of a performance contract, or "charter," that has been approved by a local board of education or the State Charter Schools Commission (hereinafter defined) and the State Board of Education (the "State Board") which exempts charter schools from many rules and regulations created for traditional public schools. In exchange for this flexibility, charter schools are bound by contract and held accountable for meeting the performance based objectives specified in the charter. The "charter" establishing each such school is a performance contract detailing the school's missions, program, goals, students served, method of assessment and ways to measure success. The length of time for which charters are granted varies, but are typically granted for a five-year term; however, Georgia charter school terms can be shorter if requested by the applicant. At the end of a term, the entity granting the charter may renew the school's contract.

The Charter Schools Act authorizes the Department to promulgate rules and regulations consistent with the provisions of the Charter Schools Act. The Charter Schools Act also establishes a nine-member committee (the "Charter Advisory Committee") to review charter petitions for compliance with established standards of the Department, to make recommendations to the State Board on charter policy and to provide recommendations to the Department regarding charter policy and petitions. See O.C.G.A. § 20-2-2063.1.

When the General Assembly first enacted the Charter Schools Act in 1993, it only authorized conversion schools. Consequently, from the time the first three charter schools in the State opened in 1995 until 1998, all charter schools in the State were conversion charter schools. In 1998, the Charter Schools Act was amended to

allow for start-up charter schools and according to the Department, the number of charter schools in Georgia has increased steadily since that change.

In 2012, the General Assembly established the State Charter Schools Commission (the "Commission") and found that Commission Charter Schools (as hereinafter defined) "can serve as a complement to the educational opportunities provided by local boards of education in the state's system of public education; and (2) ...do not supplant public schools operated by local boards of education, but provide options to enhance public educational opportunities." O.C.G.A. § 20-2-2080(a).

In the 2014-2015 school year there were 382 charter schools in Georgia, up from 363 charter schools the prior year. As reported in *Georgia Charter Schools and Charter Systems – 2014-15 and 2015-16*, the Department's most recent annual report on charter schools (the "Annual Report"), in the 2015-16 school year there were 441 charter schools educating a combined total of approximately 325,806 students. This enrollment represents an 18.5% increase versus the 2014-2015 school year. Of the 441 charter schools operating during the 2015-16 school year, 326 were charter system schools and 115 were conversion charter schools or start-up charter schools and charter schools operated on 136 charter school campuses, excluding charter systems and virtual schools, and enrolled students from 59 of the State's 180 school districts.

Types of Georgia Charter Schools

Under the Georgia Charter Schools Act, any local school, private individual, private organization or state or local public entity may submit a charter petition. Home study programs or schools, sectarian schools, religious schools, private for-profit schools, existing private schools, or private educational institutions not established, operated or governed by the State are not considered Charter Petitioners under O.C.G.A. § 20-2-2062(2).

The Charter School Act provides for several types of charter schools in the State, as follows:

(1) A "Local Start-Up Charter School" is a charter school that did not exist as a local public school prior to its charter submission.

(2) A "State Chartered Special School" is a charter school created as a special school whose petition is approved by the State Board.

(3) A "Commission Charter School" is a start-up charter school whose petition is approved by the Commission, and is a special school authorized pursuant to Article VIII, Section V, Paragraph VII of the State Constitution. In 2011, the Georgia Supreme Court declared the original Commission and its method of chartering Commission Charter Schools to be unconstitutional. *See Gwinnett Cty. Sch. Dist. v. Cox*, 289 Ga. 265, 265, 710 S.E.2d 773, 775 (2011). In 2012, the Georgia General Assembly passed a resolution to amend the Georgia Constitution to allow state level authorization of charter schools. That proposed constitutional amendment was approved by Georgia voters by a margin of 58.6% to 41.4% at the November 2012 general election. During its 2012 session the Georgia General Assembly also passed a law reconstituting the Commission with some modifications from its original form.

(4) A "Conversion Charter School" is a charter school that existed as a local public school prior to becoming a charter school. To apply under this type of charter school, a majority of the faculty and instructional staff members and a majority of parents or guardians of students enrolled in the petitioning school must vote by secret ballot to apply for a charter.

(5) A "Charter System" is a local school system that is operating under the terms of a charter between the State Board and the local school district. This designation results from the filing of a petition to the State Board for the entire school system to be considered a charter system and the approval of the petition by the State Board.

(6) A "System Charter School" is a public school that is included within a Charter System.

Local Start-Up Charter Schools are under the management and control of the local school board, with the State Board as a third party to the contract. State Chartered Special Schools are under the management and control of the State Board. Commission Charter Schools are managed and monitored by the Commission.

The Charter School is a Local Start-Up Charter School under the Charter Schools Act that was authorized by the Bibb County Board of Education. See APPENDIX A – "THE BORROWER AND THE CHARTER SCHOOL."

Georgia Charter School Petitions in General

Pursuant to the Charter Schools Act, any charter school petitioner seeking to create a start-up charter school must submit a petition to the school board of the local system in which the school will be located. Local boards of education may adopt policies regarding submissions of charter petitions consistent with the following statutory requirements. The State Board revised and adopted a single detailed application for new and renewal charter applications (the "Application"). The Application largely follows State Board Rule 160-4-9-.05 (the "Charter Schools Rule") and is required to submit information with respect to the categories described below.

Statement of Intent. A mission statement describing how the proposed charter school's mission supports the legislative intent of the Charter Schools Act, § 20-2-2061, to "increase student achievement through academic and organizational innovation."

Statement of Goals and Objectives. A description of the proposed charter school's academic performance based goals and related measurable objectives including a list of the proposed charter performance-based goals and measurable objectives, how those goals, and objects are aligned with state and federal assessment standards, and a description as to how such performance-based goals and objectives will comply with the Single Statewide Accountability System. For each goal, the Application requires measurable objectives that address each grade and content area for each year of the charter term.

Description of Intended Use of Waivers. A description of how the proposed charter school will utilize the broad flexibility from laws, rules, and regulations permitted the Charter Schools Act, § 20-2-2065(a). The proposed school must provide illustrative examples of how it will implement the flexibility to meet or exceed the performance based goals to increase student achievement. The proposed charter must explicitly describe what the increased flexibility will allow it to accomplish during the course of the charter term. Any charter school cannot waive federal, state, or local laws relating to civil rights; insurance; protecting physical health and safety of students, employees, and visitors; conflicts of interest; unlawful conduct; any reporting requirements of O.C.G.A. §§ 20-2-133, 20-2-210, 20-2-211.1, 20-2-320, 20-2-327(c); or virtual instruction requirements of O.C.G.A. § 20-2-167.1.

Parental and Community Involvement. A description of how parents, members of the community, and other interested parties were involved in developing the petition, will be involved in the proposed charter, including the involvement such individuals will have with the governing body of the proposed charter school.

Description of the Educational Program. A description of the following components of the proposed charter school's educational program, including an explanation of how the following components will contribute to the performance-based goals and measurable objectives: (i) the proposed charter school's mission; (ii) the ages and grades to be included; (iii) the focus of the curriculum; (iv) instructional methods to be used, including any distinctive or unique instructional techniques or educational programs to be employed; (v) for students with disabilities, a description of how the proposed charter school shall provide state and federally-mandated services and comply with all special education laws, including Section 504 of the Rehabilitation Act of 1973, Title II of the Americans With Disabilities Act, and the IDEA; (vi) for English Language Learners, a description of how the proposed charter school shall provide state and federally-mandated services; (vii) description of how the proposed charter school intends to meet the needs of students identified as gifted and talented; (viii) a description of how the proposed charter school shall provide supplemental educational services as required by

federal law and pursuant to State Board of Education Rule 160-4-5-.03,¹ and a description of how the proposed charter school shall provide remediation in required cases pursuant to State Board of Education Rule 160-4-5-.01; and (ix) the proposed annual calendar and a draft daily schedule for a typical week.

Description of Assessment Methods. A description of the proposed charter school's student assessment plan, including the following components (i) a statement detailing how the school will comply with the accountability provisions of O.C.G.A. § 20-14-30 through § 20-14-41 and federal accountability requirements, including the manner in which the school shall work with the authorizer(s) to participate in statewide assessments; (ii) the school's plan to obtain student performance data for each student, which shall include how the current baseline achievement data which will be used in connection with the academic performance based goals and measurable objectives stated in the petition; (iii) how assessment will measure improvement and over what period of time; (iv) the school's plan for using assessment data to monitor and improve achievement for all students; and (v) for charter high schools, a description of the method for determining that a student has satisfied the requirements for high school graduation as defined in State Board Rule 160-4-2-.48.

Description of School Operations. A description of the proposed charter school's operations and management plan, including the following components; (i) the proposed duration of the charter; (ii) the proposed attendance zone for the charter school; (iii) a description of all rules and procedures that will govern the admission of students to the charter school including a statement of enrollment priorities or a weighted lottery (under O.C.G.A. § 20-2-2066(a) and (b)), a copy or description of the proposed admissions application, and a copy of the policy setting annual enrollment and re-enrollment and lottery deadlines; (iv) the steps that will be taken to reach students representative of the racial and socioeconomic diversity in the community; (iv) rules and procedures concerning student discipline and dismissal, including the code of conduct and student due process procedures; (v) rules and procedures concerning how the charter school will handle grievances and complaints from students, parents, and teachers; (vi) the manner in which the school will be insured, the terms and conditions thereof, and the amounts of coverage; (vii) a description of the charter school's employment procedures and policies, including at a minimum, procedures to ensure compliance with the requirement that the school shall not allow any faculty, staff, or governing board member contact with students without having annual documentation of a successful background check as well as the charter school's policies and procedures that establish the requirement that faculty, staff, and governing board members must immediately disclose to the school the occurrence of any arrests or other such occurrences which would have resulted in an unsuccessful background check if they had occurred prior to the background check, as well as a clearance certificate from the Georgia Professional Standards Commission. The proposed charter school must also provide a statement for the manner in which the proposed charter school's enrollment count will be determined for purposes of calculating charter school funding, pursuant to O.C.G.A. § 20-2-2068.1(c) or § 20-2-2090(d).

Facilities. Information about the facilities of the proposed charter school including a description with the following components: (i) description, including documentation, of steps petitioner has taken relevant to the Department's facilities review process; (ii) a Certificate of Occupancy must be obtained prior to student occupancy of the proposed facility; (iii) the school's emergency safety plan, which may be a statement that the petitioner will prepare a safety plan in accordance with O.C.G.A. § 20-2-1185 and submit and obtain approval from the Georgia Emergency Management Agency by a specified date; (iv) a statement that any future facility used to house students will be subject to approval by the local board and the Department prior to occupancy; (v) documentation of ownership or a copy of the lease of the facility or, if the facility has not been obtained or the documentation is not available at the time the petition is submitted, the charter school will provide a timeline for obtaining such facilities or providing such documentation and shall provide such documentation to the Department as soon as it is available. The proposed charter school must also provide a statement describing whether the building is new or existing. In the case of a locally approved charter school, building plans must be approved by the facilities department of the local board. For all other charter schools, building plans only need to be approved by the Department.

Demonstration of Fiscal Feasibility and Controls. A description of the proposed charter school's financial structure, including: (i) designation of a chief financial officer who shall not serve simultaneously as the school leader for the charter school and possesses a baccalaureate or higher degree in business, accounting, or finance

¹ This remains in the State Board Rule despite the fact that Supplemental Education Services were removed in the recent reauthorization of the Elementary and Secondary Education Act, 20 U.S.C. 6301 *et seq.*

from an accredited college or university and a minimum of four years' experience in a field related to business or finance or Documented experience of ten or more years in the field of business and financial management; (ii) confirmation of compliance with Governmental Accounting Standards Board (GASB) Statements and Interpretations, which constitute Generally Accepted Accounting Principles (GAAP) for financial reporting; (iii) a statement that the school shall be subject to an annual financial audit conducted by an independent Georgia licensed Certified Public Accountant, in accordance with O.C.G.A. § 20-22065(b)(7) and in a formal complying with generally accepted government auditing standards (GAGAS); (iv) a statement indicating whether the school shall utilize the local school board for fiscal management or other services; and, if so, specifics regarding what level of autonomy the school shall have over budgets and expenditures and/or any other area for which the school has contracted with the local board to provide services; (v) a statement that the school shall comply with federal monitoring and federal audits required for schools that receive federal funds; (vi) for a virtual school, a statement that at least ninety (90) percent of QBE funds earned by students in the school whose total student enrollment is composed of more than five percent of students who reside in another local school system shall be expended on virtual instruction costs in accordance with O.C.G.A. § 20-2-167.1; (vii) a statement from the applicable local school system that the amount identified in the locally approved petition budget for base per-pupil funding is based upon the school system's good-faith estimate of the base per-pupil amount at which it will fund the charter school as long as the school system receives the state and local revenues upon which the approved school budget is based; and (viii) a statement that the school shall submit any required financial information to the local school system, in accordance with the policies and deadlines established by the system, for inclusion in the local school system's annual Financial Review Report (DE046) to the Department.

Description of Governance Structure. A description of the proposed charter school's governance structure, including the following components: (i) A description of how the charter school shall be governed.; (ii) statement that the governing board shall be subject to the provisions of the State's Open Meetings Act and Open Records Act (O.C.G.A. § 5014-1 *et seq.* and O.C.G.A. § 50-18-70 *et seq.*, respectively); (iii) a statement that the governing board shall be subject to the oversight of the local board (iv) a statement regarding the governing board's function, duties, composition, how and when members shall be selected, how long members shall serve, how members may be removed from office, how members shall avoid conflicts of interests and an assurance that the governing board will comply with all laws and State Board of Education rules and guidelines related to training of the governing board of the charter school; (v) a description of how parents, members of the community, and other interested parties will be involved in the governing board of the school; (vi) a list of proposed business arrangements or partnerships with existing schools, educational programs, businesses, or nonprofit organizations and a disclosure of any potential conflicts of interest, including a copy of any intended contracts for the provision of educational management services or the provision of supplemental educational services and remediation, and any agreements with other local schools for the charter school students' participation in extracurricular activities such as interscholastic sports and clubs; (vii) a description of the method that the local board and the charter school plan to utilize for resolving conflicts with each other; (viii) evidence that the locally approved charter school has been incorporated as a Georgia nonprofit corporation, including an official copy of the certificate of incorporation from the Georgia Secretary of State and a copy of the by-laws for the Georgia nonprofit corporation specifying the duties of governing boards' members with particularity.

Statement on Annual Report. A statement that the charter school shall provide an annual report to the Georgia Department of Education, the local board of education, and parents and guardians of students enrolled in the school by November 1 of each year, in accordance O.C.G.A. § 20-2-2067.1(c) and that such report shall conform to the template provided by the Department.

The Application contains additional requirements for submissions from a proposed charter school which is requesting authorization from two or more local boards and for virtual charter schools or College and Career Academies. Additionally, the Application must also include several required appendices, including organizational documents, any admission application the charter school proposes to utilize, the charter school's proposed annual calendar and draft daily schedule and other information.

Approval or Denial of Charter Petitions in General

The Charter Schools Act includes other provisions outlining the review process for charter schools.

The local board of education may by majority vote approve or deny a petition no later than 90 days after its submission unless the petitioner requests an extension. A denial of a petition by a local board of education shall not preclude the submission to the local board of education of a revised petition that addresses deficiencies cited in the denial. In addition, a local board of education cannot act on a conversion charter school petition until such petition has been freely agreed to by secret ballot by a majority of the faculty, instructional staff members and parents or guardians of the petitioning local school at a public meeting called in accordance with the Charter Schools Act.

A local board of education is required to approve a petition that complies with the rules, regulations, policies, and procedures, promulgated in accordance with State law and is in the public interest. If a local board of education denies a petition, it must within 60 days specifically state the reasons for the denial, list all deficiencies with respect to State statutes, and provide a written statement of the denial to the charter petitioner and the State Board. The State Board or the Charter Advisory Committee, if directed by the State Board to do so, may mediate between the local board of education and a charter petitioner whose petition was denied to assist in resolving issues which led to denial of the petition by the local board of education.

Prior to approval or denial of a charter petition, the State Board is required receive and give all due consideration to the recommendation and input from the Charter Advisory Committee. The State Board is required to approve the charter of any charter petitioner if its petition was approved by the local board of education of the local school system in which the proposed charter school will be located and the State Board finds, after receiving input from the Charter Advisory Committee, that the petition complies with the rules, regulations, policies, and procedures promulgated in accordance with Georgia statutes and is in the public interest. If the State Board denies a petition, it must within 60 days specifically state the reasons for the denial, list all deficiencies with regard to the Charter Schools Act, and provide a written statement of the denial to the charter petitioner and to the local board of education. No application for a state chartered special school may be made to the State Board by a petitioner for a conversion charter school that has been denied by a local board of education.

Upon denial of a petition for a Local Start-Up Charter School by a local board of education and upon application to the state board by the petitioner, the State Board shall approve the charter of a Local Start-Up Charter School petitioner for a State Chartered Special School if the State Board finds, after receiving input from the Charter Advisory Committee, that such petition meets the requirements of the Charter Schools Act and is in the public interest. The Commission may approve or deny petitions for Commission Charter Schools, with approvals subject to review of the State Board.

Legislation passed by the Georgia General Assembly this year, signed by the Governor on April 27, 2017 and effective on July 1, 2017 amends the Charter Schools Act (the "2017 Amendments to the Charter Schools Act") to require, among other matters, that the State Board of Education establish a code of principles and standards of charter school authorizing to guide local boards of education, the State Board and the State Charter Schools Commission in meeting high-quality authorizing practices, and requires that the code of principles and standards include a number of matters, such as, without limitation, maintaining high standards for approving charter petitions, establishing and monitoring high academic, financial and operational performance standards, and holding charter schools accountable for their obligations to all students. The 2017 Amendments to the Charter Schools Act also requires that the State Board provide for the annual review of local boards of education by an independent party for adherence to the aforesaid code of principles and standards, and provide for or approve training for its staff and local boards of education members on the aforesaid code of principles and standards.

State Charter Schools Commission

Organization. The Commission is a state-level authorizing entity, the seven members of which are appointed by the State Board as follows: three appointees recommended by the Governor, two appointees recommended by the President of Senate, and two appointees recommended by the Speaker of the House of Representatives. Members serve staggered two year terms. The Commission shall meet at least bimonthly, and is funded by a combination of start-up funds from the State Board, appropriations from the General Assembly and federal and institutional grant funds. O.C.G.A. § 20-2-2082.

Collaboration with the Department of Education and the State Board of Education. The Commission shall work in collaboration with the Department on all matters related to authorizing Commission Charter Schools. O.C.G.A. § 20-2-2090. The Commission and the State Board shall adopt rules and regulations necessary to facilitate the implementation of the Commission's enabling legislation. O.C.G.A. § 20-2-2091.

Powers and Duties. The Commission may approve or deny petitions for Commission Charter Schools and renew, nonrenew or terminate such petitions, but the State Board shall review Commission approval or denial of a petition within 60 days of such decision and may overrule such decision upon a majority vote of the members of the State Board. The Commission may also conduct facility and curriculum reviews for Commission Charter Schools. O.C.G.A. § 20-2-2083(a).

The Commission is required to: (1) review petitions for Commission Charter Schools and assist in the establishment of such schools in the State, ensuring that all charters for such schools are consistent with State education goals; (2) develop, promote and disseminate best practices for Commission Charter Schools to develop and encourage high-quality schools, including at a minimum encouraging development and replication of academically and financially proven Commission Charter School programs; (3) develop, promote and require high standards of accountability for Commission Charter Schools, ensuring that each such school participates in the State's education accountability system and is reported to the Department if it falls short of performance measures included in its charter; (4) monitor and annually review and evaluate the academic and financial performance of Commission Charter Schools and hold such schools accountable for such performance pursuant to their charters, and review the citizenship and immigration status of each individual who works at a Commission Charter School and aggregate such information by school annually; (5) direct Commission Charter Schools and persons seeking to establish such schools to private sources of funding and support; (6) actively seek supplemental revenue from grants and philanthropy, including gifts, grants and donations from any kind of public or private entity in furtherance of the purposes of the Commission's enabling legislation; (7) review and recommend to the General Assembly any necessary revisions to statutory requirements regarding standards and accountability for Commission Charter Schools; (8) act as a liaison for Commission Charter Schools in cooperation with local boards of education that choose to share space with Commission Charter Schools; (9) encourage collaboration with units of government, institutions of higher education and regional educational service agencies; (10) meet the needs of Commission Charter Schools and local school systems by uniformly administering high-quality Commission Charter Schools, thereby removing administrative burdens from local schools; (11) assist Commission Charter Schools in negotiating and contracting with local boards of education that choose to provide transportation or administrative services to such schools; (12) provide for annual training for Commission Charter School governing boards on best practices, constitutional and statutory requirements relating to public records and meetings and applicable statutes, rules and regulations; and (13) establish a charter schools financial management certification program for state charter school leaders and personnel who are responsible for the school's budget, accounting, payroll processing, purchasing, and ensuring the school's financial policies are in line with state and federal laws and best practices. O.C.G.A. § 20-2-2083(b).

The Commission is also required to establish rules and regulations requiring Commission Charter Schools to provide adequate notice of enrollment procedures, including any random selection process used when applicants exceed capacity of a program, grade, or school. O.C.G.A. § 20-2-2083(c)(1).

Petition Requirements. The Commission is authorized to approve a petition for a Commission Charter School that either (1) has a state-wide attendance zone or (2) has a defined attendance zone and demonstrates that its special characteristics, such as population, curriculum or other features which enhance educational opportunities, provide that any proposed special curriculum with a narrow or limited focus must be reasonably justified. O.C.G.A. § 20-2-2084(b).

For a Commission Charter School with either type of attendance zone, the petition must be simultaneously submitted to the Commission and to the local board of education where the school will be located. A Commission Charter School with a defined attendance zone must also submit such petition to each local school system from which it plans to enroll students. The Commission shall not act on such petition unless the local board of education denies the petition. The local board of education shall approve or deny the petition no later than 90 days after its submission, and failure to do so shall be deemed a denial. A local board which denies a petition for a Commission Charter School may present the reasons or deficiencies in such petition that caused the denial to the Commission. The Commission may take such opposition, or local support, into account in its decision-making. O.C.G.A. § 20-2-2084(c).

Applications by Existing Charter Schools. An existing charter school approved by a local board of education or the State Board may submit a petition to the Commission if its obligations under the existing charter will expire prior to its entry into a charter with the Commission, which may be accomplished by rescission or waiver of the existing contract by the prior authorizer. If such charter school previously used facilities of the local board of education, it may continue to do so but the local board is authorized to charge a reasonable fee for such use. O.C.G.A. § 20-2-2085.

Commission Charter School Board Governance

The members of the governing board of a Commission Charter School must be United States citizens and residents of Georgia, and may not be an employee of the Commission Charter School. Conflict of interest provisions also apply. The members of the governing board shall participate in annual training conducted by the Commission. O.C.G.A. § 20-2-2084(e)-(f).

Requirements of Commission Charter Schools in Hiring and Contracting for Goods and Services

A Commission Charter School shall (1) seek highly qualified, properly trained teachers and other qualified personnel, but shall give preference to hiring citizens or nationals of the United States over non-citizens and non-nationals when qualifications are equal, unless the non-citizen or non-national is a foreign exchange teacher, and subject to Commission approval of the hiring of non-citizen and non-national teachers who are not foreign exchange teachers and (2) give preference in contracting and purchasing services and materials to businesses incorporated or qualified to do business in the State and having a regularly maintained place of business within the State, so long as such businesses and similarly situated and qualified as compared to out of state businesses. O.C.G.A. § 20-2-2084(d). The Charter Schools Act does not contain any similar hiring or contracting preferences for Local Start-Up Charter Schools.

Amendment of Terms of Charter for Charter School; Initial Term of Charter

Pursuant to the Charter Schools Act, the terms of a charter for a Local Start-Up Charter School may be amended during the term of the charter upon the approval of the local board of education, the State Board, and the charter school. The terms of a charter for a State Chartered Special School or a Commission Charter School may be amended during the term of the charter upon the approval of the State Board and the charter school. The terms of a charter for a Charter System may be amended during the term of the charter upon approval of the State Board and the local board of education. The terms of a charter for a Commission Charter School may be amended during the term of the charter upon agreement between the charter school and the Commission. O.C.G.A. § 20-2-2067.1(a).

While governing law currently states that the initial term of a charter, except for a charter system, will be for a minimum of five years, unless the petitioner requests a shorter period of time, and shall not exceed ten years and that a local board of education and the State Board may renew a charter for a Local Start-Up Charter School, upon the request of the charter school, for the period of time specified in the request⁽¹⁾, the State Board proposed in February of 2017 and thereafter adopted certain amendments to the charter school and charter system rules that went into effect on April 19, 2017 that limit the maximum term of both initial charters and renewed charters to five (5) years⁽²⁾. See "– Charter Renewal" below.

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(1) O.C.G.A. § 20-2-2067.1

(2) State Board of Education Rule 160-4-9-.05

Charter Renewal

All petitions for renewals of existing charters must be submitted to the local board of education and/or the State Board and must include all of the information submitted in the original charter application. See "– Charter School Petition" above and "CERTAIN BONDHOLDERS' RISKS – Termination, Non-Renewal or Expiration of Charter Contract" in the forepart of this Limited Offering Memorandum. In addition, a charter school's renewal petition must include each of the following

- (1) an executive summary that provides (a) a description of the charter school's mission and its importance to the community it serves; (b) the school's academic program, specifically focusing on its innovative qualities to the applicable school district; (c) the organizational structure, specifically focusing on innovation and need for flexibility; and (d) explanation of whether/why the charter is seeking more than a five-year renewal;
- (2) a narrative describing how the charter school performed in meeting its academic and organizational goals;
- (3) the charter school's current financial situation;
- (4) a brief overview of the governance structure;
- (5) how the charter school provides state and federally mandated services to students with disabilities;
- (6) how the charter school provides state and federally mandated services for English Learners;
- (7) the number and percentage of students receiving In-School Suspensions, Out-of-School Suspensions, or Expulsions during the current charter term and comparison of that data to the Office of Civil Rights data;
- (8) any difficulties during the current charter term that were not previously addressed;
- (9) a rationale for any changes to the charter in the areas of Academics, Governance, Finance, or Operations; and
- (10) a brief description of how the charter school will continued to serve the needs of its students in the upcoming charter term.

Charter Termination

The State Board may terminate a charter (with the exception of a charter for System Charter Schools) at the request of a majority of the parents or guardians of students enrolled at such charter school who by a majority vote request the termination of its charter at a public meeting called with two weeks' advance notice and for the purpose of deciding whether to request the State Board to declare such charter null and void or by a majority of the faculty and instructional staff employed at such charter school who by a majority vote request the termination of such charter at a public meeting called with two weeks' advance notice and for the purpose of deciding whether to request the State Board to declare the charter null and void. (O.C.G.A. § 20-2-2068(a)(1)(A) and (B)). For termination requests originating from a majority of the parents or guardians enrolled at or by a majority of the faculty and instructional staff employed at such charter school, the group requesting the termination of such charter must submit within thirty (30) days of the public meeting a petition for termination to the State Board which shall include the following (a) a written statement detailing the reasons for termination, including supporting documentation; (b) the minutes, if any, of the public meeting where the termination request was voted upon; (c) documentation showing that a public meeting and vote was held in accordance with the requirements of the Charter Schools Act; (d) a written statement signed by a member of the group requesting termination stating that an identical copy of the materials submitted by such group to the State Board has also been provided to the appropriate officials at such charter school, which will include at a minimum the principal of such charter school and the president of the governing board and the superintendent of the local board of education that serves as the fiscal agent for the charter school; and (e) any other relevant information.

Such charter school and the local board of education, if applicable, will have 30 days from receipt of the petition for termination to provide a written response to the petition to the State Board or the Commission. Upon receipt of the termination request and following the 30-day period for the charter school's response, the State Board or the Commission shall conduct a hearing and render a decision in accordance with the State's Administrative Procedures Act. For termination requests originating with the local board or boards of education, the local board or boards of education shall provide appropriate notice of proposed termination and conduct a hearing in accordance with the Charter Schools Act. If a determination is made that the termination of the charter will be requested, the local board or boards of education shall then file a termination with the State Board or the Commission within thirty days of the determination. This request shall include a succinct statement of the reason for the

termination request, the transcript of the evidence, proceedings, and findings of the local board and make a report and recommendation to the State Board or the Commission. The State Board or the Commission will then assign a hearing officer to consider the petition, review the transcript of evidence, proceedings, and findings of the local board of education, if applicable, and make a report and recommendation to the State Board. The State Board will uphold the decision of the local board or boards of education if it finds sufficient evidence to sustain the local board's decision and will render a final written decision and notify the parties accordingly.

The State Board or the Commission may also institute proceedings to terminate a charter, including for State Chartered Special Schools or Commission Charter Schools, if, after providing reasonable notice to the charter school and an opportunity for a hearing, the State Board or the Commission finds (a) a failure to comply with any recommendation or direction of the State Board with respect to failing schools; (b) a failure to adhere to any material term of the charter, including but not limited to the performance goals set forth in the charter; (c) a failure to meet generally accepted standards of fiscal management; (d) a violation of applicable federal, state, or local laws or court orders; (e) the existence of competent substantial evidence that the continued operation of the charter school or charter system would be contrary to the best interests of the students or the community; or (f) a failure to comply with any provision described above under " – Requirements for Operating; Control and Management" below.

In addition, the State Board has the authority to cause an emergency, interim termination in the cases where health, safety, or welfare of the students or staff of a charter school is in danger. Any party to a charter may make an emergency termination request. Depending on the nature of the emergency, the State Board may request the local board of education to assign the charter school students to another public school or overtake operations of the charter school.

Requirements for Operating Charter Schools; Control and Management

Except as provided in the Charter Schools Act or in a charter, a charter school will not be subject to the provisions of any state or local rule, regulation, policy, or procedure relating to schools within an applicable school system regardless of whether such rule, regulation, policy, or procedure is established by the local board of education, the State Board, or the Department. The foregoing is subject to the limitation that the State Board may establish rules, regulations, policies, or procedures consistent with the Charter Schools Act relating to charter schools. In exchange for such a waiver, the charter school agrees to meet or exceed the performance based goals included in the charter and approved by the local board of education, including but not limited to raising student achievement.

In determining whether to approve a charter petition or renew an existing charter, O.C.G.A. § 20-2-2065(b) requires that the local board of education or the Commission and State Board shall ensure that a charter school will be (1) a public, nonsectarian, nonreligious, nonprofit school that is not home based, provided that a charter school's nonprofit status will not prevent the school from contracting for the services of a for profit entity; (2) subject to the control and management of the local board of education of the local school system in which the charter school is located, as provided in the charter and in a manner consistent with the Constitution, if a local charter school; (3) subject to the supervision of the State Board, as provided in the charter and in a manner consistent with the Constitution, if a state chartered special school; (4) organized and operated as a nonprofit corporation under the laws of the State; provided, however, that this paragraph will not apply to any charter petitioner that is a local school, or state or local public entity; (5) subject to all federal, state, and local rules, regulations, court orders, and statutes relating to civil rights; insurance; the protection of the physical health and safety of school students, employees, and visitors; conflicting interest transactions; and the prevention of unlawful conduct; (6) subject to all laws relating to unlawful conduct in or near a public school; (7) subject to an annual financial audit conducted by the state auditor, or if specified in the charter, by an independent certified public accountant licensed in the State; (8) subject to the provisions of the Charter Schools Act and such provisions will apply with respect to charter schools whose charters are granted or renewed on or after July 1, 2000; (9) subject to all reporting requirements of elementary schools specified in the Charter Schools Act; (10) subject to the requirement that it will not charge tuition or fees to its students except as may be authorized for local boards of education; (11) subject to the provisions of State laws requiring a brief period of quiet reflection; (12) subject to the provisions of State laws relating to annual performance evaluations; (13) subject to the provision of State law relating to

fingerprinting and criminal background check; and (14) subject to the provision of State law relating to individual graduation plans.

THE BORROWER HAS NEITHER SOUGHT NOR OBTAINED THE APPROVAL, CONSENT OR PARTICIPATION OF THE COMMISSION OR THE STATE BOARD IN STRUCTURING, OFFERING OR ISSUING THE SERIES 2017 BONDS.

Admission, Enrollment and Withdrawal of Students

A Local Start-Up Charter School shall enroll any student who resides in the "Charter Attendance Zone" as specified in the charter and who submits a timely application as specified in the charter, unless the number of applications exceeds the capacity of a program, class, grade level, or building. Charter Attendance Zone means all or any portion of the local school system in which the charter school is located and may include all or any portion of other local school systems if the charter school is jointly authorized. In such case, all such applicants shall have an equal chance of being admitted through a random selection process unless otherwise prohibited by law, except for educationally disadvantaged students who may be provided an increased chance of admission through a weighted lottery if permitted by the school's charter; *provided, however*, that a start-up charter school give enrollment preference to applicants in any one or more of the following categories in the order of priority specified in the charter (a) a sibling of a student enrolled in the start-up charter school; (b) a sibling of a student enrolled in another local school designated in the charter; (c) a student whose parent or guardian is a member of the governing board of the charter school or is a full-time teacher, professional, or other employee at the charter school; (d) students matriculating from a local school designated in the charter; and (e) children who matriculate from a pre-kindergarten program which is associated with the school, including, but not limited to, programs which share common facilities or campuses with the school or programs which have established a partnership or cooperative efforts with the school.

A student who resides outside the school system in which the local charter school is located may not enroll in that Local Start-Up Charter School except pursuant to a contractual agreement between the local boards of education of the school system in which the student resides and the school system in which the local charter school is located. Unless otherwise provided in such contractual agreement, a local charter school may give enrollment preference to a sibling of a nonresident student currently enrolled in the local charter school.

A Conversion Charter School shall enroll any student substantially in accordance with the rules that apply to Local Start-Up Charter Schools. A State Chartered Special School or Commission Charter School shall enroll any student who resides in the attendance zone specified in the charter unless the number of applications exceeds the capacity of a program, class, grade level, or building. Except for educationally disadvantaged students who may be provided an increased chance of admission through a weighted lottery if permitted by the school's charter, all applicants have an equal chance of being selected through a random selection process; provided however, a State Chartered Special School or Commission Charter School may give enrollment preference to a child of a full time teacher, professional or other employee of the State Chartered Special School or Commission Charter School, as applicable, or to a sibling currently enrolled in a State Chartered Special School or Commission Charter School, as applicable. A charter school shall not discriminate on any basis that would be illegal if used by a school system. A Commission Charter School may also preference siblings of students enrolled in another school designated in its charter, a student matriculating from a school designated in its charter or a student matriculating from a pre-K program associated with the school.

A student may withdraw without penalty from a charter school at any time and enroll in a local school in the school system in which such student resides as may be provided for by the policies of the local board of education. Any student who is suspended or expelled from a charter school as a result of a disciplinary action taken by a charter school shall be entitled to enroll in a local school within the local school system in which the student resides, if, under the disciplinary policy of the local school system, such student would not have been subject to suspension or expulsion for the conduct which gave rise to the suspension or expulsion. In such instances, the local board of education shall not be required to independently verify the nature or occurrence of the applicable conduct or any evidence relating thereto.

Reprisals by Local Boards of Education or School System Employees Prohibited

A local board of education or a school system employee who has control over personnel actions shall not take unlawful reprisal against another employee of the school system because such other employee is directly or indirectly involved with a petition to establish a charter school. A local board of education or a school system employee shall not take unlawful reprisal against an educational program of any school or school system because a petition to establish a charter school proposes the conversion of such educational program to a charter school. As used in the Charter Schools Act, the term "unlawful reprisal" means an action taken by a local board of education or a school system employee as a direct result of a lawful petition to establish a charter school which action is adverse to another employee and which is not lawfully taken in response to any action or behavior of such employee or is adverse to an educational program of the school or the school system and (1) with respect to such other employee, results in one or more of the following (a) disciplinary or corrective action; (b) transfer or reassignment, whether temporary or permanent; (c) suspension, demotion, or dismissal; (d) an unfavorable performance evaluation; (e) a reduction in pay, benefits, or awards; (f) elimination of the employee's position without a reduction in force by reason of lack of moneys or work; or (g) other significant changes in duties or responsibilities that are inconsistent with the employee's salary or employment classification; or (2) with respect to an educational program, results in one or more of the following (a) suspension or termination of the educational program; (b) transfer or reassignment of the educational program to a less favorable department; (c) relocation of the educational program to a less favorable site within the school or school system; or (d) significant reduction or termination of funding for the educational program, unless necessitated by unfunded mandates from federal or state decisions which result in a significant reduction in funds available to the local board of education and which result in a proportionate loss of funding for all schools in the system. O.C.G.A. § 20-2-2067.

Annual Report and Commission Information

Each Local Start-Up Charter School, each Charter System and each Commission Charter School shall submit an annual report outlining the previous year's progress to the authorizing local board of education or the State Board, as appropriate, to parents and guardians of students enrolled in the school, or for a charter system, to parents and guardians of students enrolled in the school within the local school system and to the Department no later than November 1 of each year. The report shall contain, but is not limited to, the following data (a) an indication of progress toward the goals as included in the charter; (b) academic data for the previous year, including state academic accountability data, such as standardized test scores and adequate yearly progress data; (c) unaudited financial statements for the fiscal year ending on June 30, provided that audited statements will be forwarded to the local board of education and the State Board upon completion; (d) updated contact information for the school and the administrator, and for charter systems, each system charter school and its respective administrator; (e) proof of current nonprofit status, if applicable; and (f) any other supplemental information that the charter school or charter system chooses to include or that the State Board requests that demonstrates that school or system's success.

For administrative purposes, including data reporting, student enrollment counting procedures, student achievement reporting, funding allocations and related purposes defined by the State Board, each Commission Charter School shall be treated as a single local education agency.

The Commission must, at a minimum, provide parents with information on its accountability standards, links to Commission Charter Schools throughout the State and public education programs concerning Commission Charter Schools. O.C.G.A. § 20-2-2086. The Commission chairperson shall annually submit a report to the State Board regarding the academic performance and fiscal responsibility of all Commission Charter Schools. O.C.G.A. § 20-2-2087.

Office of Charter School Compliance

There is established by the Charter Schools Act within the Department an Office of Charter School Compliance, the responsibilities of which is to (1) prepare charter school and charter system guidelines to be approved by the State Board; (2) distribute charter school and charter system petition information to inquiring parties; (3) process all charter school and charter system petitions and coordinate with the Charter Advisory Committee to facilitate its review and recommendations to the State Board; (4) administer any state or federal charter school implementation grant program; (5) contract with an independent party to evaluate the performance of

charter schools and charter systems, as such performance relates to fulfilling the terms of their charters; and (6) compile information necessary to produce the State's annual report on charter schools. O.C.G.A. § 20-2-2069.

PUBLIC SCHOOL FINANCE

Introduction to Public School Finance

The following discussion includes a general summary of certain provisions of the State law relating to state and local funding of public school districts in Georgia and related specifically to the funding of Georgia charter schools. The summaries as hereinafter set forth do not purport to be complete and are for informational purposes only. Potential investors should refer to and independently evaluate applicable provisions of State law in their entirety, with the assistance from counsel, as necessary, for a complete understanding of their terms. Further, potential investors should note that the provisions summarized below are subject to change, and this summary pertains only to certain aspects of currently existing law. See "CERTAIN BONDHOLDERS' RISKS – Dependence on Successful Operations of Borrower, "—Dependence on the State of Georgia" and "—Dependence on the School District" in the forepart of this Limited Offering Memorandum for further discussion of certain concepts discussed herein.

Under State law, each county in Georgia, exclusive of any independent school system in existence in that county, composes one school district, and is confined to the control and management of a county board of education. Each such school district is a political subdivision of the State of Georgia, separate from and legally and fiscally independent of the county government and all other political subdivisions. Funds for the general maintenance and operation of school districts, including Bibb County School District, are derived from local, state, and federal sources. Local revenues consist primarily of *ad valorem* property taxes.

Funds received from the State depend upon annual appropriations funding by the General Assembly of the State and are determined by certain formulas, generally based upon the number of students served and the relative wealth of a school district in relation to other school districts in Georgia. Funds received from the federal government are primarily for programs for disadvantaged and handicapped students and for the school food service program.

Georgia Public School Funding Overview

In the State, public schools, including charter schools, funding sources include (1) State Quality Basic Education Funding, (2) local funding, (3) federal grants and (4) fundraising and other charitable contributions. The State pays for most of the cost of the basic State Quality Basic Education Funding but allows local school districts to go beyond the basic program if they are willing to raise additional funds for this purpose. This layer of supplemental funding is financed through a combination of local taxes and grants from the State to assist those school districts that do not have as much taxable property per student as most districts. State educational expenditures for local school districts are the sum of QBE Formula Earnings (defined herein), State Categorical Grants and State Equalization payments.

Annually, in accordance with State law, the State legislature determines the amount of funding each school district should receive to educate its students. This amount is known as the "Base Amount." The Base Amount is adjusted upwards based on the number of full time equivalent students in various State created categories and the amount of money needed to fund the State minimum salaries for various instructional programs. See O.C.G.A. §§ 20-2-161 and 20-2-212. Under State law this amount is funded by moneys from the State and by moneys from the school district's local community. The state contribution is known as the "QBE Formula Earnings." The local communities' contributions are known as the "Local Share." The State QBE Formula Earnings for each local school district is determined by the State and is calculated as the difference between (1) the Direct Instructional Costs and Indirect Instructional Costs (as such terms are defined herein) and (2) the local school district's Local Share. O.C.G.A. § 20-2-161.

Charter schools in the State receive funding much like their traditional public school counterparts. Pursuant to the Charter Schools Act, the local board of education and the State Board are required to treat a start-up charter school no less favorably than other local schools within the applicable local school system with respect to

the provision of funds for instruction, school administration, transportation, food services, and, where feasible, building programs.

Quality Basic Education Act Provisions; Base Amount

The General Assembly adopted Georgia's Quality Basic Education Act (O.C.G.A. § 20-2-130 *et seq.*) (the "QBE Act") in order to implement a state wide curriculum in public schools. In addition, the QBE Act is intended to provide an equitable public education finance structure in order to ensure that every student has an opportunity for a quality basic education, regardless of where the student lives, and to ensure that all Georgians pay their fair share of financing public education. Just as with other public schools, funds made available to Georgia charter schools are based upon the formulas set forth for public education in the QBE Act.

Included herein are summaries of public school funding in general and certain portions of the QBE Act.

Elementary and secondary schools in the United States are usually funded with a combination of local funds, state funds and federal funds. State funding often provides for K-12 education through a system referred to as a "foundation grant system." In a foundation grant system, the state determines a minimum level of per-pupil expenditures (the "Foundation" or the "Base Amount") to be made in the state. In Georgia this is the amount set by the legislature in the General Appropriations Act as the Base Amount. The per-pupil foundation amount, with adjustments to account for differences in the costs of the various educational programs, is multiplied by the number of full time equivalent students in a school system to determine the minimum total expenditure on K-12 education in that system. In many foundation grant programs, each school system is required to levy a minimum property tax rate and contribute the revenue raised by that tax to the total cost of the foundation. This is the contribution referred to in Georgia as the "Local Contribution."

The completion of the formula calculations under the QBE requires the measurement of the number of students in a local system and the identification of the types of classes or services each student attends or receives. To measure the number of students, QBE uses weighted full-time equivalent ("FTE") student counts. Weighted FTE counts do not represent the number of students in seats, but are based on the time that students spend in the various instructional programs. For funding purposes, the class day is divided into segments, and the school earns funding based on time spent in various segments.

The first step in calculating the funds to be paid to any school district is the annual establishment by the legislature of the Base Amount. The Base Amount is designed to equal the amount of funds needed by each FTE student in the base program, in order that such program can be sufficiently funded to provide quality basic education to all enrolled students. The State legislature has determined the cost of general high school education is considered the lowest cost segment and is the basis of other weighted counts. For this reason, the high school general education program is currently the base program against which the costs of all other instructional programs in State are compared. The amount of funds needed by each FTE student in a routine ninth grade classroom is the Base Amount established annually by the State legislature. This Base Amount reflects program components that constitute the program weight for the high school general education program. The benchmark weight of 1.00 is assigned to a student in grades 9-12 who attends regular classes and receives no special services, i.e., the base program and least expensive student to educate. All other students receive a higher weight. Because the costs of instructional programs vary depending upon the teacher-student ratios and specific services typically required to address the special needs of students enrolled, state authorized instructional programs have program weights and teacher-student ratios as specified in the QBE Act. The resulting weight for each student is multiplied by the number of full-time equivalent students in each program, known as the "FTE Count," and the resulting product is then multiplied by the Base Amount. The teacher cost used in the formula is based on the state minimum salary scale, with adjustments for training and experience and allowances for benefits (but not Social Security). This Base Amount calculation makes up the Direct Instructional Costs and the Indirect Instructional Costs. The resulting weight for each student is multiplied by the FTE Count and the resulting product is then multiplied by the Base Amount. In the event that the Base Amount when multiplied by the program weights requires funds in excess of the annual State appropriation for the QBE formula grants, the funds which are appropriated for the QBE formula are prorated to each of the QBE formula cost categories.

QBE funding awards funds in specific categories, including direct instructional costs funds and indirect instructional costs funds. The term "Direct Instructional Costs" refers to the cost of putting a teacher in every classroom based upon the grade of the student (K, 1-3, 4-5, 6-8, or 9-12), any special program in which the student is enrolled EIP, special education, gifted, remedial, alternative, middle school, ESOL, or vocational lab), and the teacher: pupil funding ratio. The term "Indirect Instructional Costs" include costs such as funding for central administration and school administration, facilities maintenance and operations, media centers, staff development, and 20 additional days of instruction. These costs are calculated based on school district's size, school size, or student population. Some school districts require the use of funds awarded strictly for costs within the scope of the award.

Weighted Student Calculation

As discussed above, the amount of funds needed by each FTE student in a routine ninth grade classroom is the Base Amount established annually by the Georgia legislature. See "– Quality Basic Education Act Provisions; Base Amount" above. Because the cost of instructional programs vary depending upon the teacher-student ratios and specific services typically required to address the special needs of students enrolled, state authorized instructional programs have program weights and teacher-student ratios as specified in the QBE Act.

As an example, assume a high school student spends four periods a day in a general education classroom (funding weight 1.0) and two periods a day in a special education program (funding weight 2.3). For the day, that student would have a weight of 1.43, derived as follows: $((4 \times 1.0) + (2 \times 2.3))/6$. If the weight for each student is multiplied by the base student allocation, which is the per pupil cost for students in the high school general education program, the result is the foundation level for each student. Therefore, if the base student allocation were set at \$3,000 per pupil, the student in this example would "earn" \$4,290 for the school system, i.e., $\$3,000 \times 1.43$. This Base Amount calculation makes up the Direct and Indirect Instructional Costs. In the event that the Base Amount when multiplied by the program weights requires funds in excess of the appropriation for the Quality Basic Education Formula grants, the funds which are appropriated for the Quality Basic Education Formula shall be prorated to each of the Quality Basic Education Formula cost categories.

Local Share Calculation and Austerity Reductions

The Local Share each school district is required to contribute each fiscal year to participate in the Quality Basic Education Program is referred to as the local five mill share. A local system is expected to contribute to the cost of Direct Instructional Costs and Indirect Instructional Costs through its Five Mill (defined herein) or Local Share contribution. The State Board calculates the amount of Five Mill or Local Share funds in accordance with the QBE Act. See O.C.G.A. § 20-2-164.

The State expects each local school district to pay with locally raised funds is an amount equal to five mills of *ad valorem* property tax generated within their taxing authority on the district's equalized property tax base (the "Five Mill"). Five Mill equals 5/10 of one cent. (For example, a building with an assessed value of \$100,000 would pay \$500 in taxes, based on five mills.) By law, the amount of money represented by the Five Mills cannot exceed 20 percent of the sum of the QBE formula amounts. See O.C.G.A. § 20-2-164(a)(2).

QBE Formula Earnings are intended to provide for an adequate education. Equalization is an attempt to address equity by supplementing the basic program so that underfunded school districts are funded on the same basis as other school districts. The concept of equalization is related to the concept of Five Mill, discussed above. Because all counties are not created equal in terms of property tax wealth, they cannot raise the same amounts of money from local property taxes. The State provides additional funding to school districts in these counties according to a formula that compares the relative property tax wealth of all counties in the State. School districts at or below the 75% level can receive equalization funding in proportion to the amount of mills they levy beyond the Five Mill.

In recent years, due to the economic downturn and resulting decreases in revenue collections, the State of Georgia has imposed "austerity reductions" in state education funding, resulting in reduced education allotments to all local school systems. In order to offset these reductions, school districts can cut expenditures, increase local taxes

(subject to millage rate limits), or use reserve funds. However, increasing taxes is not an option for Commission Charter Schools, which have no taxing power.

Determination of Enrollment

Under the QBE Act, the State Board designates the specific dates upon which two counts of students enrolled in each instructional program shall be made each school year, and by which the counts are to be reported to the Department. The initial enrollment count must be made after October 1 but prior to November 17 and the final enrollment count after March 1 but prior to May 1. The report must indicate the student's specific assigned program for each one-sixth segment of the school day on the designated reporting date. The State Board is required to adopt such regulations and criteria as necessary to ensure objective and true counts of students in state approved instructional programs. The State Board shall also establish criteria by which students shall be counted as resident or nonresident students, including specific circumstances which may include, but not be limited to, students attending another local school system under court order or under the terms of a contract between two local school systems. If a local school system has a justifiable reason, it may seek authority from the State Board to shift full-time equivalent program counts from the designated date to a requested alternate date. The FTE program count for each local school system shall then be determined, as provided in the QBE Act, based on such student counts. O.C.G.A. § 20-2-160.

The State Board annually recalculates the total amount needed under the Quality Basic Education Formula for the midterm adjustment for the then-current fiscal year using the average of the first and the projected second full-time equivalent counts for the such fiscal year, with the first full-time equivalent count weighted two parts and the projected second full-time equivalent count weighted one part. For purposes of calculating allotments for a new or revised instructional program for which the full-time equivalent program counts do not exist, the most recent full-time equivalent program count will be used until such time as the full-time equivalent program counts do exist.

For a Local Start-Up Charter School, the local board of education has the discretion to fund based on an increasing projected enrollment as described in more detail in [Appendix A](#).

Governor's QBE Taskforce and Education Reform Commission

As the relative costs of the various program components will change over time and as some components will need to be added or removed, the Governor is to appoint a task force every three years for the purposes of reviewing the effectiveness of existing program weights and recommending to the General Assembly any changes needed. This task force shall be comprised of members or staff of the General Assembly, the State Board, the Governor's office, and representatives of local school systems.

Additionally, in January 2015 the Governor convened an Education Reform Commission ("ERC") comprised of educators, legislators, administrators, community leaders and experts to review and recommend changes to Georgia education law and policy in the following five areas: funding; teacher recruitment, retention, and compensation; early childhood education; and "move on when ready." The two funding recommendations adopted by the ERC were: (1) develop a student-based funding formula consisting of three components: student-based funding, weighted student characteristics, and categorical grants; and (2) permanently add \$258 million to the current K-12 state budget beginning in the FY18 budget, and as funds are available, add an additional \$209 million to the recommended modern, student-based formula.

Quality Basic Education Funding Formulas and Funding for Charter Schools' Operation

Non-Commission Charter Schools. A Local Start-Up Charter School is included in the allotment of QBE Formula Earnings, applicable QBE grants, applicable non-QBE state grants, and applicable federal grants to the local school system in which the Local Start-Up Charter School is located. The applicable local board of education and the State Board must treat a Local Start-Up Charter School no less favorably than other local schools within the applicable local system with respect to the provision of funds for instruction, school administration, transportation, food services, and, where feasible, building programs. The applicable local board of education and the State Board must also treat a Conversion Charter School no less favorably than other local schools

within the applicable local system unless otherwise provided by law. See "– Quality Basic Education Act Provisions; Base Amount" above.

QBE Formula Earnings, applicable QBE grants, applicable non-QBE state grants, and applicable federal grants earned by a Local Start-Up Charter School are required to be distributed to the Local Start-Up Charter School by the local board of education.

In addition to the funding set out in the previous paragraph, local revenue shall be allocated to a Local Start-Up Charter School, on the same basis as for any local school in the local school system. In the case of a Local Start-Up Charter School, local revenue earnings shall be calculated as follows: (1) determine the total amount of state and local Five Mill share funds earned by students enrolled in the Local Start-Up Charter School as calculated by the QBE Formula including any funds for psychologists and school social workers but excluding five percent of system-wide funds for central administration and excluding any categorical grants not applicable to the charter school; (2) determine the total amount of state and local Five Mill share funds earned by all students in the public schools of the local school system, including any charter schools that receive local revenue, as calculated by the QBE Formula but excluding categorical grants and other non-QBE formula grants; (3) divide the amount obtained in clause (1) above by the amount obtained in clause (2) above; and (4) multiply the quotient obtained in clause (3) above by the applicable school system's local revenue.

The adjustments in each program for training and experience used in calculating the Local Start-Up Charter School's QBE Formula Earnings are calculated in the same manner as for any local school within the local school system; provided, however, that the adjustments in each program for training and experience used in calculating the start-up charter school's QBE Formula Earnings shall not be less than one-half of the comparable percentages for the local school system in which the charter school is located.

The product obtained in clause (4) above determines the amount of local funds to be distributed to the Local Start-Up Charter School by the local board of education; provided, however, that a charter petitioner and a local board of education may specify in the charter a greater amount of local funds to be provided by the local board of education to the Local Start-Up Charter School if agreed upon by all parties to the charter. Local funds so earned shall be distributed to the Local Start-Up Charter School by the local board of education. In all other fiscal matters, including applicable federal allotments, the local board of education must also treat the Local Start-Up Charter School no less favorably than other local schools located within the applicable school system and shall calculate and distribute the funding for the Local Start-Up Charter School on the basis of its actual or projected enrollment in the current school year according to an enrollment counting procedure or projection method stipulated in the terms of the charter.

For newly approved Local Start-Up Charter Schools, including charter renewals, the local board of education may retain an amount of the charter school's share of state and local funding not to exceed three percent of the total funds earned by the charter school to reimburse the local school system for administrative services actually provided to the charter school.

Commission Charter Schools. Commission Charter Schools are funded as provided in O.C.G.A. § 20-2-2089. The earnings for a student in a Commission Charter School are equal to the earnings for any other student with similar student characteristics in a Commission Charter School, regardless of the local school system in which the student resides or the school system in which the Commission Charter School is located, and, except as otherwise provided charter schools offering virtual instruction, the Department shall pay to each Commission Charter School through appropriation of state funds an amount equal to the sum of:

(a) QBE Formula Earnings and QBE grants earned by the Commission Charter School based on the school's enrollment, school profile, and student characteristics plus a proportional share of earned state categorical grants, non-QBE state grants, transportation grants, school nutrition grants, and all other state grants, except state equalization grants, as determined by the Department;

(b) The average amount of the total revenues less federal revenues less state revenues other than equalization grants per full-time equivalent for the lowest five school systems ranked by assessed valuation per weighted full-time equivalent count, as determined by the Department; and

(c) The State-wide average total capital revenue per full-time equivalent, as determined by the Department.

The term "QBE Formula Earnings" means funds earned for the QBE formula pursuant to O.C.G.A. § 20-2-161, including the portion of such funds that are calculated in accordance with O.C.G.A. § 20-2-164. QBE Formula Earnings includes the salary portion of direct instructional costs, the adjustment for training and experience, the nonsalary portion of direct instructional costs, and earnings for psychologists and school social workers, school administration, facility maintenance and operation, media centers, certain additional days of instruction, and staff development, as determined by the Department.

If a Commission Charter School offers virtual instruction, the amount of funds received pursuant to paragraph (b) above is equal to two-thirds of such calculated amount; *provided, however*, that this two-thirds amount may be increased by any amount up to the originally calculated amount in the discretion of the Commission if relevant factors warrant such increase. The Commission may reduce the amount of funds received pursuant to paragraph (b) above in proportion to the amount of virtual instruction provided and based on factors that affect the cost of providing instruction.

The Department may withhold up to 3% of the amount determined as described above for each Commission Charter School for use in administering the Commission's duties; provided, however, that any amount so withheld is spent solely on expenses incurred by the Commission in performing the duties required of it.

No deduction is made to any state funding which a local school system is otherwise authorized to receive as a direct result or consequence of the enrollment in a Commission Charter School of a specific student or students who reside in the geographical area of the local school system.

For purposes of funding students enrolled in a Commission Charter School in the first year of such school's operation or for the first year that an existing Commission Charter School offers a new grade level and prior to the initial student count, the Commission is to calculate and the Department is to distribute the funding for the Commission Charter School on the basis of its projected enrollment according to an enrollment counting procedure or projection method stipulated in the terms of the charter. No later than July 1 of each year, the Commission must notify the Department and the Office of Planning and Budget of the funding estimates calculated pursuant to this subsection for any new Commission Charter Schools and for any new grade levels offered by existing Commission Charter Schools. After the initial student count during the first year of such Commission Charter School's operation or newly offered grade level and in all years of operation thereafter, each Commission Charter School's student enrollment is based on the actual enrollment in the current school year according to the most recent student count.

Funding for Commission Charter Schools is subject to appropriations by the General Assembly and such schools are treated consistently with all other public schools in this State, pursuant to the respective statutory funding formulas and grants.

Charter Schools Facilities Funding

Pursuant to the 2017 Amendments to the Charter Schools Act, from moneys specifically appropriated for such purpose, the State Board shall disburse facilities grants for local charter schools and state chartered special schools for the purpose of providing facility funding more comparable to traditional public schools in the State. A charter school may receive facilities grants if the charter school has received final approval from the local board of education or from the State Board for operation during that fiscal year. A charter school's governing body may use facilities grants for the following purposes: (1) purchase of real property; (2) construction of school facilities, including initial and additional equipment and furnishings; (3) purchase, lease-purchase, or lease of permanent or relocatable school facilities; (4) purchase of vehicles to transport students to and from the charter school; and (5) renovation, repair, and maintenance of school facilities that the charter school owns or is purchasing through a lease-purchase or long-term lease of three years or longer. The Department shall specify procedures for submitting and approving grant requests described in this paragraph and for documenting expenditures.

Local boards of education are required to renovate, repair, and maintain the school facilities of charter schools in a local school system to the same extent as other public schools in the local school system if the local board of education owns the charter school facility, unless otherwise agreed upon by the charter school and the local board of education. The 2017 Amendments to the Charter Schools Act provide for the State Board to disburse to charter schools, subject to legislative appropriations, annual facilities grants to eligible applicants in an amount of \$100,000 or such other amount as determined by the State Board, and provide that in the event in any fiscal year sufficient funds are not appropriated to make the full amount of grants to all eligible applicants, the grant award to each eligible applicant may be determined on a competitive basis by the State Board. Prior to disbursing facilities grants, the Department shall ensure that the governing board of the charter school and the local board of education enter into a written agreement that includes a provision for the reversion of any unencumbered funds and all equipment and property purchased with public education funds to the ownership of the local board of education in the event the charter school terminates operations. The Charter Schools Act provides that such reversion of property is subject to the complete satisfaction of all lawful liens or encumbrances. Accordingly, for these purposes, unencumbered funds would exclude funds that are pledged for the payment of indebtedness.

Each local board of education that has designated any facility or property as surplus, intended for disposal, or otherwise unused shall make such facility or property available for lease or purchase by a charter school on the same basis as it makes such facility or property available to other public schools under the control and management of the local board of education. The 2017 Amendments to the Charter Schools Act define an "unused facilities" as real property of the local board of education, including educational facilities, that have not been used by the local board of education for the previous two years and that are not included in the local school system's five-year educational facilities plan. A charter school may not be charged a rental or leasing fee for the existing facility or for property normally used by the public school which became the charter school. A charter school that receives property from a local board of education may not sell or dispose of such property without the written permission of the local board. See O.C.G.A. § 20-2-2068.2. Pursuant to the 2017 Amendments to the Charter Schools Act, prior to denying a charter school use of an unused facility, the charter school shall have the right to a hearing before the local board of education in accordance with the Charter Schools Act, including the right to appeal an adverse local board of education decision. No municipality, county, or other local political subdivision of this state may require the charter school that has passed the Department of Education facility inspection and holds a valid certificate of occupancy to obtain any other licensure to operate the school, including, but not limited to, a business license, professional license, or occupational tax certificate; provided, however, that any for-profit vendor of the charter school shall be subject to any applicable local requirements relating to doing business in this state. Charter schools shall be subject only to the zoning, planning, and building permitting requirements that apply to traditional public schools when constructing or renovating a facility, provided, however, the location of the charter school site shall be in conformity with existing county or city comprehensive land use plans, if applicable, or existing land use patterns in the area, which requirement shall not be waived by the State Board.

Charter School Debt

If the charter for a Commission Charter School is not renewed or is terminated, the Commission Charter School remains responsible for all debts. None of the State, the State Board or the Commission shall be liable for any such debts, and the local school system may not assume the debt from any contract for services made between the Governing Body of a Commission Charter School and a third party, except for a debt for which the local school system has agreed upon in writing to assume responsibility. O.C.G.A. § 20-2-2088. Similarly, if the charter for a Local Start-Up Charter School is not renewed or is terminated, the charter school and its governing board will be responsible for concluding the business and affairs of the charter school in accordance with the terms of its charter and the Charter School Act, and the charter school will be responsible for all of its outstanding debt. The State Board of Education shall not be liable for any debts of the school in the event that the charter is not renewed or is terminated. State Board rules prohibit any local school system from assuming the debt from any contract for services made between the governing body of the charter school and a third party, unless otherwise agreed in writing.

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APPENDIX E

CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS

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APPENDIX E

CERTAIN DEFINITIONS AND SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. As used herein the "Indenture" refers, collectively, to (i) the Trust Indenture, by and between the Macon-Bibb County Urban Development Authority (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"), dated as of May 1, 2017 (the "Original Indenture"), as supplemented by (ii) the First Supplemental Trust Indenture, by and between the Issuer and the Trustee, dated as of May 1, 2017 (the "First Supplemental Indenture"). This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, which will be on file with the Trustee following the issuance of the Series 2017 Bonds and the proposed form of which is on file with the Underwriter prior to the issuance of the Series 2017 Bonds.

The Original Indenture contains certain definitions and certain provisions related to several different interest rate modes that may be borne by future Additional Bonds issued under the Indenture in accordance with its terms, including, without limitation, Daily Rate Bonds, Two-Day Rate Bonds, Weekly Rate Bonds, Adjusted Index Rate Bonds, Short-Term Rate Bonds or Term Rate Bonds. The Series 2017 Bonds will be "Fixed Rate Bonds" and will bear interest at a "Fixed Rate", defined in the Indenture to mean a non-variable interest rate. Accordingly, certain definitions and certain provisions in the Original Indenture that will not apply to the Series 2017 Bonds as Fixed Rate Bonds are not included or summarized in this Appendix E.

Certain Definitions

The following definitions are summaries of the definitions applicable in the Indenture with such modifications as may be appropriate for use in this Limited Offering Memorandum. Capitalized terms used in this Limited Offering Memorandum, but not otherwise defined herein, are used herein with the meanings assigned to such terms in the Indenture.

"Act" or "Issuer's Act" means the act of the legislature of the State that created the Macon-Bibb County Urban Development Authority Act (1974 Ga. Laws 3093), as amended.

"Affiliate" means any Person directly or indirectly controlling, controlled by or under common control with the Borrower. For purposes of this definition the term "control" means the direct or indirect ability to determine the direction of management and policies through ownership, contract or otherwise.

"Authorized Borrower Representative" means the person or persons at the time designated to act on behalf of the Borrower by certificate furnished to the Issuer and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Borrower by its Chairman and Vice Chairman. Such certificate may designate an alternate or alternates.

"Authorized Issuer Representative" means the person or persons at the time designated to act on behalf of the Issuer by certificate furnished to the Borrower and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Issuer by the Chairman, the Vice Chairman, the Secretary or the Assistant Secretary of the Issuer. Such certificate may designate an alternate or alternates.

"Bond Documents" and "2017 Bond Documents" means, with respect to the Series 2017 Bonds, the Original Indenture, the First Supplemental Indenture, the Series 2017 Bonds, the Original Agreement, the First Supplemental Loan Agreement, the Purchase Contract, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing relating to the Series 2017 Bonds.

"Bond Documents" means, as to each series of the Bonds, the Indenture, the Supplemental Indenture for such series, the Bonds of such series, the Loan Agreement, the Supplemental Loan Agreement for such series, the

Purchase Contract for such series, the Remarketing Agreement for such series (if applicable) and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing relating to such series of Bonds.

"Bonds" means any bonds issued by the Issuer under the Indenture and bonds issued thereunder to replace mutilated, lost, stolen or destroyed Bonds or in exchange for Bonds issued thereunder.

"Bond Insurer" means an issuer of a Policy with respect to the Bonds of a particular series as specified in the Supplemental Indenture relating thereto.

"Bond Register" means the registration books of the Issuer kept by the Trustee to evidence the registration and transfer of Bonds.

"Bondowner," "Holder," "Owner" or "Registered Owner" means the Person in whose name a Bond is registered on the Bond Register; provided, however, for purposes of any consents, approvals, authorizations or directions provided under the Indenture, (i) any Credit Facility Provider will be deemed to be the owner of the Bonds secured by such Credit Facility provided that such Credit Facility Provider has not failed to honor its obligations under such Credit Facility, and (ii) no consent, approval, authorization or direction will be required from any Credit Facility Provider that has failed to honor its obligations thereunder.

"Borrower" means the Academy for Classical Education, Inc., a Georgia nonprofit corporation and its successors and assigns and any surviving, resulting or transferee corporation.

"Business Day" means, with respect to the Series 2017 Bonds, a day (a) other than a day on which banks located in the City of New York, New York or the cities in which the Principal Offices of the Trustee are located, are required or authorized by law or executive order to close, and (b) on which the New York Stock Exchange is not closed.

"Cede & Co." means Cede & Co., as nominee name of The Depository Trust Company, New York, New York and its successors and assigns.

"Certificate" means a certificate or report, in form and substance satisfactory to the Issuer and the Trustee as the case may be (such satisfaction to be assumed if such certificate or report is mailed to the Trustee and Issuer and same do not object in writing within ten days after such mailing) and upon which the Trustee or the Issuer, as applicable, may conclusively rely, executed: (a) in the case of the Issuer, by an Authorized Issuer Representative; (b) in the case of the Borrower, by an Authorized Borrower Representative; and (c) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person; provided that in no event will any individual be permitted to execute any Certificate in more than one capacity.

"Certified Public Accountant" or "Accountant" means any firm of certified public accountants (not an individual) who will be Independent, appointed by the Borrower (in the case of the Borrower) or the Issuer (in the case of the Issuer), as the case may be, actively engaged in the business of public accounting, and duly certified as a certified public accountant under the laws of the State.

"Closing Date" means, with respect to each series of Bonds, the date of initial delivery of, and payment for, such series of Bonds.

"Code" means the Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all regulations (whether proposed, temporary or final) thereunder to the extent applicable to the Bonds of a particular series.

"Construction Fund" means the trust fund by that name created under the Indenture.

"Cost" or "Costs" in connection with a Project means all expenses which are properly chargeable thereto under GAAP or which are incidental to the financing, acquisition, construction, equipping and installation of a Project, or which are otherwise financeable under the Act, including, without limiting the generality of the foregoing: (a) amounts payable to contractors and costs incident to the award and performance of contracts; (b) cost of labor, materials, facilities and services furnished by the Borrower or the Issuer, and their employees or others, materials and supplies purchased by the Borrower or the Issuer or others, and permits and licenses obtained by the Borrower, the Issuer or others; (c) engineering, architectural, legal, accounting and other professional and advisory fees, as well as the fees and expenses of the Trustee; (d) printing, engraving, legal fees, accounting fees, placement fees and costs, underwriting discount and other expenses of financing and issuing the Bonds, including any fees or other expenses charged by the Issuer; (e) costs, fees and expenses in connection with the acquisition of real and personal property or rights therein, including premiums for title insurance; (f) costs of equipment; (g) amounts required to repay temporary loans or advances of the Borrower's funds; (h) costs of site improvements, including demolition, performed in anticipation of a Project; (i) interest on indebtedness of the Issuer or of the Borrower incurred during the period of construction of the related Project and (j) Costs of Issuance.

"Costs of Issuance" means, as to the Series 2017 Bonds, issuance costs with respect to such Series 2017 Bonds, including the following: (a) underwriter's spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public); (b) counsel fees (including bond counsel, underwriter's counsel, Issuer's counsel, the Borrower's counsel and Trustee's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); (c) financial advisor fees of any financial advisor to the Issuer or the Borrower incurred in connection with the issuance of the Series 2017 Bonds; (d) trustee, registrar and paying agent fees; (e) accountant fees and other expenses related to issuance of the Series 2017 Bonds; (f) printing costs (for the Series 2017 Bonds, if applicable, and of the Limited Offering Memorandum relating to the Series 2017 Bonds); and (g) fees and expenses of the Issuer incurred in connection with the issuance of the Series 2017 Bonds.

"Counsel" means an attorney or law firm duly authorized to engage in the practice of law (which may include counsel to the Borrower) not unsatisfactory to the Issuer or the Trustee.

"Debt Service Fund" means the trust fund by that name created under the Indenture.

"Debt Service Reserve Fund" means the trust fund by that name created under the Indenture.

"Debt Service Reserve Fund Obligations" means cash and Investment Obligations.

"Debt Service Reserve Fund Requirement" means, with respect to the Series 2017 Bonds, the amount set forth in this Limited Offering Memorandum under "ESTIMATED SOURCES AND USES OF FUNDS", which equals the maximum annual Debt Service on the Series 2017 Bonds.

"Deed to Secure Debt" means the Deed to Secure Debt, Assignment of Leases and Rents and Security Agreement, dated as of May 1, 2017, from the Borrower in favor of the Issuer.

"Event of Default" means (a) with respect to the Indenture, any "Event of Default" as defined in the Indenture and as described in this [Appendix E](#) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Default and Remedies – Events of Default", and (b) with respect to the Loan Agreement, any "Event of Default" as defined in the Loan Agreement and as described in this [Appendix E](#) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Default and Remedies – Events of Default".

"Favorable Opinion of Bond Counsel" means an opinion of nationally recognized bond counsel acceptable to the Borrower, addressed to the Issuer and the Trustee, to the effect that the action proposed to be taken is authorized or permitted by the Indenture and the Act and will not adversely affect the excludability of interest on the Tax-Exempt Bonds from gross income for purposes of federal income taxation under Section 103 of the Code.

"First Supplemental Loan Agreement" means the First Supplemental Loan Agreement, dated as of May 1, 2017, between the Issuer and the Borrower, relating to the Series 2017 Bonds.

"First Supplemental Trust Indenture" or "First Supplemental Indenture" means the First Supplemental Trust Indenture, dated as of May 1, 2017, between the Issuer and the Trustee, relating to the Series 2017 Bonds.

"Fiscal Year" means the fiscal year of the Borrower, currently the 12-month period beginning on July 1 of each calendar year and ending on June 30 of the following calendar year, or such other period of 12 months as may be adopted by the Borrower from time to time as its Fiscal Year.

"Fixed Rate" means a non-variable interest rate to maturity as to any series of Bonds established in accordance with the applicable provisions of the Indenture.

"Fixed Rate Bonds" means Bonds of a series bearing interest at a Fixed Rate.

"Fixed Rate Period" means the period of time, which will end at the maturity date for Bonds of a series, during which the Bonds of a series bear interest at a Fixed Rate.

"GAAP" means those accounting principles applicable in the preparation of financial statements of institutions of higher learning, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

"Government Obligations" means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) and (b) issued or held in book-entry form in the name of the Trustee only on the books of the Department of Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par by anyone other than the holder, or (c) any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in (a) or (b) which have been stripped by the Department of Treasury.

"Holder" has the same meaning as the term "Bondowner."

"Indenture" means the Trust Indenture, dated as of May 1, 2017, as supplemented by the First Supplemental Trust Indenture, dated as of May 1, 2017, each between the Issuer and the Trustee, as the same may be from time to time further supplemented and amended by Supplemental Indentures.

"Independent" means, with respect to any Person, one which is not a member of the Issuer Board, a member of the Borrower Board, a corporate officer or employee of the Issuer or a corporate officer or employee of the Borrower; provided, however, that the fact that such Person (or a firm in which such Person is an owner or has another economic interest) is retained regularly by or transacts business with the Issuer or the Borrower will not make such Person an employee for purposes of this definition.

"Interest Payment Date" means, with respect to the Series 2017 Bonds as Fixed Rate Bonds, each June 15 and December 15 through and including the maturity date for such Series 2017 Bonds.

"Interest Rate Period" means, with respect to the Series 2017 Bonds as Fixed Rate Bonds, a Fixed Rate Period. All Bonds of a series must bear interest in the same Interest Rate Period.

"Investment Grade Rating" means a rating by Standard & Poor's or Fitch of "BBB-" or higher, by Moody's of "Baa3" or higher, or by another Rating Agency of the equivalent rating or higher.

"Investment Obligations" means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for money proposed to be invested therein:

(a) The local government investment pool created in Chapter 83 of Title 36 of the Official Code of Georgia Annotated;

(b) Bonds or obligations of the State or other states, or of counties, municipal corporations, or political subdivisions of the State;

(c) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(d) Obligations of and obligations guaranteed by agencies or instrumentalities of the United States Government, including those issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, Bank for Cooperatives, and any other such agency or instrumentality; provided, however, that all such obligations will have a current credit rating from a nationally recognized rating service of at least one of the three highest rating categories available and have a nationally recognized market;

(e) Bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States Government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government;

(f) Certificates of deposit of national or state banks located within the State which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan associations located within the State which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, if any, will be secured by deposit, with the Federal Reserve Bank of New York, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within the State or with a trust office within the State, of one or more the following securities in an aggregate principal amount equal at least to the amount of such excess; direct and general obligations of the State or other states or of any county or municipal corporation in the State, obligations of the United States or subsidiary corporations included in paragraph (c) above, obligations of the agencies and instrumentalities of the United States Government included in paragraph (d) above, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (e) above;

(g) Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(1) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in paragraph (c) and (d) above and repurchase agreements fully collateralized by any such obligations;

(2) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(3) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(4) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State; and

(h) Interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956, provided that each such interest-bearing time deposit, repurchase agreement, reverse repurchase agreement, rate guarantee agreement, or other similar banking arrangement will permit the money so placed to be available for use at the time provided with respect to the investment or reinvestment of such money; and

(i) Any other investments to the extent at the time permitted by then applicable law for the investment of public funds.

"Issuer" means the Macon-Bibb County Urban Development Authority, a public body corporate and politic of the State of Georgia, organized and existing under and by virtue of the Act, and its lawful successors.

"Issuer Board" means at any given time the governing body of the Issuer.

"Loan Agreement" means the Original Loan Agreement, as supplemented by the First Supplemental Loan Agreement, and further amended or supplemented from time to time by a Supplemental Loan Agreement.

"Loan Payments" means, with respect to the Series 2017 Bonds, as described in this **Appendix E** under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Loan by Issuer; Provision for Payment; Security - General Obligation of the Borrower; Repayment Obligations".

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Maximum Rate" means the lesser of 12% per annum and the Maximum Lawful Rate.

"Net Proceeds," when used with respect to any insurance proceeds or any condemnation award, means the amount remaining after deducting all expenses (including attorneys' fees and disbursements) incurred in the collection of such proceeds or award from the gross proceeds thereof.

"Note" means a promissory note issued by the Borrower payable to the order of the Issuer to evidence its obligations under the Indenture and the Loan Agreement.

"Opinion of Counsel" means an opinion in writing signed by legal counsel acceptable to the Borrower and the Trustee and, to the extent the Issuer is asked to take action in reliance thereon, the Issuer, who may be an employee of or counsel to the Borrower.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those expenses (including attorney's fees, costs and expenses) normally incurred, by a trustee under instruments similar to the Indenture, but not those services rendered and those expenses incurred following the occurrence and during the continuation of an Event of Default under the Indenture.

"Original Loan Agreement" means the Loan Agreement, dated as of May 1, 2017, between the Issuer and the Borrower.

"Outstanding" means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except: (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation pursuant to the Indenture; (b) Bonds which are deemed to have been paid in accordance with the Indenture; and (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture. Notwithstanding anything therein to the contrary, in the event that the principal, Purchase Price or interest due on Bonds of a series will be paid by a Credit Facility Provider pursuant to a Credit Facility, such Bonds will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Owners will continue to exist and will run to the benefit of the Credit Facility Provider, and the Credit Facility Provider will be subrogated to the rights of such Owners.

"Owner" has the same meaning as the term "Bondowner."

"Paying Agent" means the Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated by the Indenture or any Supplemental Indenture as paying agent for the Bonds of a series at which the principal of and redemption premium, if any, and interest on such Bonds will be payable.

"Person" means any natural person, firm, joint venture, association, partnership, business, trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

"Policy" means a municipal bond insurance policy, if any, issued by a Bond Insurer that guarantees the payment of the principal of and interest on the Bonds of a series.

"Prime Rate" means the rate from time to time publicly announced by the Trustee's primary commercial banking affiliate as its "prime rate" or "base rate."

"Principal Office" means, with respect to any entity performing functions under any Bond Documents, the principal office of that entity or its affiliate at which those functions are performed.

"Project" means a project financed by Additional Bonds as provided in the respective Supplemental Indenture.

"Purchase Contract" means the Bond Purchase Agreement, dated April 28, 2017, among the Issuer, the Borrower, and the Underwriter relating to the Series 2017 Bonds.

"Rating Agency" means Fitch, Moody's, Standard & Poor's, and any other nationally recognized rating agency.

"Rebate Fund" means the trust fund by that name created under the Indenture, which Rebate Fund will not be a part of the Trust Estate under the Indenture.

"Record Date" means with respect to each Interest Payment Date for the Series 2017 Bonds as Fixed Rate Bonds, the 15th day immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date will occur less than 15 days after the first day of a Fixed Rate Period, that first day. The Issuer may, in a Supplemental Indenture, provide for a different Record Date as to any Bonds issued pursuant to such Supplemental Indenture.

"Redemption Fund" means the trust fund by that name created under the Indenture.

"Registered Owner" will have the same meaning as the term "Bondowner."

"Repair and Replacement Fund" means the trust fund by that name created under the Indenture.

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12)

"Series 2017 Bonds" means, where applicable, the Series 2017A Bonds and the Series 2017B Bonds.

"Series 2017A Bonds" means the Macon-Bibb County Urban Development Authority Revenue Bonds (Academy for Classical Education, Inc.), Series 2017A, in the original principal amount set forth on the front cover page of this Limited Offering Memorandum, issued pursuant to the Indenture.

"Series 2017B Bonds" means the Macon-Bibb County Urban Development Authority Revenue Bonds (Academy for Classical Education, Inc.), Taxable Series 2017B, in the original principal amount set forth on the front cover page of this Limited Offering Memorandum, issued pursuant to the Indenture.

"Series 2017 Project" means, collectively, (i) financing all or a portion of the costs of the acquisition of the Property and the Existing Improvements constituting the campus of the Charter School currently leased by the Borrower, and which acquisition will include the acquisition of the Additional Improvements to be constructed and equipped by the Seller pursuant to the Purchase and Sale Agreement, (ii) refinancing certain outstanding debt of the Borrower, (iii) funding the 2017 Reserve Account within the Debt Service Reserve Fund, and (iv) paying all or a portion of the costs of issuing the Series 2017 Bonds.

"State" means the State of Georgia.

"Supplemental Indenture" means any indenture supplemental or amendatory to the Indenture entered into by the Issuer and the Trustee pursuant to the Indenture and as described in this Appendix E under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Indentures".

"Supplemental Loan Agreement" means any agreement supplemental or amendatory to the Loan Agreement entered into by the Issuer and the Borrower pursuant to the Indenture and as described in this Appendix E under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Supplemental Loan Agreements".

"Tax-Exempt Bonds" means any Bond or Bonds issued pursuant to the Indenture and the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Code.

"Tax-Exempt Organization" means a nonprofit organization, organized under the laws of the United States of America or any state thereof, that is an organization described in Section 501(c)(3) of the Code and is exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Tax Agreement" means that certain Tax Regulatory Agreement and No-Arbitrage Certificate between the Borrower and the Issuer to be dated the date of issuance of a particular series of Tax-Exempt Bonds provided in order to comply with requirements of the Code.

"Trustee" means U.S. Bank National Association, a national banking association, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor trustee at the time serving as successor trustee thereunder.

"Trust Estate" means the Trust Estate described in the Granting Clauses of the Indenture.

"2017A Costs of Issuance Account" means the trust account by that name created within the Construction Fund under the Indenture.

"2017B Costs of Issuance Account" means the trust account by that name created within the Construction Fund under the Indenture.

"2017A Debt Service Account" means the trust account by that name created within the Debt Service Fund under the Indenture.

"2017B Debt Service Account" means the trust account by that name created within the Debt Service Fund under the Indenture.

"2017 Project Account" means the trust account by that name created within the Construction Reserve Fund under the Indenture.

"2017 Reserve Account" means the trust account by that name created within the Debt Service Reserve Fund under the Indenture.

"Underwriter" means BB&T Capital Markets, a division of BB&T Securities, LLC.

"Written Request" means a request in writing signed by an Authorized Borrower Representative, upon which the Trustee may conclusively rely.

The Series 2017 Bonds

Issuance of Series 2017 Bonds. The Series 2017 Bonds will be issued as Fixed Rate Bonds in the respective principal amounts on the respective maturity dates and bearing interest at the respective rates per annum set forth in the Indenture and on the inside front cover of this Limited Offering Memorandum. The Series 2017A Bonds are Tax-Exempt Bonds. The Series 2017B Bonds are not Tax-Exempt Bonds.

Conditions to Issuance and Delivery of Series 2017 Bonds. The Series 2017 Bonds will be executed substantially in the form and manner as provided in the Indenture and will be furnished to the Trustee for authentication. Prior to or simultaneously with the authentication and delivery of the Series 2017 Bonds by the Trustee, there must be filed or deposited with the Trustee the agreements, certificates, opinions, and other materials required under the applicable provisions of the Indenture.

Creation of Funds and Accounts; Application of Proceeds of the Series 2017 Bonds and Other Money

Creation of Funds and Accounts. The following special trust funds will be established by the Trustee, in the name of the Issuer and in custody of the Trustee, in accordance with the applicable requirements of the Indenture.

Construction Fund. In accordance with the Indenture, the Trustee will establish a fund designated "Macon-Bibb County Urban Development Authority Construction Fund - Academy for Classical Education, Inc." (the "Construction Fund") and, within the Construction Fund, special trust accounts designated (i) "2017A Costs of Issuance Account", (ii) "2017B Costs of Issuance Account" and (iii) "2017 Project Account".

With respect to the 2017 Cost of Issuance Accounts, proceeds of the sale of the Series 2017A Bonds and the Series 2017B Bonds will be deposited into such accounts in accordance with the Indenture (see "ESTIMATED SOURCES AND USES OF FUNDS" herein) and applied to the payment of the Costs of Issuance of the Series 2017 Bonds in accordance with requisitions submitted from time to time by the Borrower. Any money remaining in the Costs of Issuance Accounts on a date 60 days after the date of issuance of the Series 2017 Bonds will be deposited in the 2017 Project Account.

With respect to the 2017 Project Account, a portion of the proceeds of the Series 2017A Bonds and the Series 2017B Bonds will be deposited into the 2017 Project Account in accordance with the Indenture (see "ESTIMATED SOURCES AND USES OF FUNDS" herein). The money in the 2017 Project Account will be used

to provide for the payment of Costs of the Series 2017 Project in accordance with requisitions submitted from time to time by Borrower in accordance with the Indenture.

Pursuant to the Indenture, prior to the Trustee making any disbursement from the Construction Fund, there must be filed with the Trustee a requisition, signed by the Authorized Borrower Representative, in the form and containing the information and certifications set forth in the Indenture. The Trustee may rely conclusively on any such requisition. The Trustee will keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom, including records of all requisitions, and after the Project has been completed and a completion certificate has been filed as provided in the Indenture, the Trustee will, upon request and at the expense of the Borrower, file an accounting thereof with the Borrower.

In accordance with the Indenture, the completion of the acquisition, construction and installation of the Series 2017 Project and any other Project will be evidenced by a Certificate, in the form set forth in the Indenture, delivered to the Trustee, stating the date of such completion and signed by the Authorized Borrower Representative (the "Completion Certificate"). Any amount not to be retained in the Construction Fund for payment of costs of the Project, and any amount retained but not subsequently applied to the payment of costs of the Series 2017 Project, will be applied either to redeem Series 2017A Bonds in accordance with the Indenture or as directed by the Borrower in a written direction to the Trustee on which the Trustee may conclusively rely, *provided, however*, that the Trustee has been furnished with a Favorable Opinion of Bond Counsel. Until so used, such segregated amount may only be invested as permitted by the Indenture.

Pursuant to the Indenture, if the Series 2017 Bonds are accelerated following an Event of Default under the Indenture, any balance remaining in the Construction Fund will, without further authorization, be transferred into the Debt Service Fund and the 2017 Debt Service Accounts therein.

Redemption Fund. In accordance with the Indenture, the Trustee will establish a fund designated "Macon-Bibb County Urban Development Authority Redemption Fund - Academy for Classical Education, Inc." (the "Redemption Fund").

Pursuant to the Indenture, money in the Redemption Fund will be applied to the payment of principal and interest on Series 2017 Bonds or other obligations issued for the benefit of the Borrower being refunded by a series of Bonds issued under the Indenture, and payment of costs associated with the issuance of such refunding Bonds or of redeeming the obligations being refunded. The Trustee will deposit money into an account in the Redemption Fund upon receipt of written instructions from the Borrower as to the account into which such money should be deposited, and as to the obligations to be paid therefrom. Money received from the investment of money in any account in the Redemption Fund will be deposited into the account in the Redemption Fund to which such investments relate and will be used to pay principal and interest on the refunded obligations as the same becomes due or other costs associated therewith as directed by the Borrower. Money in the Redemption Fund also may be invested at the written direction of an Authorized Borrower Representative as provided in the Indenture.

Debt Service Fund. In accordance with the Indenture, the Trustee will establish a fund designated "Macon-Bibb County Urban Development Authority Debt Service Fund - Academy for Classical Education, Inc." (the "Debt Service Fund") and, within the Debt Service Fund, special trust accounts designated as "2017A Debt Service Account" and "2017B Debt Service Account."

Pursuant to the Indenture, the Trustee will make deposits and credits to the Debt Service Fund in the following order with respect to the Series 2017 Bonds: (i) all Loan Payments payable by the Borrower to the Issuer specified in the Loan Agreement or pursuant to any related note; (ii) the balance of the Net Proceeds of condemnation awards, sale under threat of condemnation or insurance received by the Trustee pursuant to the Loan Agreement; (iii) interest earnings and other income on Investment Obligations required to be deposited in the Debt Service Fund pursuant to the Indenture; and (iv) all other money received by the Trustee under the Loan Agreement or any other Bond Document, when accompanied by written directions from the Person depositing such money that such money are to be paid into the Debt Service Fund.

Except as otherwise provided therein, pursuant to the Indenture, money in the Debt Service Fund will be expended solely as follows with respect to the Series 2017 Bonds: (i) to pay interest on the Series 2017 Bonds as the

same becomes due; (ii) to pay principal of the Series 2017 Bonds as the same matures or becomes due upon mandatory sinking fund redemption, (iii) to pay principal of and redemption premium, if any, on the Series 2017 Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity, and (iv) to pay all amounts due on the Series 2017 Bonds upon an acceleration of the Series 2017 Bonds.

In accordance with the Indenture, any money in the Debt Service Fund may be used to redeem a part of the Series 2017 Bonds Outstanding, in accordance with the applicable redemption provisions of the Indenture, so long as the Borrower is not in default with respect to any payments under the Loan Agreement and to the extent such money are in excess of the amounts required to be on deposit therein pursuant to the Loan Agreement and the amount required for payment of Series 2017 Bonds theretofore matured or called for redemption and past due interest in all cases when such Series 2017 Bonds have not been presented for payment.

Debt Service Reserve Fund. In accordance with the Indenture, the Trustee will establish a fund designated "Macon-Bibb County Urban Development Authority Debt Service Reserve Fund - Academy for Classical Education, Inc." (the "Debt Service Reserve Fund") and, within the Debt Service Reserve Fund, a special trust account designated as "2017 Reserve Account." The proceeds of the sale of the Series 2017A Bonds and the Series 2017B Bonds will be deposited into the 2017 Reserve Account in accordance with the Indenture. Money in the 2017 Reserve Account will be used only to provide a reserve for the payment of the principal of and interest on the Series 2017 Bonds.

In accordance with the Indenture, the Trustee will make deposits and credits to the Debt Service Reserve Fund, as and when received, pursuant to the Indenture and the Loan Agreement. Money in the 2017 Reserve Account in the Debt Service Reserve Fund will be used solely for the payment of the principal of or interest on the Series 2017 Bonds in the event money in the 2017 Debt Service Accounts within the Debt Service Fund is insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, acceleration date or otherwise.

Pursuant to the Indenture, following an Event of Default and any declaration by the Trustee that the principal of and accrued interest on the Series 2017 Bonds Outstanding is immediately due and payable, any Debt Service Reserve Fund Obligations in the Debt Service Reserve Fund or in the 2017 Reserve Account will, subject first to the applicable provisions of the Indenture, be transferred by the Trustee to the 2017 Reserve Service Accounts in accordance with the Indenture. See "SECURITY FOR THE SERIES 2017 BONDS – Debt Service Reserve Fund" in this Limited Offering Memorandum.

In accordance with the Indenture, in the event of the redemption of a portion of the Series 2017 Bonds, any Debt Service Reserve Fund Obligations on deposit in the 2017 Reserve Account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement on the Series 2017 Bonds to be Outstanding immediately after such redemption may, upon the written direction of the Borrower, be transferred to the respective 2017 Debt Service Accounts within the Debt Service Fund and applied to the payment of the principal of the Series 2017 Bonds to be redeemed. On June 15 and December 15 in each year, any earnings on the Debt Service Reserve Fund Obligations on deposit in the 2017 Reserve Account of the Debt Service Reserve Fund that are in excess of the Debt Service Reserve Fund Requirement for such 2017 Reserve Account will be transferred into the respective 2017 Debt Service Accounts within the Debt Service Fund.

Pursuant to the Indenture, if at any time money in the 2017 Reserve Account in the Debt Service Reserve Fund is sufficient to pay the principal or redemption price of all Series 2017 Bonds, the Trustee may, upon the written direction of the Borrower, use the money on deposit in the Debt Service Reserve Fund to pay such principal or redemption price of the Series 2017 Bonds.

In accordance with the Indenture, on the final maturity date of the Series 2017 Bonds, any Debt Service Reserve Fund Obligations in the 2017 Reserve Account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement for the 2017 Reserve Account after giving effect to such maturity may, upon the written direction of the Borrower, be used to pay the principal of and interest on the Series 2017 Bonds on such final maturity date or for the payment of Costs associated with the Series 2017 Project.

Repair and Replacement Fund. In accordance with the Indenture, the Trustee will establish a fund designated "Macon-Bibb County Urban Development Authority Repair and Replacement Fund - Academy for Classical Education, Inc." (the "Repair and Replacement Fund").

Pursuant to the Indenture, the Trustee will make deposits and credits to the Repair and Replacement Fund, as and when received, in accordance with the Indenture and the Loan Agreement. Money in the Repair and Replacement Fund will be disbursed by the Trustee to (a) pay the costs of the capital needs identified in a Capital Needs Assessment and (b) pay principal and interest on any outstanding bonds, notes, or other obligations to the extent payments by the Borrower are insufficient therefor. Prior to any such disbursements, there will be filed with the Trustee a requisition, signed by the Authorized Borrower Representative, in the form and containing the information and certifications set forth in the Indenture. The Trustee may conclusively rely on any such requisition. The Trustee will keep and maintain adequate records pertaining to the Repair and Replacement Fund and all disbursements therefrom, including records of all requisitions, and after the capital needs identified in such Capital Needs Assessment have been completed and a completion certificate has been filed with the Trustee in the form and containing the information and certifications set forth in the Indenture, the Trustee will, upon request and at the expense of the Borrower, file an accounting thereof with the Borrower.

Rebate Fund. In accordance with the Indenture, the Trustee will establish a fund designated "Macon-Bibb County Urban Development Authority Rebate Fund - Academy for Classical Education, Inc." (the "Rebate Fund") and, within the Rebate Fund, a special trust account designated as "Series 2017A Rebate Account". The Trustee will make deposits and credits to the 2017A Rebate Account of the Rebate Fund, as and when received, as provided in the Tax Agreement. Money in the Rebate Fund will not constitute part of the Trust Estate held for the benefit of the Owners of the Bonds or the Issuer. Money in the Rebate Fund will be held in trust by the Trustee and will be held for future payment to the United States of America as directed by the Authorized Borrower Representative in accordance with the Tax Agreement.

Reports from Trustee. In accordance with the Indenture, the Trustee will furnish monthly to the Borrower a report on the status of each of the funds and accounts established under the Indenture and held by the Trustee, showing at least the balance in each such fund or account as of the first day of the preceding month, the total of deposits to and the total of disbursements from each such fund or account, the dates of such deposits and disbursements, and the balance in each such fund or account on the last day of the preceding month.

Particular Covenants and Provisions

Limited Obligations. The Series 2017 Bonds and the interest thereon shall be special limited obligations of the Issuer payable (except to the extent paid out of Bond proceeds or the income from the temporary investment thereof and under certain circumstances from insurance proceeds and condemnation awards) solely out of the Trust Estate, and are secured by a transfer, pledge and assignment of and a grant of a security interest in the Trust Estate to the Trustee and in favor of the Owners of the Series 2017 Bonds, as provided in the Indenture.

Inspection of Books. In accordance with the Indenture, the Issuer will covenant and agree that all books and documents in its possession relating to the Indenture, the Loan Agreement, and any other Bond Documents and the transactions relating thereto will at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

Enforcement of Rights. In accordance with the Indenture, the Issuer will agree that the Trustee, as assignee, transferee, pledgee, and owner of a security interest thereunder in its name or in the name of the Issuer may enforce all rights of the Issuer or the Trustee and all obligations of the Borrower under and pursuant to the Loan Agreement for and on behalf of the Bondowners, whether or not the Issuer is in default thereunder.

Tax Covenants. In accordance with the Indenture, the Issuer will covenant, and pursuant to the Loan Agreement and the Tax Agreement the Borrower will covenant, not to take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Series 2017A Bonds as Tax-Exempt Bonds under Section 103 and Sections 141 through 150, inclusive, of the Code. The Issuer and the Borrower will covenant not to directly or indirectly use or permit the use of any proceeds of the Series 2017A Bonds as Tax-Exempt Bonds or any other funds of the Issuer or the Borrower, or take or omit to

take any action that would cause the Series 2017A Bonds as Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Issuer and the Borrower will agree to comply with all requirements of Section 148 of the Code to the extent applicable to the Series 2017A Bonds as Tax-Exempt Bonds. The Issuer and the Borrower will agree that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Series 2017 A Bonds as Tax-Exempt Bonds from time to time. In accordance with the Indenture, the Loan Agreement and the Tax Agreement, these covenants of the Issuer and the Borrower will survive payment in full or defeasance of the Series 2017 A Bonds.

Default and Remedies

Events of Default. In accordance with the Indenture, the occurrence of one or more of the following events will constitute an "Event of Default" under the Indenture:

(i) failure to make due and punctual payment of any interest on any Bond when the same becomes due and payable;

(ii) failure to make due and punctual payment of the principal of or redemption premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity or accelerated maturity thereof, or upon proceedings for redemption thereof;

(iii) failure to make due and punctual payment of the Purchase Price of any Bond when the same becomes due and payable if the Borrower has obligated itself to pay the Purchase Price;

(iv) the Issuer shall for any reason be rendered incapable of fulfilling its obligations thereunder, or the Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or any Supplemental Indenture on the part of the Issuer to be performed, and such incapacity or failure shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer and the Borrower by the Trustee (which notice may be given by the Trustee in its discretion and shall be given at the written request of the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding); provided that, if any such default shall be correctable but is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Borrower within such period and diligently pursued until the default is corrected;

(v) any Event of Default as specified in the Loan Agreement has occurred and is continuing and has not been waived;

(vi) receipt by the Trustee of written notice from the Credit Facility Provider that an "Event of Default" has occurred and is continuing under a Credit Facility applicable to all Bonds Outstanding or any credit agreement, reimbursement agreement or similar agreement pursuant to which such Credit Facility applicable to all Bonds Outstanding was issued, accompanied by a demand by the Credit Facility Provider that the Trustee declare the Bonds to be immediately due and payable; or

(vii) the Borrower shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors or shall consent to the appointment of a receiver of itself or of its property, or shall institute procedures for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within 60 days after the institution thereof.

Pursuant to the Indenture, with regard to any alleged default concerning which notice is given to the Borrower in accordance with the requirements of the Indenture, the Issuer thereby grants the Borrower full authority for account of the Issuer to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Issuer, with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts in order to remedy such default. Upon the occurrence of an Event of Default for which the Trustee has received notice pursuant to the Indenture, or of

which Event of Default the Trustee is required to take notice under the Indenture, the Trustee shall, within 30 days give written notice thereof by first class mail to all Bondowners.

Acceleration of Maturity in Event of Default. In accordance with the Indenture, if an Event of Default describe in clause (i), clause (ii), or clause (iii) hereinabove occurs as to any one or more series of Bonds, then the Trustee may, and if requested by the Owners of not less than a majority in aggregate principal amount of all Bonds Outstanding, the Trustee shall, by notice in writing, delivered to the Issuer and the Borrower, declare the principal and accrued interest on all Bonds Outstanding immediately due and payable.

If an Event of Default described in clause (iv), clause (v) or clause (vii) above shall have occurred and be continuing, the Trustee may, and if requested by the Owners of not less than a majority in aggregate principal amount of all Bonds Outstanding, the Trustee shall, by notice in writing, delivered to the Issuer and the Borrower, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable.

If an Event of Default described in clause (vi) above occurs, the Trustee shall declare the Bonds as to which such Credit Facility applies immediately due and payable.

Interest shall cease to accrue on the Bonds on the date that the Trustee declares that the principal and accrued interest on each such series of Bonds is immediately due and payable.

Exercise of Remedies by the Trustee. In accordance with the Indenture, upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus or other proceeding (including any rights of a secured party under the Georgia Uniform Commercial Code) to enforce the payment of the principal and Purchase Price of, redemption premium, if any, and interest on the Bonds then Outstanding or to any series thereof, to realize on or to foreclose any of its interests or liens thereunder or under any other of the Bond Documents, to exercise any rights or remedies available to the Trustee, to enforce and compel the performance of the duties and obligations of the Issuer as therein set forth and to enforce or preserve any other rights or interests of the Trustee thereunder with respect to any of the Trust Estate or otherwise existing at law or in equity.

Limitation on Exercise of Remedies by Bondowners. In accordance with the Indenture, no Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereunder or for the appointment of a receiver or any other remedy thereunder, unless (a) a default has occurred of which the Trustee has been notified as provided in the Indenture or of which by such Event of Default the Trustee is deemed to have notice in accordance with the Indenture, (b) such default shall have become an Event of Default, (c) the Owners of not less than a majority in aggregate principal amount of each series of Bonds as to which an Event of Default has occurred shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers previously granted or to institute such action, suit or proceeding in its own name, and shall have offered to the Trustee indemnity as provided in the Indenture, and (d) the Trustee shall thereafter fail or refuse to exercise the powers previously granted or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are thereby declared in every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy thereunder.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Bondowners. In accordance with the Indenture, the Issuer and the Trustee may from time to time, without the consent of or notice to any of the Bondowners, enter into one or more Supplemental Indentures, for any one or more of the following purposes:

- (i) To provide for the issuance of Bonds in series in accordance with the Indenture, including specifying additional or different interest rate modes or determination methods, redemption provisions, tender provisions, or other terms for the Bonds authorized in such Supplemental Indenture;
- (ii) To cure any ambiguity or formal defect or omission in the Indenture;

(iii) To grant to or confer upon the Trustee for the benefit of the Bondowners a parity interest in any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them;

(iv) To subject to the Indenture additional revenues, properties or collateral;

(v) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(vi) To provide for the refunding or advance refunding of any Bonds;

(vii) To evidence the appointment of a separate trustee or the succession of a new trustee hereunder;

(viii) To make such other changes to the terms of the Bonds of a series or to the Indenture provided that such changes shall not be effective until after a mandatory tender for purchase of all of the Bonds so affected, unless there are inadequate funds for the purchase of such tendered Bonds; and

(ix) To make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the Bondowners (in making such determination, the Trustee shall be entitled to rely conclusively upon an Opinion of Counsel).

Supplemental Indentures Requiring Consent of Bondowners. In accordance with the Indenture, with the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, the Issuer and the Trustee may from time to time enter into such other Supplemental Indenture or Supplemental Indentures as will be deemed necessary or desirable by the Trustee for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided that nothing in this sentence will permit or be construed as permitting without the consent of the Owners of all of the Bonds then Outstanding which would be affected by such change any of the following:

(i) an extension of the maturity of the principal of or the scheduled date of payment of interest on any Bond, or

(ii) a reduction in the principal amount, redemption premium, or any interest payable on any Bond, or

(iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or

(iv) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Indenture.

Pursuant to the Indenture, if at any time the Issuer requests the Trustee to enter into any such Supplemental Indenture for any of the purposes of this subpart, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed by first-class mail to each Bondowner affected by such Supplemental Indenture. 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. If within 60 days or such longer period as shall be prescribed by the Issuer following the mailing of such notice, the Owners of not less than a majority in aggregate 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 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 Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of

any such Supplemental Indenture as described in this subpart, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Borrower's Consent to Supplemental Indentures. In accordance with the Indenture, anything therein to the contrary notwithstanding, so long as the Borrower is not in default under the Loan Agreement, a Supplemental Indenture will not become effective unless and until the Borrower shall have consented in writing to the execution and delivery of such Supplemental Indenture.

Supplemental Loan Agreements

Supplemental Loan Agreements Not Requiring Consent of Bondowners. In accordance with the Indenture, the Trustee may from time to time, without the consent of or notice to any of the Bondowners, consent to the execution of any Supplemental Loan Agreement between the Issuer and the Borrower as may be required in connection with any one or more of the following purposes:

- (i) In connection with the issuance of a series of Bonds under the Indenture;
- (ii) For the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement or the Indenture; or
- (iii) In connection with any other change therein which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the Bondowners (in making such determination, the Trustee shall be entitled to rely conclusively upon an Opinion of Counsel).

Supplemental Loan Agreements Requiring the Consent of Bondholders. Pursuant to the Indenture, with the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, the Trustee may consent to the execution of any Supplemental Loan Agreements by the Issuer and the Borrower; provided that no such Supplemental Loan Agreement shall be entered into without the consent of the Owners of all of the Bonds then Outstanding that permits (a) an extension of the date of payment of any Loan Payment under the Loan Agreement, or (b) a reduction in the amount of any Loan Payment under the Loan Agreement.

In accordance with the Indenture, if at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed Supplemental Loan Agreement, the Trustee shall cause notice of such proposed Supplemental Loan Agreement to be mailed in the same manner as provided in the Indenture with respect to Supplemental Indentures and described hereinabove under the subheading "Supplemental Indentures Requiring Consent of Bondowners". Such notice shall briefly set forth the nature of such proposed Supplemental Loan Agreement and shall state that copies of the same are on file at the Principal Office of the Trustee for inspection by all Bondowners.

Certain Miscellaneous Provisions of Indenture

Original Indenture and First Supplemental Indenture as One Document. In accordance with the Indenture, the Original Indenture and the First Supplemental Indenture will be read, taken and construed as one and the same instrument.

Governing Law. The Indenture will be governed exclusively by and construed in accordance with the applicable laws of the State of Georgia without regard to conflict of law principles.

Notices. Service of any notice, request, complaint, demand or other paper required to be given to or filed with the Issuer, the Trustee or the Borrower will be made as specified under the Indenture.

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement. As used herein the "Loan Agreement" refers, collectively, to (i) the Loan Agreement, between the Issuer and the Borrower, dated as of May 1, 2017 (the "Original Loan Agreement"), as supplemented by (ii) the First Supplemental Loan Agreement, between the Issuer and the Borrower, dated as of May 1, 2017 (the "First Supplemental Loan Agreement"). This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Loan Agreement, which will be on file with the Trustee following the issuance of the Series 2017 Bonds and the proposed form of which is on file with the Underwriter prior to the issuance of the Series 2017 Bonds.

Certain Definitions

"Accountant" means a certified public accountant, or a firm of certified public accountants, who or which is "independent" as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to the Borrower (but who or which may be regularly retained by the Borrower).

"Annual Budget" means the annual budget of the Borrower required to be provided by the Borrower pursuant to the Loan Agreement.

"Assignment of Deed to Secure Debt" means the Assignment of Deed to Secure Debt, Assignment of Rents and Leases, and Security Agreement dated as of May 1, 2017 from the Issuer to the Trustee.

"Book Value" means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of the Borrower prepared in accordance with GAAP.

"Capital Improvements" means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions which, under Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items.

"Capital Needs Assessment" means each capital needs assessment prepared by an Independent Consultant selected by the Borrower on or before January 1, 2022, and every fifth anniversary thereafter as long as the Series 2017 Bonds remain Outstanding projecting the Borrower's capital needs and the total cost thereof over the five year period commencing on the following July 1.

"Capitalized Lease" means any lease of real or personal property which, in accordance with and to the extent allowed by GAAP, is required to be capitalized on the balance sheet of the lessee.

"Charter Contract" means that certain charter school operation contract dated April 3, 2014 between the Borrower and the Bibb County School District providing for the charter school operation of the Academy for Classical Education to commence July 1, 2014 for a five (5) year period, as amended and supplemented.

"Consultant" means an Independent, recognized consulting firm which is appointed by the Borrower for the purpose of passing on questions relating to the financial affairs, management or operations of the Borrower, has a favorable reputation for skill and experience in performing similar services in respect of entities of a comparable size and nature and is not unsatisfactory to the Trustee. If any Consultant's report or opinion is required to be given with respect to matters partly within and partly without the expertise of any consultant, such Consultant may rely upon the report or opinion of another Consultant possessing the necessary expertise.

"Days Cash on Hand" for a Fiscal Year is equal to the quotient obtained by dividing the total Operating Expenses of the Borrower for the prior Fiscal Year as shown in the audited financial statements of the Borrower for such Fiscal Year by 365.

"Debt Service" means the aggregate annual principal (whether at maturity or pursuant to sinking fund redemption requirements), interest payments and other payments of the Borrower on all outstanding Long-Term Indebtedness, including Commitment Indebtedness, Refunding Indebtedness and Completion Indebtedness, but excluding Non-Recourse Indebtedness and Short-Term Indebtedness, for the period of time for which calculated; provided, however, that for purposes of calculating such amount:

(a) the amount of such payments for any future period will be calculated in accordance with the assumptions set forth in the Loan Agreement with respect to each aforesaid category of Indebtedness; and

(b) principal and interest will be excluded from the determination of Debt Service amounts have been deposited in trust, escrowed or otherwise set aside with the Trustee for the payment thereof; and

(c) fees and expenses related specifically to the Indebtedness and not the operation or maintenance of the Capital Improvements financed with proceeds therefrom will be excluded from the determination of Debt Service.

"Debt Service Coverage Ratio" means, for any Fiscal Year, the ratio obtained by dividing the Net Income Available for Debt Service for such Fiscal Year by the Maximum Annual Debt Service on Indebtedness, as such ratio is certified to by an Accountant of the Borrower.

"Environmental Laws" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, Public Law No. 96-510, 94 Stat. 1613, the Resource Conservation and Recovery Act, the National Environmental Policy Act of 1969 (42 U.S.C. § 4321 et seq.), the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.), the Hazardous Material Transportation Act (49 U.S.C. §§ 1801 et seq.), the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. §§ 136 et seq.), the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.), the Clean Water Act, the Clean Air Act (42 U.S.C. §§ 7401 et seq.), the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.), the Federal Coastal Zone Management Act (16 U.S.C. §§ 1451 et seq.), the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.), the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.) and any other federal, state or local law, statute, ordinance and regulation, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any applicable judicial or administrative interpretation thereof, including, without limitation, any applicable judicial or administrative order, consent decree or judgment applicable to the Premises relating to the regulation and protection of human health and safety and/or the environment and natural resources (including, without limitation, ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and/or vegetation), including all amendments to such Acts, and any and all regulations promulgated thereunder, and all analogous local or state counterparts or equivalents, and any transfer of ownership notification or approval statutes, and any federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, regulating, relating to or imposing liability or standards of conduct concerning any petroleum, petroleum byproduct (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas, products and/or hazardous substance or material, toxic or dangerous waste, substance or material, pollutant or contaminant, as may now or at any time hereafter be in effect.

"Equipment" means all machinery, apparatus, equipment, fittings, furniture, furnishings, fixtures (whether actually or constructively attached or affixed to the Premises or the Facilities or other improvements located thereon and including all trade, domestic and ornamental fixtures) and other articles of tangible personal property of every kind, description and nature whatsoever now or hereafter located at, in, upon or under the Premises or the Facilities and other improvements at the Premises or used or usable in connection with any present or future operations conducted or to be conducted at the Premises or with respect to the Facilities or other improvements at the Premises, and all parts, accessories and special tools and all increases, additions and accessions thereto and substitutions and replacements therefor, including, without limiting the generality of the foregoing, all building materials, supplies, goods, machinery, fixtures and equipment now or hereafter delivered to the Premises and placed on the Premises for the purpose of being affixed to or installed or incorporated or otherwise used in the Facilities or other improvements now or hereafter located at the Premises or on any part or parcel of the Premises, including, but not limited to, lumber, plaster, cement, shingles, roofing, plumbing, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and

unattached refrigerating, cooking, heating and ventilating appliances and equipment, in each case, whether now owned or existing or hereafter acquired, created or arising and howsoever the Borrower's interest therein may arise or appear (whether by ownership, leasehold, security interest, claim or otherwise).

"Facilities" means the educational, athletic, operational, management, support, and related facilities owned or leased by the Borrower and located on the Premises, all necessary and useful furnishings, equipment and machinery and such interests in land as may be necessary or suitable for the foregoing, including roads and rights of access, utilities and other necessary site preparation facilities.

"Gross Revenues" means all receipts, revenues, rentals, income, insurance proceeds, condemnation awards, and other money received by or on behalf of the Borrower, including, without limitation, revenues derived from (a) proceeds received from (i) accounts, (ii) securities and other investments, (iii) inventory and other tangible and intangible property, and (iv) accounts receivable, general intangibles, contract rights, chattel paper, instruments and other rights and assets now existing or hereafter coming into existence or whether now owned or held or hereafter acquired and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Borrower incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there will be excluded from Gross Revenues (i) all such items, whether now owned or hereafter acquired by the Borrower, which by their terms or by reason of applicable law cannot be granted, assigned or pledged thereunder or which would become void or voidable if granted, assigned or pledged thereunder by the Borrower, or which cannot be granted, assigned or pledged thereunder without the consent of other parties whose consent is not secured, or without subjecting the Trustee to a liability not otherwise contemplated by the provisions of the Loan Agreement, or which otherwise may not be, or are not, thereby lawfully and effectively granted, assigned and pledged by the Borrower, (ii) any amounts received by the Borrower as a billing agent for another entity, except for fees received for serving as billing agent, and (iii) gifts, grants, bequests, donations and contributions to the Borrower heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use as payments required under the Indenture.

"Guaranty" means all obligations of the Borrower guaranteeing, or in effect guaranteeing, any money borrowed or credit extended, dividend, or other obligation of any Person in any manner, whether directly or indirectly.

"Hazardous Materials" means petroleum, petroleum byproducts (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas products and/or any hazardous substance or material, waste, pollutant or contaminant, defined as such in (or for the purposes of) the Environmental Laws.

"Indebtedness" means (a) all Guaranties by the Borrower, (b) all liabilities for borrowed money (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of the Borrower in accordance with GAAP, and (c) all obligations for the payment of money incurred or assumed by the Borrower (i) due and payable in all events, or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise.

"Independent" means, with respect to any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder who is a member of the Board of the Borrower, or an officer or employee of the Borrower; provided that the fact that a Person is retained regularly by or transacts business with the Borrower will not, in and of itself, cause such Person to be deemed an employee of the Borrower for the purposes thereof.

"Independent Consultant" means a professional consulting, accounting, investment banking or commercial banking firm or individual engaged by the Borrower having the skill and experience necessary to render the particular report required and having a favorable reputation for such skill and experience, which firm or individual does not control the Borrower and is not controlled by or under common control with the Borrower.

"Initial Purchaser" and "Underwriter" mean BB&T Capital Markets, a division of BB&T Securities, LLC.

"Insurance Consultant" means an Independent insurance consultant and/or risk management firm or an insurance broker or an insurance agent (which may be a consultant, firm, broker or agent with whom the Borrower or the Issuer regularly transacts business) selected by the Borrower.

"Investment Grade Rating" means a rating by Standard & Poor's or Fitch of "BBB-" or higher, by Moody's of "Baa3" or higher, or by another Rating Agency of the equivalent rating or higher.

"Loan Payments" means, with respect to the Series 2017 Bonds, as described in this **Appendix E** under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Loan by Issuer; Provision for Payment; Security - General Obligation of the Borrower: Repayment Obligations".

"Long-Term Indebtedness" means (a) all Indebtedness for money borrowed or credit extended, incurred or assumed that is not Short-Term; (b) Guaranties of Indebtedness that are not Short-Term; or (c) Capitalized Rentals under Capitalized Leases; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Loan Agreement.

"Maximum Annual Debt Service on Indebtedness" means, as of any date of calculation, the highest amount of Debt Service (net of (i) amounts in the Capitalized Interest Account with respect to such Long-Term Indebtedness and (ii) amounts in the Debt Service Reserve Fund available and required to be applied in the year of final maturity of such Long-Term Indebtedness) outstanding for any succeeding Fiscal Year.

"Net Income Available for Debt Service" means, for any period of determination thereof, the Gross Revenues of the Borrower for such period, plus the interest earnings on money held in the Debt Service Reserve Fund established under the Indenture (but only to the extent that such interest earnings are transferred to the Debt Service Fund), plus required payments from the Capitalized Interest Account, minus the total Operating Expenses of the Borrower for such period but excluding from Operating Expenses (i) interest expense paid on Indebtedness, (ii) any profits or losses which would be regarded as extraordinary items under GAAP, (iii) gain or loss in the extinguishment of Indebtedness of the Borrower, (iv) proceeds of the Bonds and any other Indebtedness permitted by the Loan Agreement, and (v) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of the Borrower, the proceeds of any sale, transfer or other disposition of the Facilities or any other of the Borrower's assets by the Borrower, and any condemnation or any other damage award received by or owing to the Borrower.

"Non-Recourse Indebtedness, means Long-Term Indebtedness incurred for the purpose of financing Capital Improvements or tangible personal property secured by a lien on, or security interest in, the property being financed and evidenced by an instrument which expressly provides that such Long-Term Indebtedness is not on a parity with the Bonds under the Indenture and upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to the property securing the same and not to the credit of the Borrower nor to any other assets of the Borrower.

"Operating Expenses" means fees and expenses of the Borrower, including maintenance, repair expenses, utility expenses, administrative and legal expenses, miscellaneous operating expenses, interest expense, advertising costs, payroll expenses (including taxes), the cost of materials and supplies used for current operations of the Borrower, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Borrower, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with Generally Accepted Accounting Principles, all in such amounts as reasonably determined by the Borrower; provided, however, "Operating Expenses" will not include depreciation, amortization or other non-cash expenses nor those expenses which are actually paid from any revenues of the Borrower which are not Gross Revenues, nor payment for improvements which are capitalized for accounting purposes.

"Opinion of Counsel" means an opinion in writing of legal counsel, who may be counsel to the Issuer, the Trustee or the Borrower.

"Personal Property" means, collectively, any and all personal property of any kind or character defined in and subject to the provisions of the Uniform Commercial Code, including the supporting obligations thereof, proceeds and products of and from any and all of such personal property used in connection with or arising out of the operation and use of the improvements located on the Premises, and any substitutions or replacements therefor, including, without limitation, the following: (a) Equipment; (b) Gross Revenues; (c) all accessions to, substitutions and replacements for and products and cash and non-cash proceeds of any or all of the foregoing Personal Property described in (a) and (b) above, including, without limitation, all payments of insurance (whether or not the Trustee is the loss payee thereof) and any indemnity, condemnation award, performance, labor and material payment bond, warranty or guaranty payable by reason of loss or damage to, or otherwise with respect to, any of the Personal Property described in (a) and (b) above; (d) all books and records, including, without limitation, computer programs, print-outs and other computer or electronic materials and records, of the Borrower pertaining to any of the Personal Property described in (a) and (b) above; (e) any amounts on deposit from time to time in any fund or account created in the Indenture or the Loan Agreement (except the Rebate Fund); and (f) any and all property that may, from time to time hereinafter, by delivery or by writing of any kind, be subjected to the security interest hereof by the Borrower (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), which, subject to the security interest hereof of any such property as additional security, may be made subject to any reservations, limitations or conditions which shall be set forth in a written instrument executed by the grantor or the person so acting on its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof.

"Premises" will have the meaning set forth in the Deed to Secure Debt.

"Property" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired by a Person.

"Rating Consultant" means an Independent Consultant, the Underwriter or other consultant experienced in the financing of charter schools.

"Required Information Recipient" means the Trustee, each provider of a Credit Facility so long as such Credit Facility is in effect, the Initial Purchaser, the Municipal Securities Rulemaking Board, which currently accepts continuing disclosure submissions through EMMA, or any successor entity authorized and approved by the Securities and Exchange Commission from time to time to act as a recognized municipal securities repository and all Holders who hold \$500,000 or more in principal amount of Bonds and request such reports in writing (which written request will include a certification as to such ownership).

"Security Instruments" means, collectively, deeds to secure debt, mortgages, deeds of trust, security agreements, and assignments, and other forms of security instruments given to secure Bonds, specifically including, but not limited to, the Deed to Secure Debt and the Assignment of Deed to Secure Debt.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof that is exempt from federal income taxes under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code or corresponding provisions of federal income tax laws from time to time in effect.

"Threshold Amount" means \$250,000.

"Underwriter," with respect to a Series of Bonds, will have the meaning set forth the Supplemental Indenture authorizing such Series of Bonds.

"Uniform Commercial Code" means Georgia's Uniform Commercial Code, as amended from time to time.

"Unrestricted Cash and Investments" means the sum of unrestricted cash, cash equivalents, marketable securities, including without limitation board-designated assets, but excluding any trustee-held or similar funds held under the Indenture or similar debt documents. For the purposes of calculations of the liquidity requirements of the

Loan Agreement, an unrestricted contribution from a third party or affiliate will be treated as being made during the period of such calculation so long as the unrestricted contribution is made prior to the date the applicable Officer's Certificate is required to be delivered with respect to such calculation.

Loan by Issuer; Provision for Payment; Security

Loan by Issuer. In accordance with the Loan Agreement, the Issuer will loan the proceeds of the Series 2017 Bonds to the Borrower, and the Borrower will accept such loan in accordance with and subject to the terms of the Loan Agreement.

General Obligation of the Borrower: Repayment Obligations. Pursuant to the Loan Agreement, and in order to provide for the repayment of the loan of the proceeds of the Series 2017 Bonds, the Borrower will agree and promise to pay to the Issuer the following amounts with respect to the Series 2017 Bonds (collectively, the "Loan Payments") as follows:

- (i) On or before each Interest Payment Date, a sum that will equal the interest on the Series 2017 Bonds coming due on such Interest Payment Date;
- (ii) on or before any maturity date for the Series 2017 Bonds (including any date on which the principal amount of the Series 2017 Bonds is due is accelerated under the Indenture), a sum that will equal the principal amount of such Series 2017 Bonds due on such date;
- (iii) on or before any redemption date for any Series 2017 Bonds, a sum equal to the principal of, redemption premium (if any) and interest on such Series 2017 Bonds due on such date;
- (iv) on or before the tenth (10th) day of each month, an amount sufficient to restore any deficiency in the 2017 Reserve Account within the Debt Service Reserve Fund; and
- (v) on or before the twentieth (20th) day of each month, the Repair and Replacement Fund Contribution or the Modified Repair and Replacement Fund Contribution, as applicable.

Pursuant to the Loan Agreement, the Borrower will be entitled to certain credits against such payments as described hereinafter. In addition, the Loan Payments specified above may be prepaid by the Borrower upon the terms and conditions set forth in the Loan Agreement. Pursuant to the Loan Agreement, if the Trustee accelerates payment of the Series 2017 Bonds, all Loan Payments required to be made as described hereinabove will be declared immediately due and payable in the manner and with the effect provided in the Loan Agreement.

Pursuant to the Loan Agreement, the Borrower will deliver the Series 2017 Note to the Trustee evidencing its obligations under the Loan Agreement as to the Series 2017 Bonds, and such Series 2017 Note will be considered the same indebtedness as the indebtedness of the Borrower under the Loan Agreement with respect to the Series 2017 Bonds, and any payment on either such Series 2017 Note or the Loan Agreement as provided therein will be deemed to satisfy the corresponding payment obligation under the other.

Credits. Pursuant to the Loan Agreement, any amount contained in the Debt Service Fund, or any 2017 Debt Service Account therein, on any payment date under the Loan Agreement will be credited against the payments required to be made by the Borrower on such payment date unless the Authorized Borrower Representative will direct the Trustee in writing to apply such amount to the purchase of Series 2017 Bonds in the open market.

In accordance with the Loan Agreement, in the event all of the Series 2017 Bonds then outstanding are called for redemption, any amounts contained in the Debt Service Fund, or any 2017 Debt Service Account therein, for such Series 2017 Bonds on the Business Day immediately preceding such redemption date will be credited against the payments required to be made by the Borrower on such Business Day under the Loan Agreement.

Pursuant to the Loan Agreement, the principal amount of Series 2017 Bonds held by the Trustee on any payment date under the Loan Agreement that are to be applied by the Trustee as a credit against the next mandatory

sinking fund redemption for such Series 2017 Bonds pursuant to the Indenture will, to the extent not previously credited as described in this paragraph, be credited against the obligation of the Borrower with respect to the payment of amounts due with respect to principal of such Series 2017 Bonds payable under the Loan Agreement on such payment date.

In accordance with the Loan Agreement, in the event that on any payment date for the Series 2017 Bonds the aggregate amount of money in the Debt Service Fund for the Series 2017 Bonds is at least equal to the aggregate principal amount of the Series 2017 Bonds then outstanding plus the aggregate amount of interest thereon then due and to become due until the maturity thereof, such aggregate amounts in the Debt Service Fund will be credited against the payments required to be made by the Borrower on such payment date under the Loan Agreement.

Debt Service Reserve Fund. Pursuant to the Loan Agreement, in the event any money in the 2017 Reserve Account in the Debt Service Reserve Fund is transferred by the Trustee for deposit to the Debt Service Fund pursuant to the Indenture, except if such money is transferred due to the redemption of all or a portion of the Series 2017 Bonds, the Borrower will agree to deposit additional Debt Service Reserve Fund Obligations into the 2017 Reserve Account of the Debt Service Reserve Fund in an amount sufficient to satisfy the Debt Service Reserve Fund Requirement, such amount to be deposited in no more than twelve (12) equal consecutive monthly installments, the first installment to be made within seven (7) months of such transfer or receipt of written notice from the Trustee of a deficiency.

In accordance with the Loan Agreement, in the event the value of the Debt Service Reserve Fund Obligations (as determined pursuant to the statement of the Trustee furnished in accordance with the Indenture) on deposit in the 2017 Reserve Account in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement for the 2017 Reserve Account, the Borrower agrees to deposit additional Debt Service Reserve Fund Obligations into the 2017 Reserve Account of the Debt Service Reserve Fund in an amount sufficient to satisfy the Debt Service Reserve Fund Requirement, such amount to be deposited in no more than three (3) equal consecutive monthly installments, the first installment to be made within 30 days of such receipt of written notice from the Trustee of a deficiency.

Pursuant to the Loan Agreement, in the event that any change in the amount of the Debt Service Reserve Fund Requirement for the 2017 Reserve Account occurs, the Borrower will calculate or cause to be calculated the new Debt Service Reserve Fund Requirement and will provide written notice of such new Debt Service Reserve Fund Requirement to the Trustee within 45 days of such occurrence.

Payment of Trustee's and Paying Agent's Fees and Expenses. Pursuant to the Loan Agreement with respect to the Series 2017 Bonds, the Borrower will agree to pay to the Trustee until payment in full of the Series 2017 Bonds will have been made, (i) an amount equal to the fees of the Trustee for the Ordinary Services of the Trustee rendered and its Ordinary Expenses incurred under the Indenture, (ii) the reasonable fees and charges of the Trustee and any Paying Agents for acting as paying agent as provided in the Indenture, as and when the same become due, including the fees and expenses of its counsel reasonably and actually incurred, and (iii) the reasonable fees and charges of the Trustee for Extraordinary Services rendered by it and Extraordinary Expenses incurred by it under the Indenture, as and when the same become due; *provided, however*, that the Borrower may, without creating a default under the Loan Agreement or the Indenture, withhold such payment to contest in good faith the necessity for any such Extraordinary Services and any such Extraordinary Expenses and the reasonableness of any such fees, charges or expenses.

Assignment and Pledge. In accordance with the Loan Agreement, the parties will evidence their understanding and agreement that the Loan Agreement and all payments required to be made to the Issuer thereunder (except for payments required to be made to the Issuer with respect to its fees and expenses and its rights to indemnification under the Loan Agreement) are assigned and pledged to the Trustee under the Indenture. Pursuant to the Loan Agreement, the Borrower will thereby assent to such assignment and pledge. The Borrower will further agree that (i) all payments made pursuant to the Loan Agreement will be paid directly to the Trustee for the account of the Issuer and will be deposited in the 2017 Debt Service Accounts within the Debt Service Fund; and (ii) all payments required to be made with respect to the Trustee's or any Paying Agent's fees and expenses as provided in the Loan Agreement will be paid directly to the Trustee for its own use or for payment to any Paying Agents.

Unconditional Obligation of the Borrower. Pursuant to the Loan Agreement with respect to the Series 2017 Bonds, so long as any Series 2017 Bonds remain Outstanding, the obligation of the Borrower to make the payments required to be made thereunder and to perform and observe the other agreements on its part contained therein will be absolute and unconditional and will not be abated, rebated, set-off, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of set-off, recoupment or counterclaim that the Borrower might otherwise have against the Issuer or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during or after the completion of the Series 2017 Project or any other Project, including, but without limiting the generality of the foregoing: (i) any damage to or destruction of any part or all of the Facilities financed with the proceeds of the Series 2017 Bonds; (ii) the taking or damaging of any part or all of the Series 2017 Project or any other Project by any public authority or agency in the exercise of the power of eminent domain or otherwise; (iii) any assignment, novation, merger, consolidation, transfer of assets, subleasing or other similar transaction by or affecting the Borrower, whether with or without the approval of the Issuer, except as otherwise expressly provided in the Loan Agreement; (iv) the termination of the Loan Agreement pursuant to the provisions thereof; (v) any failure of the Issuer to perform or observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Loan Agreement or the Indenture; (vi) any change or delay in the time of availability for use of the Series 2017 Project or any other Project, or any portion thereof, or delays in acquisition, construction or installation of the Series 2017 Project or any other Project, or any portion thereof; (vii) the failure to complete or to maintain satisfactory progress in the design, acquisition, construction, alteration, enlargement, reconstruction and remodeling of the Series 2017 Project or any other Project, or any portion thereof, whether due to the fault or negligence of the Issuer or any other cause or reason; (viii) any acts or circumstances that may constitute an eviction or constructive eviction of the Borrower from any part of the Series 2017 Project or any other Project; (ix) failure of consideration, failure of title to any part of the Series 2017 Project or any other Project or commercial frustration; or (x) any change in the tax or other laws of the United States of America or of any state or other governmental authority.

Pursuant to the Loan Agreement, notwithstanding the provisions of the Loan Agreement described in the preceding paragraph, the Borrower may, at its own cost and expense and in its name or in the name of the Issuer upon indemnification satisfactory to the Authorized Issuer Representative, prosecute or defend any action or proceeding or take any other action which the Borrower may deem reasonably necessary in order to secure or protect its right of use and occupancy and other rights thereunder.

Cost of the Series 2017 Project. Pursuant to the Loan Agreement, the Borrower thereby will covenant and agree that it will pay, in addition to the payments due under the Loan Agreement and all other payments and obligations which it is obligated to pay and fulfill under the Loan Agreement, such additional amount or amounts as will be necessary to pay the cost of the Series 2017 Project or any other Project as the same may be modified from time to time by the Borrower. The Borrower acknowledges that neither the Issuer nor the Trustee will have any responsibility for paying any cost of any Project.

Security for Payments under the Series 2017 Bonds. In accordance with the Loan Agreement, contemporaneously with the issuance of the Series 2017 Bonds, as security for the payment of the Series 2017 Bonds, the Issuer will execute and deliver the Indenture, under the terms of which all of the right, title, interest, and remedies of the Issuer in the Loan Agreement, together with all revenues and amounts to be received and all property to be held by the Issuer thereunder, will be assigned to and be the subject of a grant of a security interest to the Trustee and will be pledged as security for, among other things, the payment of the Series 2017 Bonds.

Special Covenants of Borrower

Maintenance of Properties. Pursuant to the Loan Agreement, the Borrower will, at its cost, cause all of its properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided, however*, that nothing in this provision of the Loan Agreement will prevent the Borrower from discontinuing the operation and maintenance of any of its properties or operations if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its business.

Compliance with Applicable Law. In accordance with the Loan Agreement, the Borrower will agree that throughout the term of the Loan Agreement, at its sole cost and expense, it will comply or cause there to be compliance with all applicable material laws relating to the use or occupancy or manner of use of its properties, including any Project, and will also observe and comply with the requirements respecting such properties of all policies of insurance at any time in force with respect to any of such properties.

Further Assurances. Pursuant to the Loan Agreement, the Borrower, upon the request of the Trustee, will execute, acknowledge, deliver and record and/or file such further instruments and do such further acts as may be necessary, desirable or proper to carry out more effectively the purpose of the Loan Agreement and to subject the Trust Estate to the liens and security interests thereof.

Payment of Other Obligations. In accordance with the Loan Agreement, the Borrower will covenant and agree to pay, or to cause to be paid, directly to the appropriate party, when due, all assessments, levies, taxes and insurance payments of every kind and nature relating to the whole or any part of its properties, or any interest therein, and all costs, expenses, liabilities and charges of every kind and nature, including charges for gas, electricity, water, sewer and other utilities, relating to the maintenance, operation, repair, replacement and improvement of the whole or any part of its properties; *provided, however*, that the Borrower will be under no obligation to pay any such item so long as the validity thereof will be contested in good faith and by appropriate legal proceedings and will not materially adversely affect the Borrower's ability to pay the principal and Purchase Price of, redemption premium, if any, and interest on each series of the Bonds.

Maintenance of Corporate Existence; Permitted Mergers and Consolidations. Pursuant to the Loan Agreement, the Borrower will agree that during the term of the Loan 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, or sell or convey, except as otherwise provided in the Loan Agreement, all or substantially all of its interest in the Facilities to, any Person unless (i) no Event of Default has occurred and is continuing, (ii) it first acquires the consent of the Holders of a majority in aggregate principal amount of the Bonds to such transaction, (iii) it provides to the Trustee notice of its intent at least 90 days in advance of such consolidation, merger, sale or conveyance, and (iv) the acquirer of the interest in the Facilities or the corporation with which it will be consolidated or the resulting corporation in the case of a merger satisfies the requirements set forth in the Loan Agreement.

Financial Statements. In accordance with the Loan Agreement, the Borrower will agree that it will keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Borrower in accordance with GAAP consistently applied except with respect to the Annual Budget as set forth in the Loan Agreement. No later than 30 days after the last day of each Fiscal Year, the Borrower will prepare the Annual Budget (consisting of a statement of income and expenses) for the following Fiscal Year. The Annual Budget will be provided to each Required Information Recipient no later than 30 days after the start of each Fiscal Year, and any amendment to the Annual Budget will be provided to each Required Information Recipient within 30 days after its completion. The Borrower will furnish or cause to be furnished to each Required Information Recipient (and the Trustee will have no duty or obligation to review or examine the contents thereof) the financial statements specified in the Loan Agreement.

Income Tax Status. Pursuant to the Loan Agreement, to the extent consistent with its status as a not-for-profit educational institution, the Borrower will agree that it will not take any action or omit to take any action which would cause any revocation or adverse modification of its federal income tax status.

Use and Operation of Projects. In accordance with the Loan Agreement, the Borrower will agree that it will administer, maintain and operate the Series 2017 Project and any other Projects free of unlawful discrimination based upon race, creed, color, sex, national origin, disability or age, and the Borrower will agree that it will use, maintain and operate, or cause to be used, maintained and operated, the Series 2017 Project and any other Projects, consistently with the Borrower's obligations imposed under the Loan Agreement and the Charter Contract and its status as a Tax-Exempt Organization under Section 501(c)(3) of the Code.

Inspections. Pursuant to the Loan Agreement, upon reasonable prior notice, and subject to compliance with all applicable laws, including privacy laws, the Issuer and the Trustee, through their respective officers, employees, consultants and other authorized representatives, will have free and unobstructed access at all reasonable times to the

Series 2017 Project and any other Projects for purposes of ascertaining whether the Borrower has complied with its agreements under the Loan Agreement.

Issuer's or Trustee's Performance of the Borrower's Obligations. In accordance with the Loan Agreement, in the event the Borrower at any time neglects, refuses or fails to perform any of its obligations under the Loan Agreement, the Issuer or the Trustee, at their respective options and following at least 30 days' written notice to the Borrower, may, but will be under no obligation to, perform or cause to be performed such obligation, and all expenditures incurred by the Issuer or the Trustee thereby will be promptly paid or reimbursed by the Borrower to the Issuer or the Trustee, as the case may be upon written request.

No Warranty of Condition or Suitability by Issuer. Pursuant to the Loan Agreement, the Issuer will make no representation or warranty, either express or implied, and will offer no assurance, respecting the condition of the Series 2017 Project or any other Project, or the suitability thereof for the needs and requirements of the Borrower.

Covenants of Borrower and Issuer with Respect to Series 2017A Bonds as Tax-Exempt Bonds. In accordance with the Loan Agreement, with respect to the Series 2017A Bonds and any Additional Bonds that are issued and sold as Tax-Exempt Bonds, such Bonds will be issued by the Issuer in compliance with the conditions necessary for the interest income on the Tax-Exempt Bonds to be excluded from gross income of the holders thereof for federal income tax purposes pursuant to the provisions of Sections 141 and 145 of the Code relating to "qualified 501(c)(3) bonds." Pursuant to the Loan Agreement, the Borrower and the Issuer will state that they intend that the interest on any Tax-Exempt Bonds be and remain free from federal income taxation, and, to that end, the Borrower will thereby covenant with the Issuer and the Trustee, and each Owner or subsequent Owner of any of the Tax-Exempt Bonds, pursuant to the Loan Agreement as follows:

(a) During the term of the Loan Agreement, the Projects and any other property financed, directly or indirectly, with the "net proceeds" (as defined in Section 150(a)(3) of the Code) of the Tax-Exempt Bonds shall be owned by a "501(c)(3) organization" (as defined in Section 150(a)(4) of the Code) or a "governmental unit" (within the meaning of Section 150(a)(2) of the Code);

(b) The net proceeds of the Tax-Exempt Bonds and the income from the investment thereof will be applied such that the Tax-Exempt Bonds would not be "private activity bonds" within the meaning of Section 141 of the Code if (a) 501(c)(3) organizations were treated as governmental units with respect to their activities which do not constitute unrelated trades or businesses, determined by applying Section 513(a) of the Code, and (b) paragraphs (1) and (2) of Section 141(b) of the Code were applied by substituting "5 percent" for "10 percent" each place it appears and substituting "net proceeds" for "proceeds" each place it appears;

(c) The Borrower will not use any of the Projects or any other property or facilities financed, directly or indirectly, with the proceeds of the Tax-Exempt Bonds, or suffer or permit the same to be used by any person or in any manner, which would adversely affect the exclusion of interest on the Tax-Exempt Bonds from the gross income of the holders thereof for federal income tax purposes; and

(d) The provisions of the Loan Agreement described hereinabove will survive the payment in full of the Bonds and the termination of the Loan Agreement.

Arbitrage Covenants. Pursuant to the Loan Agreement, the Issuer and the Borrower will covenant that they will take no action, nor will the Issuer or the Borrower approve the Trustee's taking any action or making any investment or use of the proceeds of any of the Tax-Exempt Bonds, which would cause any of such Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and the Treasury Regulations thereunder as such may be applicable to the Tax-Exempt Bonds at the time of such action, investment or use. To that end, pursuant to the Loan Agreement, the Issuer will agree to take any action reasonably requested by the Borrower in complying with all requirements of Section 148 of the Code to the extent applicable to the Tax-Exempt Bonds. Without limiting the generality of the foregoing, pursuant to the Loan Agreement, the Borrower will agree that there will be paid from time to time all amounts required to be rebated to the United States of America in accordance with Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations that may be applicable to the Tax-Exempt Bonds from time to time. In accordance with the Loan Agreement, the Issuer will not be subject to

liability to the Borrower, the Trustee, any registered Owner of any Bond or any other person by reason of a failure of compliance with the aforesaid covenant.

Pursuant to the Loan Agreement, the foregoing covenants will survive the payment in full of the Bonds and the termination of the Loan Agreement.

Covenants by the Borrower Relating to the Use of the Projects. In accordance with the Loan Agreement, the Borrower will covenant and agree as follows:

(a) During the term of the Loan Agreement, none of the Projects will be used for sectarian instruction or as a place of religious worship, and none of the Projects will be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination. If, at any time, applicable law will permit such Projects to be used for any purpose prohibited as described by this subparagraph, such prohibition will, to the extent then permitted, be of no further force or effect;

(b) The Issuer, through its members or agents, will have the right to inspect any of the Projects from time to time to determine whether any portion of such Project is being used or has been used for sectarian instruction or as a place of religious worship or primarily in connection with any part of a school or department of divinity for any religious denomination; and

(c) The Borrower's obligations described under subparagraph (a) above may be enforced by legal proceedings brought by the Issuer or the Attorney General of the State of Georgia; and the Borrower will agree that the equitable remedy of specific performance will be available to enforce such obligations whether or not violation of such obligations will be deemed to be an Event of Default thereunder.

Continuing Disclosure Obligations. Pursuant to the Loan Agreement, the Borrower will covenant to execute and deliver the Continuing Disclosure Agreement, as the continuing disclosure undertaking required by the Section (b)(5)(i) of Rule 15c2-12, contemporaneously with the issuance of the Series 2017 Bonds. In accordance with the Loan Agreement, the Continuing Disclosure Agreement will be for the benefit of the Beneficial Owners, and each Beneficial Owner will be a beneficiary of the applicable continuing disclosure provisions of the Loan Agreement and such Continuing Disclosure Agreement with the right to enforce such provisions of the Loan Agreement and the Continuing Disclosure Agreement directly against the Borrower. Pursuant to the Loan Agreement, the Borrower will enter into the Continuing Disclosure Agreement with Digital Assurance Certification, LLC, or another nationally recognized dissemination agent.

See "BORROWER COVENANTS UNDER LOAN AGREEMENT - Debt Service Coverage Ratio Covenant," "- 2017 Reserve Account Replenishment Covenant," "- Cash on Hand Liquidity Covenant," "- Enrollment Covenant," "- Capital Needs Assessment and Repair and Replacement Fund Covenants," "- Bond Rating Covenant," "- Annual Budget Covenant," "- Loan Agreement Financial Statements and Financial Reports Covenant," "- Charter Contract Covenants," "- Additional Indebtedness of Borrower," "- Selection of Independent Consultants" and "- Tax Covenants of the Borrower" in this Limited Offering Memorandum.

Borrower's Covenants Regarding Title. The Borrower agrees to protect, preserve, and defend its interest in the Project and its title thereto, if any, to appear and defend said interest and title in any action or proceeding affecting or purporting to affect the Premises, the liens of the Deed to Secure Debt thereon, or any of the rights of the Trustee thereunder, and to pay on demand all costs and expenses reasonably incurred by the Trustee in or in connection with any such action or proceeding, including reasonable attorneys' fees, costs and expenses, whether any such action or proceeding progresses to judgment and whether brought by or against the Trustee. The Borrower agrees to reimburse the Trustee for any such costs and expenses. If the Borrower does not take the action contemplated therein, the Trustee or Issuer may, but will not be under any obligation to, appear or intervene in any such action or proceeding and retain counsel therein and defend the same or otherwise take such action therein as it may be advised and may settle or compromise the same and, in that behalf and for any of such purposes, may expend and advance such sums of money as it may deem necessary, and such sums will be an advance payable in accordance with the Indenture.

Environmental Condition of Project and Indemnification. The Borrower warrants and represents to the Issuer and the Trustee that: (a) while the Issuer or the Trustee has any interest in or lien on the Premises, the Premises are, and at all times hereafter will continue to be, in full compliance with all Environmental Laws and (b) (i) to the best of the Borrower's knowledge and belief, as of the date thereof there are no Hazardous Materials, substances, wastes, or other environmentally regulated substances (including without limitation, any materials containing asbestos) located on, in or under the Premises or used in connection therewith, or (ii) the Borrower has fully disclosed to the Issuer, the Initial Purchaser, and the Trustee in writing the existence, extent and nature of any such Hazardous Materials, substances, wastes or other environmentally regulated substances, which such Borrower is legally authorized and empowered to maintain on, in, or under the Premises or use in connection therewith, and such Borrower has obtained and will maintain all licenses, permits and approvals required with respect thereto, and is in full compliance with all of the terms, conditions and requirements of such licenses, permits and approvals. The Borrower further warrants and represents that it will notify promptly the Trustee in writing of any change in the nature or extent of any Hazardous Materials, substances or wastes maintained on, in, or under the Premises or used in connection therewith, and will transmit to the Trustee copies of any citations, orders, notices or other material governmental or other communication received with respect to any other Hazardous Materials, substances, wastes or other environmentally regulated substances affecting the Premises as more fully set forth in the Loan Agreement. The Trustee will have no duty to act on any notice provided under this paragraph.

Disposition of Property. Except as otherwise permitted by the Loan Agreement, pursuant to the Loan Agreement, the Borrower will agree that it will not sell, lease, donate, transfer or otherwise dispose (including, without limitation, any involuntary disposition) of Property (either real or personal property, including cash and investments) unless the Borrower determines that the Property will be sold, leased, donated, transferred or otherwise disposed of in one or more of the following transfers or other dispositions of Property: (a) with respect to any transfer of Property to any Person in the ordinary course of such Borrower's business and for fair market value as determined by an appraiser or other qualified professional; (b) dispositions of Property that has been replaced or determined to be obsolete, inadequate, or not useful in the ordinary course of business, without receiving cash or other property substantially equivalent in value; or (c) transfers of Property with a Book Value aggregating in any Fiscal Year to not more than 3% of the Book Value of the net property, plant and equipment of the Borrower, as reported in the prior Fiscal Year's audit.

Pursuant to the Loan Agreement, upon the request of the Borrower accompanied by an officer's certificate and an opinion of counsel to the effect that the conditions precedent for the disposition of such property set forth in the Loan Agreement and described under this subheading "Disposition of Property" have been satisfied, the rights, title, liens, security interests and assignments granted in the Loan Agreement will cease, determine and be void as to such property only, and the lien of the Loan Agreement and the corresponding lien under the Indenture shall be released without recourse, representation or warranty by the Trustee as to such property in due form at the expense of the Borrower.

Damage or Destruction. Pursuant to the Loan Agreement, the Borrower will agree to notify the Issuer and the Trustee in writing promptly in the case of the destruction of its Facilities or any material portion thereof as a result of fire or other casualty or any damage to such Facilities or material portion thereof as a result of fire or other casualty the Net Proceeds of which are estimated to exceed the Threshold Amount. If such Net Proceeds do not exceed the Threshold Amount, such Net Proceeds may be paid directly to the Borrower. Under the Loan Agreement, the Borrower will covenant that it will expend or contract to expend an amount not less than the amount of any such Net Proceeds within 24 months after receipt thereof to (i) repair, replace or restore the damaged or destroyed Facilities, (ii) acquire or construct additional capital assets for the Borrower, or (iii) repay the principal portion of any Indebtedness incurred by any Borrower to acquire or construct capital assets or refinance Indebtedness incurred for such purpose.

In accordance with the Loan Agreement, in the event such Net Proceeds exceed the Threshold Amount, the Borrower will agree to elect, within 12 months after the date on which the Net Proceeds are finally determined, by written notice to the Issuer and the Trustee to (i) repair and restore the Facilities, (ii) prepay the Bonds, or (iii) repair and restore the Facilities in part and prepay the Bonds in part, in each case as more fully described in the Loan Agreement.

Condemnation. Pursuant to the Loan Agreement, the Trustee will agree to cooperate fully with the Borrower in the handling and conduct of any prospective or pending condemnation proceedings with respect to their Facilities or any part thereof. The Borrower thereby irrevocably assigns to the Trustee, as its interests may appear, all right, title and interest of the Borrower in and to any Net Proceeds of any award, compensation or damages payable in connection with any such condemnation or taking or payment received in a sale transaction consummated under threat of condemnation (any such award, compensation, damages or payment being hereinafter referred to as an "award") that exceeds the Threshold Amount. Such Net Proceeds will be initially paid to the Trustee for disbursement or use as provided in the Loan Agreement and as hereinafter described. If such Net Proceeds do not exceed the Threshold Amount, such Net Proceeds may be paid to the Borrower. Pursuant to the Loan Agreement, the Borrower will covenant that it will expend or contract to expend an amount not less than the amount of any such Net Proceeds within 24 months of the receipt thereof to (i) restore, replace or repair the condemned Facilities, (ii) acquire or construct additional capital assets, or (iii) repay the principal portion of Indebtedness incurred by the Borrower to acquire or construct capital assets or to refinance Indebtedness incurred for such purpose.

Pursuant to the Loan Agreement, in the event such Net Proceeds exceed the Threshold Amount, the Borrower will, within 12 months after the date on which the Net Proceeds are finally determined, elect by written notice of such election to the Trustee to (i) repair and restore the Facilities, (ii) prepay the Bonds, or (iii) repair and restore the Facilities in part and prepay the Bonds in part, in each case as more fully described in the Loan Agreement.

Calculation of Debt Service. The various calculations of the amount of Indebtedness of the Borrower, the amortization schedule of such Indebtedness and the Debt Service payable with respect to such Indebtedness for future periods required under certain provisions of the Loan Agreement will be made in a manner consistent with the provisions of the Loan Agreement.

Pursuant to the Loan Agreement, in determining the amount of Debt Service payable on Indebtedness in the course of the various calculations required under certain provisions thereof, with respect to interest rate assumptions, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of Debt Service, interest on such Indebtedness for such period (the "Determination Period") will be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average annual rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) that was or would have been in effect for the 12-month period immediately preceding the date on which such calculation is made; provided, however, that if such average annual rate of interest cannot be calculated for such entire 12-month period but can be calculated for a shorter period, then the assumed interest rate for the Determination Period will be the average annual rate of interest that was or would have been in effect for such shorter period; and provided further, that if such average annual rate of interest cannot be calculated for any preceding period of time, then the assumed interest rate for the Determination Period will be the initial annual rate of interest which is actually applicable to such Indebtedness upon the incurrence thereof. No Indebtedness will be deemed to arise when variable rate Indebtedness is converted to Indebtedness which bears interest at a fixed rate, or when fixed rate Indebtedness is converted to Indebtedness which bears interest at a variable rate, or when the method of computing the variable rate on variable rate Indebtedness is changed if any such conversion is in accordance with the provisions applicable to such Indebtedness in effect immediately prior to such conversion.

In accordance with the Loan Agreement, no Debt Service will be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness, except to the extent that the terms of such Commitment Indebtedness are to be considered pursuant to the Loan Agreement in determining the amortization schedule and Debt Service payable with respect to the Indebtedness supported by the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such Debt Service will be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto, utilizing the various assumptions under this subheading. No Indebtedness will be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal.

Pursuant to the Loan Agreement, in making any determination of or with regard to Debt Service thereunder, the Trustee may rely on certificates, opinions and reports of Independent Consultants as it deems appropriate.

Insurance

Insurance Required. Pursuant to the Loan Agreement, beginning on the date of issuance of the Series 2017 Bonds and continuing thereafter throughout the term of the Loan Agreement, the Borrower will provide, maintain and keep in force or cause to be provided, maintained and kept in force, insurance coverage relating to the Facilities, paying as the same become due and payable all premiums with respect thereto, as more fully set forth in the Loan Agreement.

Failure to Carry Insurance. In accordance with the Loan Agreement, in the event the Borrower will at any time neglect or refuse to obtain or maintain insurance as required under the Loan Agreement, either the Trustee or the Issuer may at its option, but will be under no obligation to, obtain and maintain such insurance and the Borrower will be obligated to reimburse promptly the Issuer or the Trustee, as the case may be, for all amounts expended in connection therewith.

Prompt Loss Adjustments. Pursuant to the Loan Agreement, the Borrower will adjust losses under the insurance policy or policies required by the Loan Agreement as promptly as practicable and with due regard to the interests of the Trustee, the Issuer and the registered Owners of the Bonds.

The Borrower's Liability. In accordance with the Loan Agreement, no acceptance or approval of any insurance policy by the Issuer or the Trustee will relieve or release the Borrower from any liability, duty or obligation under the provisions of the Loan Agreement.

Fees and Expenses; Indemnification

Payment of Issuer's Fees and Costs. Pursuant to the Loan Agreement, the Borrower will covenant and agree to pay or to cause to be paid, in full and as incurred, (i) all costs of issuing each series of the Bonds, (ii) the fees and other reasonable costs, not otherwise paid under the Loan Agreement or the Indenture, incurred by the Issuer in connection with its issuance of each series of the Bonds and administration and enforcement of, and compliance with, the Loan Agreement and the Indenture, and (iii) amounts advanced by the Issuer under authority of the Loan Agreement or the Indenture and which the Borrower is obligated to repay.

Indemnification. In accordance with the Loan Agreement, the Borrower will agree, whether or not the transactions contemplated by the Loan Agreement or the Indenture will be consummated, to indemnify and hold harmless the Issuer and the Trustee and their respective affiliates subject to the provisions of the Loan Agreement.

Default and Remedies

Events of Default Defined. Pursuant to the Loan Agreement, the occurrence of any one or more of the following events will constitute an Event of Default thereunder:

(i) failure by the Borrower to pay when due any amount required to be paid as a "Loan Payment" under the applicable provisions of the Loan Agreement or any related Note;

(ii) failure by the Borrower to make any payment of the fees and expenses of the Trustee or the Issuer and such failure continues for a period of 30 days after written notice thereof will have been given to the Borrower by the Issuer or the Trustee;

(iii) failure by the Borrower to observe or perform any covenant, condition or agreement on its part to be observed or performed thereunder, other than as referred to in clause (i) or (ii) above, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, given to the Borrower by the Issuer or the Trustee, unless the Issuer and the Trustee will agree in writing to an

extension of such period prior to its expiration; *provided, however*, if the failure stated in the notice can be corrected but not within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such period if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(iv) the Borrower will file a petition in bankruptcy or be adjudicated as bankrupt or insolvent, or will make an assignment for the benefit of its creditors, or will consent to the appointment of a receiver of itself or of its property, or will institute proceedings for its reorganization or proceedings instituted by others for its reorganization will not be dismissed within 60 days after the Borrower received notice thereof;

(v) a receiver or liquidator of the Borrower or of any substantial portion of its property will be appointed and the order appointing such receiver or liquidator will not be vacated within 60 days after the entry thereof;

(vi) the Charter Contract is rescinded, not renewed, terminated, or the Borrower is otherwise unable to operate;

(vii) an Event of Default under the Indenture will have occurred;

(viii) failure by the Borrower to conduct a Capital Needs Assessment in accordance with the Loan Agreement; or

(ix) commencing with the Fiscal Year ending June 30, 2018, failure by the Borrower to maintain a Debt Service Coverage Ratio of at least 1.00 to 1 for any Fiscal Year.

In accordance with the Loan Agreement, the provisions described in clause (iii) hereinabove will be subject to the following limitations: if by reason of 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, political subdivisions or officials, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil 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 Borrower, the Borrower is unable in whole or in part to carry out the agreements on its part contained in the Loan Agreement, the Borrower will not be deemed in default during the continuance of such inability. Pursuant to the Loan Agreement, the Borrower will agree, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreements; *provided, however*, that the settlement of strikes, lockouts and other labor disturbances will be entirely within the discretion of the Borrower, and the Borrower will not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower.

Pursuant to the Loan Agreement, whenever any Event of Default will have happened and be continuing, the Trustee, as assignee and pledgee of the Issuer under the Indenture:

(i) will, by written notice to the Borrower, upon the declaration of acceleration of payment of all Bonds Outstanding as provided in the Indenture, immediately declare all payments under of the Loan Agreement relating to Bonds Outstanding to be immediately due and payable, whereupon the same will become immediately due and payable. The amount then due and payable by the Borrower as accelerated payments thereunder will be the amount required to provide for payment in full of all Bonds Outstanding; and

(ii) may take whatever action (other than as set forth in paragraph (i) above) at law or in equity, as may appear necessary or desirable to collect the amounts payable by the Borrower thereunder then due and thereafter to become due, or to enforce performance and observance of any obligation,

agreement or covenant of the Borrower under the Loan Agreement, whether for specific performance of any covenant or agreement contained therein or in aid of the execution of any power therein granted.

Any amounts collected pursuant to action taken under the Loan Agreement will be paid into the Debt Service Fund and applied in accordance with the provisions of the Indenture.

Certain Miscellaneous Provisions of Loan Agreement

Original Loan Agreement, First Supplemental Loan Agreement as One Document. The Original Loan Agreement and the First Supplemental Loan Agreement will be read, taken and construed as one and the same instrument.

Term of Loan Agreement. The Loan Agreement will terminate when payment in full of each series of the Bonds will have been made and any other payments required to be made thereunder will have been made.

Notices. Except as otherwise specifically provided in the Loan Agreement, all notices, approvals, consents, requests and other communications thereunder will be in writing and will be deemed to have been given when delivered or mailed by first class mail, postage prepaid, addressed as provided in the Indenture

Amendments, Changes and Modifications. Subsequent to the initial issuance of Bonds and prior to the payment in full of each series of Bonds, the Loan Agreement may not be amended, changed, modified, altered or terminated without the written consent of the Trustee as provided in the Indenture.

Law Governing Construction of Agreement. The Loan Agreement will be governed by, and construed in accordance with, the laws of the State of Georgia without regard to conflict of law principles.

Limitation on Issuer Liability. Any liability of any kind whatsoever incurred by the Issuer under or by reason of the Loan Agreement will be payable solely from the proceeds of each series of the Bonds, if appropriate, or from the revenues to be received by the Issuer under the provisions of the Loan Agreement, and not from any other source.

SUMMARY OF CERTAIN PROVISIONS OF DEED TO SECURE DEBT

The following is a brief summary of certain provisions of the Deed to Secure Debt, Assignment of Rents and Leases and Security Agreement, dated as of May 1, 2017, from the Borrower to the Issuer (the "Deed to Secure Debt"), which will be assigned by the Issuer to the Trustee upon the issuance of the Series 2017 Bonds. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Deed to Secure Debt, which will be on file with the Trustee following the issuance of the Series 2017 Bonds and the proposed form of which is on file with the Underwriter prior to the issuance of the Series 2017 Bonds.

Security Agreement

The Deed to Secure Debt is intended to operate and is to be construed as a deed passing the estate and title in and to the Premises from the Borrower (in such capacity, the "Grantor") to the Issuer (in such capacity, the "Grantee"), and is made under the applicable provisions of the laws of the State of Georgia relating to deeds to secure debt pursuant to the provisions of O.C.G.A. Section 44-14, as amended, and not as a mortgage. The Deed to Secure Debt is given to secure the payment and performance of (i) amounts due under the Loan Agreement and the Note, (ii) all present and future obligations of the Grantor in favor of the Grantee, including, without limitation, all Additional Bonds, all as more fully described in the Deed to Secure Debt, and (iii) all obligations of the Borrower under the Loan Agreement (collectively, the "Indebtedness").

Pursuant to the Deed to Secure Debt, the Borrower will grant a first priority security title in the real property and improvements comprising the Facilities, and any other facilities owned by, and all leasehold interests, all as they may at any time exist, subject to Permitted Encumbrances (the Property and the Facilities of the Borrower subject to the lien of the Deed to Secure Debt and all facilities subsequently subjected to the lien of the Deed to

Secure Debt are referred to herein collectively as the "Mortgaged Property"). In addition, pursuant to the Deed to Secure Debt, the Borrower will pledge and assign a security interest in the equipment and personalty owned by the Borrower, the leases and rents, if any, to be collected by the Borrower, and its Gross Revenues (defined hereinafter) to its payments due on the Series 2017 Note and the Loan Payments under the Loan Agreement.

Remedies

If an Event of Default (as defined in the Loan Agreement) occurs and is continuing, the Grantee will have the right and option to enforce the Deed to Secure Debt by exercising any or all of the following remedies, or any or all other remedies then provided by law or in equity:

(a) the Grantee may proceed to protect and enforce its rights under the Deed to Secure Debt by suit in equity, action at law, or other appropriate proceedings, or may proceed in any other manner available at law or in equity to enforce the payment of the Indebtedness and any other legal or equitable right of the Grantee;

(b) the Grantor, upon the demand of the Grantee, will surrender the actual possession of, and it will be lawful for the Grantee to enter and take possession of, and exclude the Grantor wholly from, all or any part of the Mortgaged Property, together with the books, papers, and accounts of the Grantor pertaining thereto, and manage the same and conduct the business thereof as more fully described in the Deed to Secure Debt;

(c) the Grantee shall have the right to sell the Mortgaged Property or any part of the Mortgaged Property in order to pay any Indebtedness secured under the Deed to Secure Debt as more fully described therein;

(d) the Grantee may exercise in respect of the Collateral, in addition to other rights and remedies provided for in the Deed to Secure Debt or otherwise available to it, all rights and remedies permitted under the Loan Agreement or otherwise permitted in law or in equity, to protect and dispose of the Collateral and to protect its rights to payment under the Loan Agreement and the Note, and all the rights and remedies of a secured party on default under the U.C.C. (whether or not the U.C.C. applies to the affected Collateral) and also may (i) require the Grantor to gather or assemble all or part of the Collateral not in the possession of the Grantee and (ii) sell the Collateral or any part thereof in one or more parcels at public or private sale, in each case as more fully described in the Deed to Secure Debt; and

(e) nothing in the Deed to Secure Debt will limit the Grantee from exercising any and all other remedies available to it at law or in equity.

Assignment of Leases and Rents

In order to secure its obligations under the Loan Agreement and Note, the Grantor will sell, transfer, and assign to the Grantee all leases of all or part of the Mortgaged Property, now existing or hereafter made, executed, or delivered, whether oral or written, together with any and all renewals, extensions, and modifications thereof and any guarantees of the lessees' obligations under any thereof and any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, service, maintenance, or warranty contracts, and other contracts, licenses, and permits now or hereafter affecting the Mortgaged Property or any part thereof and rights under trade names, patents, or copyrights that are subject to use in connection with the Mortgaged Property or the Grantor's business or other activities with regard thereto.

Cancellation and Surrender

The Deed to Secure Debt will be cancelled and surrendered following (i) payment and satisfaction of the Indebtedness in accordance with the terms thereof and (ii) performance by the Grantor of its obligations under the Deed to Secure Debt.

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APPENDIX F

DTC AND BOOK-ENTRY ONLY BONDS

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APPENDIX F

DTC AND BOOK-ENTRY ONLY BONDS

THE INFORMATION IN THIS APPENDIX F CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, AND THE ISSUER, THE BORROWER AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC"), New York, New York, will act as the initial securities depository (the "Bond Depository") for the Series 2017 Bonds. The Series 2017 Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system also is 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"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

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

Principal, premium, if any, and interest payments on the Series 2017 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on 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 Participants and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2017 BONDS, THE ISSUER AND THE TRUSTEE WILL TREAT CEDE & CO. AS THE ONLY REGISTERED BONDHOLDER OF THE SERIES 2017 BONDS FOR ALL PURPOSES UNDER THE RESOLUTIONS, INCLUDING RECEIPT OF ALL PRINCIPAL OF AND INTEREST ON THE SERIES 2017 BONDS, RECEIPT OF NOTICES AND VOTING.

NEITHER THE ISSUER NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATIONS TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2017 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTIONS TO BE GIVEN TO BONDHOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2017 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDHOLDER.

APPENDIX G

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX G

PROPOSED FORM OF BOND COUNSEL OPINION

SET FORTH BELOW IS THE PROPOSED FORM OF THE APPROVING OPINION OF BOND COUNSEL, WHICH IS SUBJECT TO CHANGE PRIOR TO THE DELIVERY OF THE SERIES 2017 BONDS

May __, 2017

Macon-Bibb County Urban Development Authority
Macon, Georgia

Re: Macon-Bibb County Urban Development Authority Revenue Bonds (Academy for Classical Education, Inc.) Series 2017A (the "**Series 2017A Bonds**") and Taxable Series 2017B (the "**Series 2017B Bonds**") and together with, where applicable, the Series 2017A Bonds, the "**Series 2017 Bonds**")

Ladies and Gentlemen:

We have acted as bond counsel to our client, the Macon-Bibb County Urban Development Authority (the "**Issuer**"), in connection with the issuance of the Series 2017 Bonds in caption. In such capacity, we have examined such law, certified proceedings, and other documents as we have deemed necessary to render this opinion, including the judgment of validation, as filed in the Superior Court of Bibb County, Georgia.

The Series 2017 Bonds are issued pursuant to and in accordance with the constitution and laws of the State of Georgia, including, but not limited to, 1974 Ga. Laws 3093, as amended (the "**Act**"), and the Revenue Bond Law codified at O.C.G.A. Section 36-82-60 *et seq.*, as amended, and a resolution duly adopted on November 10, 2016 by the governing body of the Issuer, as supplemented by a resolution of the governing body of the Issuer duly adopted on April 28, 2017 (together, as supplemented, the "**Bond Resolution**"). The Series 2017 Bonds are being issued under a Trust Indenture, dated as of May 1, 2017 (the "**Original Indenture**") between the Issuer and U.S. Bank National Association, as trustee (the "**Trustee**"), as supplemented by a First Supplemental Trust Indenture, dated as of May 1, 2017 (the "**Supplemental Indenture**" and together with the Original Indenture, the "**Indenture**"). The Issuer and the Academy for Classical Education, Inc., a Georgia nonprofit corporation (the "**Borrower**"), have entered into a Loan Agreement dated as of May 1, 2017 (the "**Original Loan Agreement**") as supplemented by a First Supplemental Loan Agreement, dated as of May 1, 2017 (the "**Supplemental Loan Agreement**" and together with the Original Loan Agreement, the "**Loan Agreement**"), pursuant to which the Borrower has agreed to pay to the Issuer such loan payments as will always be sufficient to pay the principal of, premium, if any, and interest on the Series 2017 Bonds as the same become due. The Series 2017 Bonds are payable solely from the Trust Estate (as such term is defined in the Indenture).

Reference is hereby made to an opinion of McGuire Woods LLP, Atlanta, Georgia, dated the date hereof, upon which we rely, relating, among other matters, to the status of the Borrower as an exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**").

As to questions of fact material to our opinion, we have relied upon (a) certified representations of the Issuer and the Borrower, (b) certified proceedings and other certifications of public officials furnished to us, and (c) certifications furnished to us by or on behalf of the Borrower (including certifications made in the Tax Regulatory Agreement and No-Arbitrage Certificate (the "**Tax Agreement**") between the Issuer and the Borrower, dated as of May 1, 2017, which are material to Paragraph 4 below), without undertaking to verify the same by independent investigation. In all such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents presented to us as originals, and the conformity to original documents of all copies submitted to us as certified, conformed, or photographic copies. As to certificates, we have assumed the same to be properly given and to be accurate. With respect to matters of fact relevant to this opinion, we have relied, without independent verification of the accuracy or completeness of the matters set forth therein, on the representations and warranties of the parties thereto set forth in the documents and instruments pursuant to which the Series 2017 Bonds are being issued and secured, as well as in certificates of officers of the Issuer and the Borrower delivered in connection with the issuance of the Series 2017 Bonds.

In our capacity as Bond Counsel, we have not been engaged or undertaken to express and we do not express any opinion (other than as may be expressly set forth herein) with respect to (a) the legal existence or the due authorization, execution, or delivery by or enforcement against the Borrower of any instrument or agreement in connection with the project financed or refinanced with the proceeds of the Series 2017 Bonds (the "**Project**"), (b) title to the Project or compliance with zoning, land use, and related laws, or (c) the status of any lien or matter of record or security interest purported to be created in connection with the foregoing.

Based upon the foregoing, and subject to the qualifications that follow, we are of the opinion, as of the date hereof and under existing statutes, regulations, rulings, and court decisions, that:

1. The Issuer is validly existing as a body corporate and politic duly created and existing under the laws of the State of Georgia with the power and authority to (a) adopt the Bond Resolution and perform the agreements on its part contained therein, (b) issue, sell, and deliver the Series 2017 Bonds and use the proceeds thereof upon the terms and conditions and for the purposes set forth in the Loan Agreement and in the Indenture, (c) enter into and perform its obligations under the Loan Agreement and the Indenture, and (d) create the assignment, pledge, and security interest under the Indenture in favor of the owners of the Series 2017 Bonds.

2. The Bond Resolution has been duly adopted by the Issuer, and the Loan Agreement and the Indenture have been duly authorized, executed, and delivered by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer in accordance with their respective terms. The Indenture creates a valid lien on the Trust Estate.

3. The Series 2017 Bonds (a) have been duly authorized, executed, and issued by the Issuer and delivered to the Trustee for authentication and (b) are valid and binding special limited obligations of the Issuer payable solely from the Trust Estate.

4. Interest on the Series 2017A Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Code, and interest on the Series 2017A Bonds is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2017 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2017A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2017A Bonds.

5. Each Series 2017B Bond is a "private activity bond" as defined in Section 141 of the Code, and is not a "qualified bond" as defined in such section and the interest on the Series 2017B Bonds is not excluded from the gross income of the holder thereof for federal income tax purposes under Section 103 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Series 2017B Bonds.

6. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Series 2017 Bonds is exempt from present Georgia income taxes.

Except as expressly stated above, we express no opinion as to any other federal or any other state income tax consequences of acquiring, carrying, owning, or disposing of the Series 2017 Bonds. Owners of the Series 2017 Bonds should consult their tax advisors as to the applicability of any collateral tax consequences of ownership of the Series 2017 Bonds, which may include purchase at a market discount or at a premium, taxation upon sale, redemption, or other disposition, and various withholding requirements.

It is to be understood that the rights of the owners of the Series 2017 Bonds and the enforceability of the Series 2017 Bonds, the Indenture, and the Loan Agreement may be limited by bankruptcy, insolvency,

reorganization, moratorium, and other similar laws affecting creditor rights generally and by equitable principles, whether considered at law or in equity.

This opinion letter is an expression of professional judgment regarding the matters expressly addressed herein. It is neither a guarantee of result nor an insurance policy with respect to the transaction or the future actions or performance of any party or entity. Our services have not included any financial or other non-legal advice. We express no opinion other than as herein expressly stated in this letter, and no expansion of our opinion may be made by implication or otherwise. The opinions herein are given as of the date hereof and are based upon statutes, regulations, rulings and court decisions in effect on the date hereof and not as of any future date. It should be noted that material changes regarding matters of fact and applicable law may hereafter occur. We expressly disclaim any undertaking or responsibility to review, revise, update or supplement this opinion letter subsequent to its date for any reason or to advise you of any change in the law, whether by reason of legislative or regulatory action, by judicial decision or otherwise, or of any change of facts or circumstances or of any facts or circumstances that may hereafter come to our attention or for any other reason.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion is given solely for the use and benefit of the addressees hereof, and only in connection with the issuance and delivery of the Series 2017 Bonds, and may not be used or relied upon by any other person or in connection with any other transaction, except with express consent of this firm.

Sincerely,

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APPENDIX H

FORMS OF INVESTMENT LETTERS

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APPENDIX H

FORMS OF INVESTMENT LETTERS

APPENDIX H-1

FORM OF INVESTMENT LETTER FOR ALL PURCHASERS EXCEPT THOSE PURCHASING THROUGH REGISTERED INVESTMENT ADVISORS

May 10, 2017

Macon-Bibb County
Urban Development Authority
Macon, Georgia

RE: Macon-Bibb County Urban Development Authority Revenue Bonds (Academy for Classical Education, Inc.) Series 2017A (the "**Series 2017A Bonds**") and Taxable Series 2017B (the "**Series 2017B Bonds**")

Ladies and Gentlemen:

The undersigned purchaser (the "**Purchaser**") has agreed to purchase the principal amount shown below of the Series 2017[A/B] Bonds (the "**Bonds**"), on the date such Bonds are issued by the Macon-Bibb County Urban Development Authority (the "**Issuer**"), and hereby executes and delivers this letter to be effective as of such date of initial issuance. The undersigned authorized signatory of the Purchaser hereby represents to you as follows on behalf of the Purchaser:

Section 1. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations and taxable obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

Section 2. The Purchaser is (a) a "Qualified Institutional Buyer" as defined in Rule 144A under the Securities Act of 1933, as amended (the "**1933 Securities Act**") or (b) an "Accredited Investor" as defined in Rule 501(a) of Regulation D under the 1933 Securities Act and is not a natural person, and the Purchaser is aware that any sale of the Bonds may only be made to a Qualified Institutional Buyer or an Accredited Investor who is either (i) not a natural person or (ii) represented by and purchasing through a registered investment advisor acting under the Investment Advisors Act of 1940, as amended.

Section 3. The Purchaser acknowledges that the Bonds will be special limited obligations of the Issuer payable solely from the Trust Estate (as defined in the Trust Indenture, dated as of May 1, 2017, as supplemented by the First Supplemental Trust Indenture, dated as of May 1, 2017, pursuant to which the Bonds will be issued).

Section 4. The Purchaser acknowledges that the conduct of the affairs of the Academy for Classical Education, Inc., the borrower of the proceeds of the Bonds and the underlying obligor with respect thereto (the "**Borrower**"), involves certain economic variables and risks that could adversely affect the security of the investment in the Bonds.

Section 5. The Purchaser is able to bear the economic risks of an investment in the Bonds.

Section 6. The Purchaser acknowledges that a Limited Offering Memorandum was prepared in connection with the initial issuance of the Bonds, which speaks only as of its date and will not be updated by the Issuer or the Borrower, and the Purchaser, in its sole discretion, has made its own inquiry and analysis with respect to the Issuer, the Borrower, the Bonds, and the security therefor, and other material factors affecting the security for and payment of the Bonds.

Section 7. The Purchaser acknowledges that it has either been supplied with or had access to information, including financial statements and other financial information, regarding the Issuer and the Borrower, and has had the opportunity to ask questions and receive answers from individuals believed by it to be knowledgeable concerning the Issuer, the Borrower, the Bonds, and the security therefor, so that it has been able to make its independent decision to purchase the Bonds.

Section 8. The Purchaser understands that the Bonds (i) are not rated by any credit rating service, (ii) are not registered under the 1933 Securities Act and are not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state and (iii) are not listed on any stock or other securities exchange.

Section 9. The Purchaser is acquiring the Bonds for its own account and not with a present view to any sale or distribution thereof (subject to any applicable requirements of law that the disposition of the property of the Purchaser be at all times within its control and subject to its ability to resell or otherwise transfer such Bonds in accordance with law); provided, however, the Purchaser reserves the right to sell or transfer the Bonds in the future in accordance with the transfer restrictions set forth in Sections 2 and 10 hereof and any applicable requirements of law.

Section 10. The Purchaser acknowledges that the Bonds may not be sold, transferred, assigned or otherwise disposed of except to (a) a "Qualified Institutional Buyer" as defined in Rule 144A under the 1933 Securities Act or (b) an Accredited Investor as defined in Rule 501(a) of Regulation D under the 1933 Securities Act, who is either (i) not a natural person or (ii) represented by and purchasing through a registered investment advisor acting under the Investment Advisors Act of 1940, as amended, and the Purchaser agrees to abide by such transfer restrictions.

Section 11. The Purchaser acknowledges that neither the Issuer, nor any person acting on behalf of the Issuer has made any representations concerning the Issuer, the Borrower, or BB&T Capital Markets, a division of BB&T Securities LLC, as underwriter, or the offer and sale of the Bonds, other than those as set forth in the Limited Offering Memorandum and the written documents executed and delivered in connection with the issuance of the Bonds.

The representations made in this letter are for your sole benefit and may not be relied upon by any other party. Nothing contained herein is intended to modify the duties of any party to the transaction under federal or state securities laws.

Name of Purchaser (Print)

By: _____
(Signature)

Name: _____
(Print)

Title: _____
(Print)

Principal Amount of Bonds Being Purchased:

\$ _____ Series 2017A

\$ _____ Taxable Series 2017B

APPENDIX H-2
FORM OF INVESTMENT LETTER FOR PURCHASERS REPRESENTED BY
AND PURCHASING THROUGH REGISTERED INVESTMENT ADVISORS

May 10, 2017

Macon-Bibb County Urban Development Authority
Macon, Georgia

RE: Macon-Bibb County Urban Development Authority Revenue Bonds (Academy for Classical Education, Inc.)
Series 2017A (the "**Series 2017A Bonds**") and Taxable Series 2017B (the "**Series 2017B Bonds**")

Ladies and Gentlemen:

The undersigned (the "**Bondholder Representative**") is a registered investment advisor under the Investment Advisors Act of 1940, as amended, in connection with the purchase of the principal amount shown below of the Series 2017[A/B] Bonds (the "**Bonds**"), on the date such Bonds are issued by the Macon-Bibb County Urban Development Authority (the "**Issuer**"), and hereby executes and delivers this letter to be effective as of such date of initial issuance. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Indenture.

The undersigned authorized signatory of the Bondholder Representative hereby represents to you as follows on behalf of the Bondholder Representative:

Section 1. The Bondholder Representative is the duly appointed representative of the purchasers of the principal amount shown below of the Bonds (each such purchaser, a "**Purchaser**"), which Bonds have been issued and delivered on the date hereof, and the Bondholder Representative is delivering this letter on behalf of such Purchasers.

Section 2. Each Purchaser has retained the Bondholder Representative to advise and represent each Purchaser regarding the purchase and sale of securities such as the Bonds, and the Bondholder Representative has the power and authority to act on behalf of each Purchaser as contemplated hereby. Each Purchaser has authorized the Bondholder Representative (a) to receive on behalf of each Purchaser the notices or other communications sent by the Trustee to Bondholders under or in connection with the Indenture and the other Bond Documents (as defined in the Indenture) or any other documents related to the Bonds and (b) to give the Trustee the consents, waivers or other directions on behalf of each Purchaser as may be required or useful under the Indenture and the other Bond Documents or any other documents related to the Bonds.

Section 3. The Bondholder Representative and each Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations and taxable obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

Section 4. Each Purchaser is (a) a "Qualified Institutional Buyer" as defined in Rule 144A under the Securities Act of 1933, as amended (the "**1933 Securities Act**"), or (b) an "Accredited Investor" as defined in Rule 501(a) of Regulation D under the 1933 Securities Act, and each Purchaser is aware that any sale of the Bonds may only be made to a Qualified Institutional Buyer or an Accredited Investor who is either (i) not a natural person or (ii) represented by and purchasing through a registered investment advisor acting under the Investment Advisors Act of 1940, as amended.

Section 5. The Bondholder Representative acknowledges and each Purchaser has been informed that the Bonds will be special limited obligations of the Issuer payable solely from the Trust Estate (as defined in the Trust Indenture, dated as of May 1, 2017, as supplemented by the First Supplemental Trust Indenture, dated as of May 1, 2017, pursuant to which the Bonds will be issued).

Section 6. The Bondholder Representative acknowledges and each Purchaser has been informed that the conduct of the affairs of the Academy for Classical Education, Inc., the borrower of the proceeds of the Bonds and the underlying obligor with respect thereto (the "**Borrower**"), involves certain economic variables and risks that could adversely affect the security of the investment in the Bonds.

Section 7. Each Purchaser is able to bear the economic risks of an investment in the Bonds.

Section 8. The Bondholder Representative acknowledges and each Purchaser has been informed that a Limited Offering Memorandum was prepared in connection with the initial issuance of the Bonds, which speaks only as of its date and will not be updated by the Issuer or the Borrower, and the Bondholder Representative, in its sole discretion, has made its own inquiry and analysis on behalf of each Purchaser with respect to the Issuer, the Borrower, the Bonds, and the security therefor, and other material factors affecting the security for and payment of the Bonds.

Section 9. The Bondholder Representative acknowledges that it has either been supplied with or had access to information, including financial statements and other financial information, regarding the Issuer and the Borrower, and has had the opportunity to ask questions and receive answers from individuals believed by it to be knowledgeable concerning the Issuer, the Borrower, the Bonds, and the security therefor, so that it has been able to make its independent decision to advise each Purchaser to purchase the Bonds.

Section 10. The Bondholder Representative acknowledges and each Purchaser has been informed that the Bonds (i) are not rated by any credit rating service, (ii) are not registered under the 1933 Securities Act and are not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state and (iii) are not listed on any stock or other securities exchange.

Section 11. Each Purchaser is acquiring the Bonds for its own account and not with a present view to any sale or distribution thereof (subject to any applicable requirements of law that the disposition of the property of the Purchaser be at all times within its control and subject to its ability to resell or otherwise transfer such Bonds in accordance with law); provided, however, each Purchaser reserves the right to sell or transfer the Bonds in the future in accordance with the transfer restrictions set forth in Sections 4 and 12 hereof and any applicable requirements of law.

Section 12. The Bondholder Representative acknowledges and each Purchaser has been informed that the Bonds may not be sold, transferred, assigned or otherwise disposed of except to (a) a "Qualified Institutional Buyer" as defined in Rule 144A under the 1933 Securities Act or (b) an Accredited Investor as defined in Rule 501(a) of Regulation D under the 1933 Securities Act, who is either (i) not a natural person or (ii) represented by and purchasing through a registered investment advisor acting under the Investment Advisors Act of 1940, as amended, and that each Purchaser has agreed to abide by such transfer restrictions.

Section 13. The Bondholder Representative acknowledges and each Purchaser has been informed that neither the Issuer, nor any person acting on behalf of the Issuer has made any representations concerning the Issuer, the Borrower, or BB&T Capital Markets, a division of BB&T Securities LLC, as underwriter, or the offer and sale of the Bonds, other than those as set forth in the Limited Offering Memorandum and the written documents executed and delivered in connection with the issuance of the Bonds.

The representations made in this letter are for your sole benefit and may not be relied upon by any other party. Nothing contained herein has been intended to modify the duties of any party to the transaction under federal or state securities laws.

Name of Bondholder Representative (Print)

By: _____
(Signature)

Name: _____
(Print)

Title: _____
(Print)

Principal Amount of Bonds Being Purchased:

\$ _____ Series 2017A

\$ _____ Taxable Series 2017B

APPENDIX I

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX I

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by and between ACADEMY FOR CLASSICAL EDUCATION, INC., a Georgia not-for-profit corporation (the "Borrower") and DIGITAL ASSURANCE CERTIFICATION, LLC, as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the Macon-Bibb County Urban Development Authority (the "Issuer") of its \$34,445,000 Revenue Bonds (Academy for Classical Education, Inc.), Series 2017A (the "Series 2017A Bonds") and its \$545,000 Revenue Bonds (Academy for Classical Education, Inc.), Taxable Series 2017B (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "Series 2017 Bonds"). The Series 2017 Bonds are being issued pursuant to a Trust Indenture, dated as of May 1, 2017, as supplemented by the First Supplemental Trust Indenture dated as of May 1, 2017 (as so supplemented, and as the same may be further supplemented and amended in accordance with its terms, the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Series 2017 Bonds are being loaned to the Borrower pursuant to a Loan Agreement, dated as of May 1, 2017, as supplemented by a First Supplemental Loan Agreement, dated as of May 1, 2017 (as so supplemented, and as may be further supplemented and amended in accordance with the Indenture, the "Loan Agreement"), between the Issuer and the Borrower. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Indenture and the Loan Agreement. The Dissemination Agent and the Borrower covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the Beneficial Owners of the Series 2017 Bonds and in order to assist BB&T Capital Markets, a division of BB&T Securities, LLC (the "Underwriter") in complying with the Rule (as defined below), as it may be applicable from time to time. The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any Person, including any Beneficial Owner of the Series 2017 Bonds, with respect to the Rule.

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

"Annual Financial Information" means annual financial information as such term is used in paragraph (i) of the Rule and specified in Section 4(b) of this Disclosure Agreement.

"Annual Report" shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Audited Financial Statements" means the audited consolidated financial statements and other financial information of the Borrower for the prior fiscal year, certified by an independent auditor as prepared in accordance with accounting principles generally accepted in the United States or otherwise, as such term is used in paragraph (i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

"Beneficial Owner" shall mean any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2017 Bonds (including any Person holding Series 2017 Bonds through nominees, depositories or other intermediaries).

"Borrower" means Academy for Classical Education, Inc., a Georgia nonprofit corporation.

"Disclosure Representative" shall mean the Chief Financial Officer of the Borrower or his or her designee, or such other person as the Borrower shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Digital Assurance Certification, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee and the Borrower a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org/>.

"Fiscal Year" means each fiscal year of the Borrower ending on or after June 30, beginning with the Fiscal Year ending June 30, 2017.

"Indenture" means the Trust Indenture, dated as of May 1, 2017, between the Issuer and the Trustee, as supplemented by the First Supplemental Trust Indenture dated as of May 1, 2017, and as the same may be further supplemented and amended in accordance with its terms.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Limited Offering Memorandum" shall mean the Limited Offering Memorandum, dated April 28, 2017, relating to the Series 2017 Bonds.

"Loan Agreement" means the Loan Agreement, dated as of May 1, 2017, between the Issuer and the Borrower, as supplemented by a First Supplemental Loan Agreement, dated as of May 1, 2017, and as may be further supplemented and amended in accordance with the Indenture.

"MSRB" means the United States Municipal Securities Rulemaking Board or any successor to its functions, or any successor to its functions as a nationally recognized municipal securities information repository.

"Quarterly Report" shall mean any Quarterly Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"School" means the charter school operated by the Borrower known as "Academy for Classical Education."

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of Georgia.

"Underwriter" shall mean BB&T Capital Markets, a division of BB&T Securities, LLC.

SECTION 3. Provision of Annual Reports, Quarterly Reports and Operations Reports.

(a) The Borrower shall or, upon delivery to the Dissemination Agent pursuant to paragraph (b) below, the Dissemination Agent shall, by not later than November 30 following the end of the Borrower's Fiscal Year (or by March 31 following the end of such Fiscal Year if the Borrower is required to deliver to the State a "single audit"), commencing with the report for the Fiscal Year ended June 30, 2017, provide to EMMA and the Underwriter, in a PDF or other electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Audited Financial Statements may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Borrower's Fiscal Year changes, the Borrower shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than five (5) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the Borrower shall provide the Annual Report to the Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement, and shall have no duty or obligation to review any notice or report. If by five (5) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Borrower of the requirements of subsection (a) and this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA and the Underwriter in substantially the form attached hereto as Exhibit A.

(d) The Borrower, or upon delivery to the Dissemination Agent pursuant to paragraph (c) below, the Dissemination Agent, shall provide to EMMA and the Underwriter by not later than May 15, August 15, November 15, and February 15 following the end of each fiscal quarter for the Borrower ended March 31, June 30, September 30, and December 31, respectively, commencing with the report for the fiscal quarter ending March 31, 2017, a Quarterly Report which is consistent with the requirements of Section 4 of this Disclosure Agreement.

(e) Not later than five (5) Business Days prior to the date specified in subsection (d) for providing the Quarterly Report to EMMA, the Borrower shall provide the Quarterly Report to the Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement, and shall have no duty or obligation to review any notice or report. If by five (5) Business Days prior to such date, the Dissemination Agent has not received a copy of the Quarterly Report, the Dissemination Agent shall notify the Borrower of the requirements of subsection (d) and this subsection (e).

(f) If the Dissemination Agent is unable to verify that a Quarterly Report has been provided to EMMA by the date required in subsection (d), the Dissemination Agent shall send a notice to EMMA and the Underwriter in substantially the form attached hereto as Exhibit A.

(g) Within 45 days of the end of each of the Borrower's Fiscal Years, the Borrower shall submit to the Trustee, the Underwriter, the Dissemination Agent and to EMMA (collectively, the "Required Information Recipients") a certificate executed by a Disclosure Representative stating that:

(1) A review of the activities of the Borrower during such Fiscal Year and of performance under the Loan Agreement has been made under his or her supervision; and

(2) He or she is familiar with the provisions of the Loan Agreement and the Tax Certificate, and to the best of his or her knowledge, based on such review and familiarity, the Borrower has fulfilled all of its obligations hereunder and thereunder throughout the Fiscal Year, and there have been no defaults under the Loan Agreement or the Tax Certificate or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specifying each such default known to him or her and the nature and status thereof and the actions taken or being taken to correct such default.

(h) The Annual Budget shall be provided to the Trustee, the Underwriter, and EMMA no later than 30 days after the start of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2018, and any amendment to the Annual Budget shall be provided to each Required Information Recipient within 30 days after its completion.

(i) On the last calendar day of each month through and including the month in which the construction of the Additional Improvements (as defined in the Limited Offering Memorandum) is completed, commencing with the report for May 2017, the Borrower shall provide to each Required Information Recipient a report (the "Monthly Construction Report") stating the percentage of construction completed to such date, the then-contemplated timeline for completion, and whether construction of the Additional Improvements remains on budget, including a description of any failure to remain so, and a description of any changes in anticipated timing or cost from the construction report for the prior month.

(j) The Borrower shall provide to each Required Information Recipient copies of any written report or recommendation of any Independent Consultant delivered pursuant to Sections 5.18 and 5.21 of the Loan Agreement (each, a "Consultant Report") within thirty (30) days of receipt or completion thereof.

(k) If the Borrower has provided the Annual Report, Quarterly Report, the Monthly Construction Report or the Consultant Report, as applicable, to the Dissemination Agent, the Dissemination Agent shall file such report with the Trustee (if the Dissemination Agent is not the Trustee) and certify to the Trustee that the Annual Report, Quarterly Report, the Monthly Construction Report or the Consultant Report, as applicable, has been provided to EMMA pursuant to this Disclosure Agreement and set forth the date it was provided.

SECTION 4. Content of Annual and Quarterly Reports.

(a) *Audited Financial Statements:* Each Annual Report shall contain Audited Financial Statements, as provided pursuant to Section 3(a). If Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the Borrower's audited financial statements, and the Audited Financial Statements shall be filed in the same manner as the Annual Report when they become available. The Audited Financial Statements shall be examined by an Accountant and shall include a combined and combining balance sheet as of the end of such Fiscal Year and a combined and combining statement of cash flows and changes in net assets (deficit) for such Fiscal Year, and a combined and combining statement of revenues and expenses for such Fiscal Year (together with any required supplemental information), showing in each case in comparative form the financial figures for the preceding Fiscal Year.

(b) *Additional Annual Report Information:* The Annual Report shall also contain (collectively, together with the Audited Financial Statements, the "Annual Financial Information") (i) actual enrollment, admissions, and waiting list data for the current year, of the sort and in the format (excluding projected information) initially provided with respect to enrollment, admissions, and waiting list in the charts under the heading "ACE ACADEMY – Enrollment, Admission, Recruitment and Waiting List" in the Limited Offering Memorandum's APPENDIX A – "THE BORROWER AND THE SCHOOL," (ii) school performance and assessment data as of the most recently reported date, of the sort and in a format comparable in all material respects to the format initially provided in the charts under the heading "ACE ACADEMY – Student Performance and Assessment" in the Limited Offering Memorandum's APPENDIX A – "THE BORROWER AND THE SCHOOL," (iii) a copy of the audit report certified by independent public accountants, (iv) a certificate showing calculation of the Debt Service Coverage Ratio for the previous Fiscal Year, prepared by the Borrower's auditor, which may be set forth in and as a part of the Borrower's Audited Financial Statements, and (v) a certificate showing calculation of the Days Cash on Hand as of the last day of the previous Fiscal Year, which may be set forth in and as a part of the Borrower's Audited Financial Statements.

(c) *Quarterly Financial Information:* Each Quarterly Report shall contain quarterly financial information with respect to the Borrower, including (i) (A) a combined and combining statement of operations and changes in net assets (deficit), (B) statement of cash flows of the Borrower during such period, (C) a combined and combining balance sheet of the Borrower as of the end of each such fiscal quarter, (D) student enrollment levels of the Borrower as of the end of such quarter, (E) a calculation of the Debt Service Coverage Ratio for such fiscal quarter, all prepared in reasonable detail and certified, subject to year-end adjustment, by the Borrower; (ii) a comparison of income to the budgeted income included in the Annual Budget provided pursuant to subsection 3(h) above, and (iii) a calculation of Days Cash on Hand as of the end of each fiscal quarter prepared in reasonable detail and certified, subject to year-end adjustment, by the Borrower.

(d) *Notice of Charter Non-Compliance:* Unless previously disseminated, the next Quarterly Report to be disseminated shall contain a copy or complete description of any notice, report or communication received by the Borrower with respect to charter non-compliance that would allow the Borrower's charter authorizer to begin any process or proceedings toward charter revocation or which indicate an intent not to renew any such charter.

(e) *Inclusion by Reference:* The items listed above may be included by specific reference to other documents, including materials which have been submitted to EMMA or the SEC. The Borrower shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Borrower shall give, or upon delivery of the information to the Dissemination Agent, the Dissemination Agent shall give, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds, under applicable federal securities laws:

- (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) (i) Adverse tax opinions, (ii) the issuance by the Internal Revenue Service of proposed or final determinations of taxability of the Series 2017A Bonds, (iii) Notices of Proposed Issue (IRS Form 5701-TEB), (iv) other material notices or determinations with respect to the tax status of the Series 2017A Bonds, or (v) other material events affecting the tax-exempt status of the Series 2017A Bonds;
- (7) Modifications to rights of bondholders, if material;
- (8) (i) Series 2017 Bond calls, if material, and (ii) tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2017 Bonds, if material;
- (11) Rating changes;
- (12) Failure to provide annual or quarterly financial information as required;
- (13) Bankruptcy, insolvency, receivership or similar event of the Borrower, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Borrower in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the 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 entity having supervision or jurisdiction over substantially all of the assets or business of the Borrower;
- (14) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Borrower agrees that its determination of whether any event listed in subsection (a) above is material shall be made in accordance with federal securities law.

(c) The Borrower shall promptly and in any event within 5 Business Days after the occurrence of the Listed Event notify the Dissemination Agent in writing of the occurrence of any of the Listed Events.

(d) If the Listed Event must be reported without regard to whether or not it is material under applicable federal securities laws, such notice from the Borrower shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g).

(e) If materiality is a condition precedent to the requirement that the Listed Event be reported, and the Borrower determines that knowledge of the occurrence of the Listed Event is material under applicable federal securities laws, such notice from the Borrower shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g).

(f) If materiality is a condition precedent to the requirement that the Listed Event be reported, and the Borrower determines that knowledge of the occurrence of the Listed Event is not material under applicable federal securities laws, such notice from the Borrower shall instruct the Dissemination Agent not to report the occurrence pursuant to subsection (g).

(g) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA and the Underwriter shall promptly and in any event within 5 Business Days after the occurrence of the Listed Event notify the Dissemination Agent in writing of the occurrence of any of the Listed Events.

SECTION 6. Termination of Reporting Obligation. The Borrower's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2017 Bonds. If such termination occurs prior to the final maturity of the Series 2017 Bonds, the Borrower shall give notice of such termination in the same manner as for a Listed Event under Section 5(g). If the Borrower's obligations under the Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Agreement relating thereto in the same manner as if it were the Borrower, and the original Borrower shall have no further responsibility hereunder with respect thereto.

The Dissemination Agent shall be fully discharged at the time any such termination is effective. Also, this Disclosure Agreement shall terminate automatically upon payment or legal defeasance of the Series 2017 Bonds. This Disclosure Agreement shall terminate when all of the Series 2017 Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at final maturity.

SECTION 7. Dissemination Agent. The Borrower may from time to time appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, LLC. The Dissemination Agent shall have no obligation to disclose information about the Series 2017 Bonds except as expressly provided herein. The Dissemination Agent may resign at any time by providing at least thirty (30) days prior written notice to the Borrower and the Trustee.

SECTION 8. Investor Calls. On or about each November 15 and February 15, commencing on or about November 15, 2017, the Borrower shall host a conference call regarding performance of the Borrower for the Fiscal Year ended the preceding June 30 and the fiscal quarter ended the preceding December 31, respectively (the "Call"). Notice of the Call shall be posted to EMMA at least 30 days prior to the date of the Call and the Call shall be open to any interested parties.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Borrower, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations in any material respect) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(d), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "obligated person" (as defined in the Rule) with respect to the Series 2017 Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Series 2017 Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2017 Bonds in the same manner as provided in the Indenture for amendments to such Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of Bond Counsel, materially impair the interests of the Beneficial Owners or Beneficial Owners of the Series 2017 Bonds under this Disclosure Agreement.

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

SECTION 10. Additional Voluntary Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the right of any Beneficial Owner to challenge the timely filing, failure to file or the adequacy of the information furnished pursuant to this Disclosure Agreement shall be limited to an action by or on behalf of Beneficial Owners representing at least 25% of the aggregate outstanding principal amount of the Series 2017 Bonds. This Disclosure Agreement is also enforceable on behalf of the Beneficial Owners of the Series 2017 Bonds by the Trustee, and the Trustee may, and upon the written direction of the Beneficial Owners of not less than 25% of the aggregate outstanding principal amount of the Series 2017 Bonds or the Underwriter shall, proceed to protect and enforce the rights of the Beneficial Owners of the Series 2017 Bonds pursuant to this Disclosure Agreement; provided that in all cases the Trustee shall be entitled to the indemnification and other provisions of the Indenture with regard to any actions, and prior to proceeding at the request or direction of the Underwriter the Trustee may require the same types of indemnification and related protections from the Underwriter to which the Trustee would otherwise be entitled under the Indenture if so requested or directed by the Beneficial Owners. Any failure by the Borrower to comply with the provisions of this Disclosure Agreement shall not be an Event of Default under the Loan Agreement or the Indenture. In no event shall any violation of this Disclosure Agreement, by itself, constitute a violation of any other laws, including other applicable securities laws.

The Beneficial Owners' and the Trustee's rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel the Borrower to perform under this Disclosure Agreement, and their directors, officers and employees shall incur no liability under this Disclosure Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this Section shall entitle the Trustee or any other person to attorneys' fees, financial damages of any sort or any other

relief other than an order or injunction compelling performance; provided that the Trustee shall nevertheless be entitled to attorneys' fees and such other rights and amounts as provided in the Indenture.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Borrower for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Borrower from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Borrower hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Beneficial Owners, Beneficial Owners or any other party. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2017 Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower:	Academy for Classical Education, Inc. 4001 Vineville Avenue Macon, Georgia 31210 Attention: Thomas D. "Witt" Gaither, Jr., Chairman of the Board
To the Trustee:	U.S. Bank National Association c/o George Hogan, Vice President Global Corporate Trust Services U.S. Bank National Association Two Midtown Plaza 1349 W. Peachtree Street, Suite 1050 Atlanta, Georgia 30309
To the Dissemination Agent:	Digital Assurance Certification, LLC 315 E. Robinson Street, Suite 300 Orlando, Florida 32801
To the Underwriter:	BB&T Capital Markets, a division of BB&T Securities, LLC 200 S. College Street, Suite 750 Charlotte, North Carolina 28202 Attention: Albert R. Newsome, Managing Director Telephone: (704) 954-1418 Facsimile: (704) 954-1084

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Trustee, the Dissemination Agent, the Underwriter, Beneficial Owners and Beneficial Owners from time to time of the Series 2017 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

SECTION 17. Delivery to the MSRB. Any filings required to be made with the MSRB shall be made using EMMA.

SECTION 18. Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated: as of May 1, 2017

ACADEMY FOR CLASSICAL EDUCATION, INC.

By: _____
Thomas D. "Witt" Gaither, Jr., Chairman of the Board

DIGITAL ASSURANCE CERTIFICATION, LLC,
as Dissemination Agent

By: _____
Authorized Signatory

[Continuing Disclosure Agreement]

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE [ANNUAL/QUARTERLY] REPORT

Name of Issuer: Macon-Bibb County Urban Development Authority

Name of Issue: \$34,445,000 Revenue Bonds (Academy for Classical Education, Inc. Projects), Series 2017A and \$545,000 Revenue Bonds (Academy for Classical Education, Inc.), Taxable Series 2017B

Name of Borrower: Academy for Classical Education, Inc.

Date of Issuance: May 10, 2017

NOTICE IS HEREBY GIVEN that the Borrower has not provided an [Annual/Quarterly] Report with respect to the above-named Series 2017 Bonds as required by the Continuing Disclosure Agreement, dated as of May 1, 2017, between the Borrower and the undersigned, with respect to the Series 2017 Bonds. The Borrower has notified the Dissemination Agent that it anticipates that the [Annual/Quarterly] Report will be filed by _____.

Dated: _____

DIGITAL ASSURANCE CERTIFICATION, LLC,
as Dissemination Agent

By: _____
Authorized Signatory

cc: Borrower

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