

In the opinion of Clark Hill, PLC, Bond Counsel, and the Attorney General of the State of Michigan, subject to compliance with certain covenants, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes, except as described under "Tax Matters" herein, and the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a subdivision thereof, except for estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "Tax Matters" herein.

\$3,040,000

**MICHIGAN FINANCE AUTHORITY
PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION REVENUE REFUNDING BONDS
(CONCORD ACADEMY - PETOSKEY PROJECT), SERIES 2012**

Dated: Date of Delivery

Due: As shown on inside cover

The Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy - Petoskey Project), Series 2012 (the "Bonds") will be issued by the Michigan Finance Authority (the "Authority") as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. See "THE BONDS – Book-Entry-Only System" herein.

The proceeds of the Bonds will be used to purchase the Refunding Bond, Series 2012, dated April 30, 2012 (the "Municipal Obligation") issued by Concord Academy - Petoskey (the "Academy"). Proceeds from the sale of the Bonds and the Municipal Obligation will be used to: (i) refinance certain of the Academy's Full Term Certificates of Participation, Series 2000, dated December 1, 2000 (the "Prior Obligation") and (ii) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation. Principal of, interest and premium, if any, on the Bonds and any Additional Bonds (as defined herein), are payable solely from funds pledged under a Trust Indenture, dated as of April 1, 2012 (the "Indenture") between the Authority and U.S. Bank National Association, St. Paul, Minnesota, as Trustee (the "Trustee"), including the Academy's payments (the "Academy Payments") due under both the Municipal Obligation and a Financing Agreement, dated as of April 1, 2012 (the "Financing Agreement") between the Authority and the Academy. The Bonds will be of equal standing and priority with any Additional Bonds issued pursuant to the terms of the Indenture.

The Bonds will be secured by an assignment made by the Academy in the Financing Agreement of 20% of the payments (the "State School Aid") to be received by it in each fiscal year from the State of Michigan (the "State"), provided that a greater percentage of State School Aid may be intercepted in a given month in the event that funds available to the Academy to make a payment due under the Financing Agreement are insufficient. Pursuant to the State Aid Agreement dated as of April 1, 2012 (the "State Aid Agreement"), by and among the Academy, the State Treasurer, the Trustee, the Authority, the Lake Superior State University Board of Trustees, as authorizing body and fiscal agent for the Academy (the "Authorizing Body"), the Academy has directed that 20% of the State School Aid to be received by the Academy in each fiscal year from the State be paid directly to the Trustee, except that up to 97% of any particular payment of State School Aid may be payable to the Trustee under certain circumstances. The Bonds will also be secured by a first mortgage lien, subject to permitted encumbrances, on the Property (as defined herein) pursuant to a Mortgage dated as of April 1, 2012 (the "Mortgage") in favor of the Trustee. See "SOURCES OF PAYMENTS AND SECURITY FOR THE BONDS" herein.

Interest on the Bonds will accrue from the date of delivery and will be payable semi-annually on each June 1 and December 1, commencing December 1, 2012. Principal of and interest on the Bonds will be paid by the corporate trust office of the Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to DTC. Disbursements of such payments to the Direct Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to optional and mandatory redemption as described in this Offering Memorandum. See "THE BONDS – Redemption of the Bonds Prior to Maturity" herein.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY PAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY PAYMENTS. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, THE AUTHORIZING BODY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE AUTHORITY, THE AUTHORIZING BODY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" AND "RISK FACTORS" HEREIN.

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

The Bonds are offered when, as and if issued by the Authority and received and accepted by the Purchaser and subject to the approval of legality by Clark Hill PLC, Birmingham, Michigan, Bond Counsel, and the Attorney General of the State of Michigan. Certain legal matters, including the enforceability of the Municipal Obligation, will be passed upon by Lewis & Munday, P.C., Detroit Michigan, as counsel to the Academy. Certain legal matters will be passed upon by Varnum LLP, Grand Rapids, Michigan, as counsel to Fifth Third Securities, Inc., as Placement Agent (the "Placement Agent"). It is expected that the Bonds in book-entry form will be available for delivery against payment therefor on or about April 30, 2012.



MATURITY SCHEDULE

Term Bonds

\$1,010,000 5.500% Term Bond Due December 1, 2020 – Yield 5.500% CUSIP 594479 BL0**
\$2,030,000 6.875% Term Bond Due December 1, 2030 – Yield 6.875% CUSIP 594479 BM8**

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. The CUSIP numbers are provided for convenience of reference only. Neither the Authority, the Academy, nor the Placement Agent takes any responsibility for the accuracy of such CUSIP numbers.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Academy, or the Placement Agent to give any information or to make any representation with respect to the Bonds other than those contained in this Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy and, there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The descriptions of the documents in the Offering Memorandum are summaries thereof and reference is made to the actual documents for a complete understanding of the contents of such documents.

The Trustee assumes no responsibilities for this Offering Memorandum and has not reviewed or undertaken to verify any information contained herein.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE AUTHORITY (WITH RESPECT TO THE INFORMATION UNDER THE CAPTION "THE AUTHORITY" ONLY), THE ACADEMY, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY AND COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE PLACEMENT AGENT. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

This Offering Memorandum contains forward-looking statements, which can be identified by the use of the future tense or other forward-looking terms such as "may," "intend," "will," "expect," "anticipate," "plan," "management believes," "estimate," "continue," "should," "strategy," or "position" or the negatives of those terms or other variations of them or by comparable terminology. In particular, any statements, express or implied, concerning future receipts of federal grants or the ability to generate cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the Academy's management believes that the assumptions on which those forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Offering Memorandum should not be regarded as a representation by the Academy that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. The Academy undertakes no duty to update any forward-looking statements.

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OFFERING MEMORANDUM

\$3,040,000

**MICHIGAN FINANCE AUTHORITY
PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION
REVENUE REFUNDING BONDS
(CONCORD ACADEMY - PETOSKEY PROJECT), SERIES 2012**

INTRODUCTION

This Offering Memorandum (including the cover page and Appendices) is provided to furnish information in connection with the issuance and sale by the Michigan Finance Authority (the "Authority") of its Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy – Petoskey Project), Series 2012 in the aggregate principal amount of \$3,040,000 (the "Bonds"). The Bonds will be limited obligations of the Authority as described under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

The Bonds will be issued pursuant to a bond authorizing resolution adopted by the Authority on April 19, 2012, and a Trust Indenture, dated as of April 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, St. Paul, Minnesota, as Trustee (the "Trustee"). The proceeds of the Bonds will be used to purchase the Refunding Bond, Series 2012, dated April 30, 2012 (the "Municipal Obligation"), issued by Concord Academy - Petoskey (the "Academy") pursuant to Act 451, Public Acts of Michigan, 1976, as amended. Proceeds from the sale of the Bonds and the Municipal Obligation will be used to: (i) refinance certain of the Academy's Full Term Certificates of Participation, Series 2000, dated December 1, 2000, currently outstanding in the aggregate principal amount of \$3,190,000 (the "Prior Obligation") and (ii) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation. Principal of, interest and premium, if any, on the Bonds are payable solely from funds pledged under the Indenture, including the payments (the "Academy Payments") due under both the Municipal Obligation and the Financing Agreement, dated as of April 1, 2012, between the Authority and the Academy (the "Financing Agreement"). See APPENDIX D – "FORMS OF THE INDENTURE AND FINANCING AGREEMENT" for the complete forms of the Indenture and the Financing Agreement. Capitalized terms not otherwise defined in this Offering Memorandum shall have the meaning ascribed such terms in the Indenture and the Financing Agreement.

The Bonds are payable, on a parity basis with any Additional Bonds (as defined herein), solely from the revenues pledged therefor under the Indenture, including the Academy Payments due under both the Municipal Obligation and the Financing Agreement.

In order to ensure that the Academy will meet its obligations under the Financing Agreement and the Municipal Obligation with respect to the Bonds (together with any Additional Bonds) described herein, the Academy has assigned to the Trustee 20% of the funds to be received by the Academy in each fiscal year from the State of Michigan (the "State School Aid"), provided that a greater percentage of State Aid may be intercepted in a given month in the event that funds available to the Academy to make a payment due under the Financing Agreement are insufficient, pursuant to the State School Aid Act of 1979, M.C.L. Section 388.1601, *et seq.*, as amended, ("State School Aid Act"). Pursuant to the State Aid Agreement dated as of April 30, 2012 (the "State Aid Agreement"), by and among the Academy, the Trustee, the Authority, the State Treasurer of the State of Michigan (the "State") and the Lake Superior State University Board of Trustees, as authorizing body and fiscal agent for the Academy (the "Authorizing Body"), 20% of the State School Aid to be received by the Academy in each fiscal year (the "Pledged State Aid") from the State shall be paid directly to the Trustee, subject to payment of up to 97%

in a given month (with commensurate reductions in other months necessary to comply with the 20% statutory limitation on the amount of State School Aid pledged) if the Academy has not made its Academy Payments with respect to the Bonds in full. The Pledged State Aid is to be used to pay the Academy's obligations under the Financing Agreement and the Municipal Obligation. The Academy will also grant the Trustee a first mortgage lien, subject to permitted encumbrances, on the Property pursuant to a Mortgage, dated as of April 1, 2012 (the "Mortgage") to secure repayment of amounts due with respect to the Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BOND – "State School Aid Pledge" and "Direct Transfer of State School Aid for Payment of the Financing Agreement" herein. The Bonds are of equal standing and priority with any Additional Bonds issued pursuant to the Indenture.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY PAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY PAYMENTS. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE, AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, THE AUTHORIZING BODY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE AUTHORIZING BODY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" AND "RISK FACTORS" HEREIN.

REFINANCING THE PRIOR OBLIGATION

A portion of the proceeds from the sale of the Municipal Obligation to the Authority will be used to refinance the Prior Obligation, originally incurred in the principal amount of \$3,690,000, the proceeds of which were used to acquire 24 acres of land, and a facility located thereon (the "Facility") and improvements thereto located at 2468 Atkins Road, Petoskey, Michigan used as the Academy's current school facility (collectively referred to as the "Property"). The Facility consists of 27,500 gross square feet of space. The original, core structure was constructed in 1999 and contains 15,630 gross square feet of space. The core structure is divided into a lobby, reception, main office with two private offices, multi-purpose room, maintenance room, teachers lounge with a private restroom, library, girl's restroom, boy's restroom, kindergarten room with a private restroom, and six class rooms. The east addition was constructed in 2002 and contains 6,470 gross square feet of space. This addition is divided into seven classrooms and a mechanical room. The west addition was also constructed in 2002 and contains 5,400 gross square feet of space. This addition is divided into three classrooms, a girl's restroom, a boy's restroom, a teacher's conference room, and a mechanical room. The Academy has indicated that the Facility is of sufficient size for current and anticipated future enrollment. The Academy is not obtaining a written appraisal for the Property. For further information on the Facility and the Property, see "REFINANCING THE PRIOR OBLIGATION" and APPENDIX A – "CONCORD ACADEMY – PETOSKEY – The Academy's Facility."

The Prior Obligation is currently outstanding in the aggregate principal amount of \$3,190,000. A portion of the proceeds of the Bonds will be used to finance the Academy's prepayment of the Prior Obligation (the "Academy Refunding"). Under the Academy Refunding, the portion of the Bonds used to finance the prepayment of the Prior Obligation, together with other available funds of the Academy, will

be used by the Authority to establish an Escrow Fund to provide for payment of the principal of and interest on the Prior Obligation on June 1, 2012 (the "Escrow Fund"). The Escrow Fund will consist of cash and/or non-callable direct obligations of, or obligations the principal of and interest on which are fully secured by the foregoing (the "Government Obligations"). The Escrow Fund will be held by U.S. Bank National Association, as escrow agent (the "Escrow Agent"), pursuant to an Escrow Agreement which irrevocably directs the Escrow Agent to make all payments of the principal of and interest on the Prior Obligation on June 1, 2012. The Escrow Fund will be established so that any cash and the principal and interest payments received on the Government Obligations, if any, will be sufficient, without reinvestment (except as provided in the Escrow Agreement), to pay the principal of and interest on the Prior Obligation on June 1, 2012, on which date the Prior Obligation will be called for optional redemption.

On or prior to the date of delivery of the Bonds, Robert Thomas CPA, LLC, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by Clear Scope Advisors, Inc., the Academy's financial advisor, on behalf of the Academy relating to the adequacy of the Government Obligations deposited with the Escrow Agent pursuant to the Escrow Agreement to pay, when due at the redemption date, the principal of, premium, if any, and interest on the Prior Obligation.

The issuance by the Academy of its Municipal Obligation, and execution of the Financing Agreement, the State Aid Agreement, the Mortgage, and other documents related to the issuance of the Bonds were approved by the Board of Directors of the Academy by resolution dated March 28, 2012.

THE AUTHORITY

Powers and Duties

The Michigan Finance Authority is an autonomous public body corporate and politic, separate and distinct from the State, created by Executive Order No. 2010-2 issued by the Governor on March 4, 2010 (the "Executive Order") and effective by its terms on May 30, 2010. Under the Executive Order, among other things, the Authority is the successor to the Michigan Public Educational Facilities Authority created under Executive Order 2002-3, M.C.L. 12.192. The Authority is authorized to issue its bonds or notes and to make money available to public school academies (including schools of excellence) by the purchase of, among other things, municipal obligations, or making loans to a nonprofit corporation for the benefit of a public school academy (including a school of excellence).

Under the Executive Order, the Authority is within the State Department of Treasury but exercises its powers, duties and functions independently of the State Treasurer (except for the State Treasurer's appointment of administrative staff and exercise of certain administrative functions related to staff, pursuant to the Governor's Executive Order 2002-12). The Authority's address is Richard H. Austin State Office Building, 430 West Allegan Street, Lansing, Michigan 48922, and its telephone number is (517) 335-0994.

Membership

The Authority is governed by a board of directors (the "Board"). The State Treasurer serves as the Chairperson of the Board. The Authority is authorized to employ an Executive Director, legal and technical experts and other officers, agents or employees, permanent or temporary.

The members of the Board are appointed by the Governor of the State with the advice and consent of the State Senate. The members serve for various terms and continue to serve until successors are appointed and file the oath of office.

The members of the Board are:

Andy Dillon, Chairperson	State Treasurer
Stephen N. Cassin	Executive Director, Macomb County Planning & Economic Development
MaryLee Davis, Ph.D.	Professor of Higher, Adult and Lifelong Education, Michigan State University
Charlotte P. Edwards	Vice President and Community Development Officer, Citizens Bank
Donald H. Gilmer	Retired Administrator, Kalamazoo County
JulieAnn Karkosak	Vice President and General Counsel, Toyota Boshoku America, Inc.
David S. Mittleman	Shareholder, Church Wyble, P.C.

The Indenture provides that the covenants, stipulations, promises, agreements and obligations of the Authority contained in the Indenture are those of the Authority and not of any member of the Board or any officer or employee of the Authority in his or her individual capacity and that no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Indenture against any member of the Board, any officer or employee of the Authority or any person executing the Bonds.

The Bonds are limited obligations of the Authority as described in this Offering Memorandum. The Authority is not generally liable on the Bonds or on any other obligation incurred by the Authority under the Indenture or the Financing Agreement. The Bonds are not general obligations and do not constitute debts or pledges against the general credit of the Authority or the credit or taxing power of the State. The Bonds are limited obligations of the Authority, which will, if and when issued, be payable solely through revenues, properties or other funds as described in this Offering Memorandum, the Indenture and the Financing Agreement. No owner of any Bond shall have the right to demand payment of the principal of, premium, if any, or interest on such Bond out of any funds to be raised by taxation. The Authority has no taxing power.

The Authority has not prepared any material for inclusion in this Offering Memorandum except the matters under the heading "THE AUTHORITY." The distribution of this Offering Memorandum has been duly approved and authorized by the Authority. Such approval and authorization do not, however, constitute a representation of approval by the Authority of the accuracy or sufficiency of any information contained herein except to the extent of the information contained in this Section.

The Executive Director of the Authority is Joseph L. Fielek, Director, Bureau of State and Authority Finance, Michigan Department of Treasury.

THE ACADEMY

The Academy is a school of excellence, body corporate, and a governmental agency organized pursuant to Parts 6E of the Revised School Code, Act No. 451 of the Public Acts of Michigan, 1976, as amended (the "Revised School Code"), Michigan Compiled Laws ("M.C.L.") Section 380.551 *et. seq.* and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. Section 450.2101 *et. seq.*, except that a school of excellence is not required to comply with M.C.L. sections 170 to 177 of 1931 PA 327, M.C.L. 450.170 to 450.177.

The Academy is governed by a volunteer Board of Directors and operates under a Contract to A School of Excellence, dated April 29, 2011 (the "Charter") from the Authorizing Body. The Academy was established as a public school academy in 1994 and was originally chartered for a five year term by Central Michigan University. In 2000, the Academy was issued a Charter by the Authorizing Body, which has been renewed twice, in July 1, 2005 and July 1, 2010. On April 29, 2011, the Academy was approved for conversion to a school of excellence, and the Charter to operate as a school of excellence was issued for a ten-year term, expiring June 30, 2021.

The Academy's conversion from a public school academy to a school of excellence was predicated upon a determination by the Michigan Department of Education that the Academy met the academically rigorous statutory requirements for conversion to a school of excellence. The Academy was the second public school academy in the State to be converted to a school of excellence.

The Academy opened in the fall of 1994 as one of the first public school academies in Michigan, enrolling 110 students. Originally intended to be a K-6 school, it opened as a K-8 school in response to public interest. The following year it added grades 9-12 to become a complete K-12 school. The Academy's enrollment climbed quickly from its original 110 students up to 250 students. The Academy's current enrollment is 272 students.

See APPENDIX A – "CONCORD ACADEMY - PETOSKEY" for additional information regarding the Academy and its academic performance.

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Bonds, together with other available funds, will be used to: (i) refinance the Prior Obligation and (ii) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation.

Sources of Funds:

Bond Proceeds	\$3,040,000.00
Prior Obligations Debt Service Reserve Fund	344,681.00
Prior Obligation Debt Service Funds	115,000.00
Authority Contribution to Reserve Fund	<u>292,250.00</u>
Total Sources of Funds	\$3,791,931.00

Uses of Funds:

Deposit to Refinance Prior Obligation	\$3,320,496.06
Deposit to Reserve Fund	292,250.00
Cost of Issuance ¹	<u>179,184.94</u>
Total Uses of Funds	\$3,791,931.00

¹Includes estimated costs for legal, accounting, trustee, placement agent fees, financial advisor fees, printing and other expenses relating to the issuance of the Bonds and the Municipal Obligation.

THE BONDS

General

The Bonds will be issued as fully registered bonds without coupons in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof ("Authorized Denominations"). The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Offering Memorandum, subject to redemption prior to maturity, and will bear interest until paid at the rates shown on the inside cover page of this Offering Memorandum, payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2012 (each an "Interest Payment Date").

Interest on the Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and premium, if any, with respect to the Bonds will be made upon surrender of the Bonds at the office of the Trustee. Payments of interest on the Bonds will be made by check or draft mailed on or before each Interest Payment Date to the registered owner thereof as of the Record Date at his or her address as it last appears on the registration books of the Trustee irrespective of any transfer or exchange of the Bonds subsequent to the Record Date and prior to such Interest Payment Date; provided, however, any registered holder of the Bonds in the aggregate principal amount of \$1,000,000 or more as of the close of business on the Record Date preceding any Interest Payment Date may, by prior written instructions filed with the Trustee on or before the second Business Day preceding such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to any bank located in the continental United States. The "Record Date" means the 15th day of the calendar month immediately preceding any Interest Payment Date, or as otherwise specified in the Indenture.

Redemption of the Bonds Prior to Maturity

Optional Redemption

The Bonds are subject to redemption at the option of the Authority, as directed in writing by the Academy, in whole or in part at any time on or after December 1, 2021 and if in part, in multiples of \$100,000 or any integral multiple of \$5,000 in excess thereof and in such order of maturity as the Academy shall direct, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption; provided that no Bond may be redeemed in part if the principal amount to be Outstanding (as such term is defined in the Indenture) following such partial redemption is not an Authorized Denomination.

Mandatory Redemption of Term Bonds

The Bonds maturing December 1, 2020 are subject to mandatory redemption on December 1, 2012 and on each December 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

Term Bond Maturing

December 1, 2020

Date	Principal Amount
12/01/2012	\$75,000
12/01/2013	100,000
12/01/2014	100,000
12/01/2015	105,000
12/01/2016	115,000
12/01/2017	115,000
12/01/2018	125,000
12/01/2019	135,000
12/01/2020**	140,000

** Maturity Date

The Bonds maturing December 1, 2030 are subject to mandatory redemption on December 1, 2021 and on each December 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date:

Term Bond Maturing

December 1, 2030

Date	Principal Amount
12/01/2021	\$145,000
12/01/2022	160,000
12/01/2023	170,000
12/01/2024	180,000
12/01/2025	190,000
12/01/2026	205,000
12/01/2027	220,000
12/01/2028	240,000
12/01/2029	250,000
12/01/2030**	270,000

**Maturity Date

Mandatory Redemption Upon Determination of Taxability

The Bonds are subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the date fixed for redemption.

Purchase in Lieu of Redemption.

The Bonds are subject to purchase in lieu of redemption by the Authority upon the direction of the Academy prior to their respective maturity dates at any time, in whole or in part, if the following conditions are satisfied:

(i) The Academy and the Bondholders negotiate and agree upon a purchase price that is communicated to the Trustee, provided that the purchase price so negotiated, together with the expense of such purchase, may not exceed the redemption price of the Bonds to be purchased;

(ii) Upon written agreement as described in (i) above, the Authority upon direction of the Academy shall direct the Trustee to purchase certain Bonds and will provide funds to the Trustee for deposit in the Bond Fund in the amount necessary to pay the purchase price of the selected portion of the Bonds in excess of that required to fully satisfy the next scheduled interest and principal payments due on the Bonds, and provided there is deposited into the State Aid Intercept Account such amount as the Trustee may require to cover the accrued and anticipated fees and expenses;

(iii) The Trustee confirms that the amount provided for by the Academy pursuant to (ii) above is sufficient to warrant such purchase at the purchase price agreed to by the Academy and the Bondholders pursuant to (i) above; and

(iv) To the extent permitted by law, the Academy shall indemnify and hold harmless the Trustee, in a form and with such security as may be satisfactory to the Trustee, from and against any and all liabilities, claims, or losses arising out of, by virtue of, or in connection with, the tender of Bonds, up to the amount of the value of the Bonds tendered, except in the case of negligence, willful misconduct, or bad faith on the part of the Trustee.

As Bonds are purchased pursuant to the Indenture, such purchase of Bonds will be considered to have satisfied, in whole or in part, the redemption requirements as set forth in the Indenture in inverse order. Once purchased, such Bonds shall be delivered to the Trustee and cancelled.

Mandatory Redemption From Insurance and Condemnation Proceeds

The Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be Outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the date fixed for redemption, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Indenture and the Financing Agreement.

Under the Financing Agreement, in the event (i) the Property is damaged or destroyed, or (ii) failure of title to all or part of the Property occurs or title to or temporary use of the Property is taken by condemnation or by the exercise of the power of eminent domain, the Academy is required to promptly

give written notice thereof to the Issuer and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy must elect in writing whether to restore all or part of the Property or to prepay its obligations under the Financing Agreement. The Academy may only restore all or part of the Property if it demonstrates to the Trustee that (i) it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and (ii) such restoration will not cause interest on the Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Property has been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Property may not be reasonably restored within a period of 12 consecutive months to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 months, or if the cost of restoring the Property is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Property, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Bonds.

Notices of Redemption

Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Registered Owner of each Bond to be redeemed in whole or in part at the address as shall last appear upon the registration books maintained by the Trustee; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond or a portion thereof with respect to which no such failure or defect has occurred. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice. All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed in any of the Authorized Denominations.

Partial Redemption

If less than all the Outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bond selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be Outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the owner thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such owner, Bonds in any of the Authorized Denominations.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 in typewritten form will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO BONDHOLDERS, HOLDERS OR OWNERS OF THE BONDS (OTHER THAN UNDER THE

CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit

has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the 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 Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

NEITHER THE AUTHORITY, THE ACADEMY, THE TRUSTEE, NOR THE PLACEMENT AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO: (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS

UNDER THE TERMS OF THE INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

Transfer of Bonds

So long as Cede & Co., as nominee for DTC, is the Registered Owner of the Bonds, beneficial ownership interests in the Bonds may only be transferred through a Direct or Indirect Participant and recorded on the book-entry-only system operated by DTC. In the event the book-entry-only system is discontinued, any Bond may be transferred by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of the Bond at the designated corporate trust office of the Trustee for cancellation, together with a duly executed instrument of transfer in a form approved by the Trustee. Whenever any Bonds are surrendered for transfer, the Trustee shall authenticate and deliver new Bonds in like aggregate principal amount in Authorized Denominations. The Trustee may require the Registered Owner requesting the transfer to pay any tax or other governmental charge required to be paid with respect to the transfer. Notwithstanding anything to the contrary in the Indenture, no Bond shall be transferred to the Academy and the Trustee shall not register any Bond in the name of the Academy.

THE BONDS MAY NOT BE TRANSFERRED TO OR HELD BY ANYONE OTHER THAN (AND THE TRUSTEE SHALL NOT REGISTER THE TRANSFER BONDS TO ANYONE OTHER THAN) AN "ACCREDITED INVESTOR" AS DEFINED IN SECURITIES AND EXCHANGE COMMISSION RULE 501(a) OR A "QUALIFIED INSTITUTIONAL BUYER" AS THAT TERM IS DEFINED UNDER RULE 144A OF THE SECURITIES AND EXCHANGE COMMISSION.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds are limited obligations of the Authority and are payable, on a parity basis with any Additional Bonds, by the Authority solely from the Academy Payments due under both the Financing Agreement and the Municipal Obligation and other funds pledged under the Indenture. The Academy has pledged a portion of its State School Aid payments to pay the Academy Payments, and with respect to this pledge, the Academy will enter into a State Aid Agreement, relating to the intercept and/or advance of its State School Aid payments. The Bonds will be further secured by the Mortgage granting the Trustee a first mortgage lien, subject to permitted encumbrances, on the Property.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY PAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY PAYMENTS. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, THE AUTHORIZING BODY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE AUTHORIZING BODY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OR THE UNITED STATES GOVERNMENT ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Indenture

The Bonds are to be issued pursuant to the Indenture. All Bonds (including Additional Bonds) issued thereunder shall be limited obligations of the Authority, payable solely from and secured solely from payments by the Academy under the Financing Agreement, the Municipal Obligation and the funds established under the Indenture. As security for its obligations under the Indenture, the Authority will assign to the Trustee the payments received or receivable by the Authority pursuant to the Financing Agreement (except for certain Unassigned Rights), the Municipal Obligation, all funds held by the Trustee under the Indenture and all income derived from the investment of such funds. See APPENDIX D – FORMS OF THE INDENTURE AND FINANCING AGREEMENT.

The Reserve Fund will be established pursuant to the Indenture and maintained in an amount equal to the aggregate Reserve Fund Requirement. Amounts on deposit in the Reserve Fund shall be available for payment of principal of and interest on the Bonds if Scheduled Bond Payments by the Academy, along with other available funds, are not sufficient therefor. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – The Reserve Fund" below.

Additional Bonds and Additional Indebtedness

The Indenture permits the issuance of additional bonds (the "Additional Bonds"), upon the request of the Academy, which shall be secured on a parity basis with the Bonds, provided that the Academy satisfies certain conditions with respect to Academy Bonds (as defined herein). The Academy may also incur Additional Indebtedness as described in the Financing Agreement. See "LIMITATION ON ADDITIONAL BONDS, ACADEMY BONDS AND ADDITIONAL INDEBTEDNESS" below for a description of the terms and conditions under which the Authority may issue Additional Bonds and the Academy may incur Academy Bonds and Additional Indebtedness.

The Financing Agreement and the Municipal Obligation

Under the Financing Agreement and the Municipal Obligation, the Authority agrees to issue, sell and deliver the Bonds pursuant to the Indenture and cause the proceeds of the sale of the Bonds to be deposited with the Trustee and applied as contemplated by the Indenture. The Academy will pay periodic installments in the amounts and on the dates set forth in the Municipal Obligation and the Financing Agreement to the Trustee as assignee of the Authority. The obligation of the Academy to pay the Bond Payments and Additional Payments (each as defined in the Financing Agreement) and all amounts required by the Municipal Obligation and the Financing Agreement are an absolute and unconditional general obligation of the Academy and are not subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. The Academy has no taxing power. It is the intent and expectation of the Academy and the Authority that the Bond Payments will be sufficient for the payment in full of the principal of and interest on the Bonds.

Operating Reserve Balance Covenant.

Pursuant to the terms of the Financing Agreement, the Academy covenants and agrees to maintain an unrestricted Cash on Hand in its operating fund equal to or greater than 45 Days Cash on Hand (the "Cash on Hand Requirement").

The Cash on Hand Requirement will be tested on June 30 of each year, commencing June 30, 2013. The Academy will provide the Trustee with a certification no later than the earlier of: (i) December 1; or (ii) three weeks after the completion of the Academy's audit for each Fiscal Year that the Cash on

Hand Requirement has been met. Amounts on deposit in such operating fund may be used to pay Operating Expenses or may be used for any other lawful purpose. The foregoing is subject to the qualification that if applicable State or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Academy to maintain the Cash on Hand Requirement, then the Academy shall, in conformity with the then prevailing laws, rules or regulations, maintain its Cash on Hand equal to the maximum permissible level. If the Cash on Hand for any testing date is less than the Cash on Hand Requirement, then, upon the written direction of a majority of the Bondholders, the Academy will promptly employ a management consultant to review and analyze the operations and administration of the Academy, inspect the Property, and submit to the Academy and the Trustee written reports, and make such recommendations as to the operation and administration of the Academy as such management consultant deems appropriate, including any recommendation as to a revision of the methods of operation thereof. The Academy agrees to consider any recommendations by the management Consultant and, to the fullest extent practicable and allowed by law and consistent with its covenants under the Financing Agreement, to adopt and carry out such recommendations.

So long as the Academy is otherwise in full compliance with its obligations under the Financing Agreement, including following, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, the recommendations of the management consultant, it shall not constitute an event of default under the Financing Agreement if the Cash on Hand for any testing date, is less than the Cash on Hand Requirement.

For purposes of this covenant, "*Days Cash on Hand*" means: (a) Cash on Hand of the Academy, as shown on the audited financial statements at the end of each Fiscal Year divided by; (b) the quotient of Operating Expenses, as shown on the audited financial statements for such Fiscal Year (as defined in the Financing Agreement), divided by 365; "*Cash on Hand*" means the sum of cash, cash equivalents, liquid investments and unrestricted marketable securities, not including the Reserve Fund (valued at the lower of cost or market) of the Academy less any net liability arising from a short-term borrowing in which the Academy has pledged its State School Aid; "*net liability*" means the amount of the outstanding principal and interest of the short term borrowing in excess of amounts previously set aside for repayment of such borrowing, including for such purpose the amount of the revenues pledged by the Academy for such short-term borrowing; and "*Operating Expenses*" means fees and expenses of the Academy incurred with respect to the operation of the Academy, including maintenance, repair expenses, utility expenses, real estate taxes, if any, insurance premiums, administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Academy, the cost of vehicles, equipment leases and service contracts, taxes, if any, upon the operations of the Academy not otherwise mentioned, 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 of governmental entities in Michigan, all in such amounts as reasonably determined by the Academy; provided, however, "Operating Expenses" shall not include (a) spending for items which could reasonably be accounted for as capital expenditures under generally accepted accounting principles of governmental entities in Michigan, (b) deposits into and expenditures from the Repair and Replacement Fund, or (c) replenishments of the Reserve Fund.

Days Cash On Hand And Debt Service Coverage Ratio Covenants.

The Academy further covenants and agrees to maintain forty-five (45) Days Cash on Hand and Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2013, that will be at least one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year. All determinations required pursuant to Section 718

of the Financing Agreement shall be made utilizing the Academy's audited financial statements for the appropriate Fiscal Year.

If the Academy is maintaining less than forty-five (45) Days Cash on Hand or the Net Income Available for Debt Service for any Fiscal Year ending on or after June 30, 2013, is less than one hundred ten percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year; then, upon the written direction of a majority of the Bondholders, the Academy will promptly employ a management consultant to review and analyze the operations and administration of the Academy, inspect the Property, submit to the Academy and the Trustee written reports, and make such recommendations as to the operation and administration of the Academy as such management consultant deems appropriate, including any recommendation as to a revision of the methods of operation thereof. The Academy agrees to consider any recommendations by the management consultant and, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, to adopt and carry out such recommendations. Such management consultant shall be acceptable to the Authority.

Notwithstanding the immediately preceding paragraph, if the Net Income Available for Debt Service as of the end of any Fiscal Year commencing with the Fiscal Year ending June 30, 2013 is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year (as evidenced by the Academy's audited financial statements for such Fiscal Year), then a majority of the Bondholders may either: (x) direct the Trustee to declare an event of default under the Financing Agreement; or (y) direct the Trustee to exercise one or more of the remedies permitted under the Financing Agreement and the Indenture. If the Net Income Available for Debt Service is at least one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year as of the end of the Fiscal Year following the Fiscal Year in which the management consultant's recommendations were implemented, then any subsequent failures to meet the requirements set forth above will give the Bondholders the option to again initiate the procedures set forth above.

For purposes of these covenants, "*Net Income Available for Debt Service*" means for any period of determination thereof, the aggregate Gross Revenues of the Academy for such period, plus any unrestricted fund balance, minus Operating Expenses for such period but excluding (i) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles of governmental entities in Michigan, (ii) cancellation of Indebtedness, (iii) proceeds of the Bonds and any other Indebtedness permitted by the Financing Agreement, and (iv) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of the Academy, the proceeds of any sale, transfer or other disposition of the Property, the Facility or any other of the Academy's assets by the Academy, and any condemnation or any other damage award received by or owing to the Academy; "*Gross Revenues*" means, regardless of the source, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of the Academy, to the extent permitted thereby and by law, including accounts receivables or other rights to receive such revenues, including, without limitation, State School Aid (whether received by the Academy, its Authorizer or the Trustee on behalf of the Academy), capitalized interest, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether own or hereafter owned, held or possessed by the Academy; and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof and by law; and "*Principal and Interest Requirement on Long-Term Indebtedness*" means, for any Fiscal Year, and subject to the provisions of the Financing Agreement, the amount required to pay the interest and principal for Long-Term Indebtedness in such Fiscal Year, excluding "funded interest" from the proceeds of Indebtedness and excluding interest earnings on the Reserve Fund at the then current interest rate per annum, to be determined on the assumption that all Bonds will be retired at their stated maturities except for those Bonds which are required by the Indenture to be redeemed prior to their stated maturities from sinking fund payments the Academy is required by the Financing Agreement to make for such a purpose, which Bonds will be assumed to be retired on their respective scheduled mandatory redemption dates.

State School Aid Pledge

Pursuant to the Financing Agreement and the Municipal Obligation, the Academy has pledged the State School Aid payments to be received by it in each fiscal year from the State (the "Pledged State School Aid") to pay the Bond Payments and any Additional Payments due under the Financing Agreement; provided that the Pledged State School Aid applied by the Trustee under the Indenture on behalf of the Academy to pay Bond Payments under the Financing Agreement and the Municipal Obligation in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy in such fiscal year.

The Academy agrees with the Authority under the Financing Agreement and the Municipal Obligation that if the State School Aid Act is modified to provide for a different schedule of periodic State School Aid payments than that now in effect, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and its Authorizing Body may designate different payment dates (and, to the extent necessary, different payment amounts) to provide for timely receipt of Bond Payments consistent with such revised State School Aid payment schedule.

Direct Transfer of State School Aid by State Treasurer for Payment of the Financing Agreement

Under the Financing Agreement and the Municipal Obligation, the Academy has agreed to pay the Bond Payments and Additional Payments from the State School Aid to be allocated to it and payable to its Authorizing Body. The Authority and the Academy in the Financing Agreement, and the Authority, the State Treasurer, the Trustee, the Academy and the Authorizing Body in the State Aid Agreement, agree that the State Treasurer is irrevocably directed to transmit 20% of the Academy's State School Aid payments directly to the Trustee, who shall set aside from such moneys the amount to pay the next Bond Payment, Additional Payment and Reserve Fund Payment of the Academy required under the Financing Agreement and the Municipal Obligation when due. In the event that any payment by the Academy required by the Financing Agreement and the Municipal Obligation is not paid when due, the State Aid Agreement and the Financing Agreement provide that 97% of any particular payment of the Academy's State School Aid shall be intercepted by the Trustee and applied to payments due under the Financing Agreement and the Municipal Obligation, provided that the amounts applied by the Trustee to pay Bond Payments and Additional Payments required under the Financing Agreement and the Municipal Obligation in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy for such fiscal year.

If for any reason the amount held by the Trustee on the due date of any Bond Payment and Additional Payment is insufficient to pay the Bond Payment or Additional Payment due under the Financing Agreement and the Municipal Obligation, then in that event the Academy pledges to use any and all other available funds to satisfy that Bond Payment, Additional Payment or Reserve Fund Payment obligation.

The intercepted and/or advanced State Aid Payment amount shall be applied on the following priority basis: (i) the amount required to pay the Bond Payment and Additional Payment, if any, when due shall be held by the Trustee for such purpose, (ii) any other amounts owing to the Authority under the Financing Agreement, (iii) an amount equal to the Scheduled Fee Payment Component shall be retained by the Trustee as provided under the Indenture, (iv) any amounts required to be credited to the Repair and Replacement Fund by the Trustee as provided in the Indenture, and (v) to the extent in excess of the amounts required under (i) through (iv) above, any amounts remaining to be immediately distributed to or at the direction of the Academy. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Bond Payments and Additional Payments.

State School Aid Source

The primary source of revenue received by the Academy is State School Aid which is a per pupil foundation allowance provided by the State for all public schools (including schools of excellence). The amount of State School Aid received by any individual public school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature.

See APPENDIX A – "CONCORD ACADEMY - PETOSKEY – State Aid Payments" for the Academy's State School Aid per pupil allowance for the 2005–06 through 2011-12 fiscal years.

Pursuant to the State School Aid Act, a school of excellence's annual entitlement to State School Aid for the 2011-12 fiscal year shall be paid in installments equal to one-eleventh of such entitlement on the 20th (or if the 20th falls on a Saturday, Sunday or legal holiday, on the immediately succeeding regular business day) in each of the months of October through August, subject to certain statutory adjustments.

Pupil Membership Counts

State School Aid is paid to a school of excellence on a per pupil basis. The State School Aid Act currently provides that pupil membership is based on a blended count of 90% of the current October count plus 10% of the prior February supplemental count, all as determined by the Michigan Department of Education.

Legislative Changes in the State School Aid Act

The State School Aid Act may be modified by the State Legislature, subject only to certain State Constitutional parameters. The amount, timing and methodology for calculation of State School Aid have changed significantly in recent years. State School Aid payments are subject to annual appropriation and future modification by the State Legislature, subject only to such Constitutional parameters. See "RISK FACTORS" herein, including "Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation," "Delay in, Reduction, or Termination of State School Aid," "Changes in Law" and "Legislative and Nonappropriation Risk."

Changes in State School Aid Distributions

Scheduled State School Aid amounts are subject to reduction, and have been reduced, in the event there are insufficient funds to support an enacted State School Aid fund budget. Under the State's Constitution and State law, the State is required to maintain a balanced budget for any fiscal year.

Due to insufficient funds to support the enacted State School Aid budget, in fiscal year 2002-03, the final six State School Aid payments to public schools were reduced on a pro rata basis in an amount equal to 3.8% of the public schools' unprotected State School Aid, ranging from \$0 to \$137 per pupil; and in fiscal year 2003-04, adjustments were made to the State School Aid budget, including a six-month delay in the previously scheduled reduction of the State income tax rate from 4.0% to 3.9%. Under the terms of the adjustments, State School Aid to public schools was reduced in fiscal year 2003-04 by approximately \$75 per pupil. In fiscal year 2008-09 the State School Aid appropriation was reduced by approximately \$372 per pupil. The \$372 per pupil reduction in 2008-09 was completely offset by federal stimulus money received by the State pursuant to the American Recovery and Reinvestment Act ("ARRA"). In 2009-10, the State experienced reduced revenue in the State School Aid Fund resulting in a reduction of \$443 per pupil. ARRA money was again used by the State to offset the reduction. Out of the

total reduction of State School Aid, \$278 per pupil of the reduction was offset by ARRA money in 2009-10, leaving a net reduction in 2009-10 of \$165 per pupil from what was received in 2008-09 (taking into consideration the ARRA money in both fiscal years). In July 2010, the Legislature restored \$11 per pupil in State School Aid for 2009-10, and on December 3, 2010, restored another \$6 per pupil, leaving a net reduction of \$148 per pupil for 2009-10. For 2010-11, State School Aid was reduced by \$170 per pupil from the amount received in fiscal year 2008-09. On December 3, 2010, the Governor signed HB 5887 (designated as Public Act 217 of 2010) which appropriated one-time federal Education Jobs Fund dollars to all public schools (including schools of excellence) in a range of \$111 to \$222 per pupil. The Academy received a restoration of \$222 per pupil for the 2010-11 fiscal year.

On June 21, 2011, the Governor signed into law Act No. 62 of Public Acts of Michigan, 2011, which amended the State School Aid Act and resulted in a reduction of the Academy's State School Aid per pupil foundation allowance for the 2011/2012 fiscal year to \$6,846, or a \$470 per pupil reduction from 2010-11 fiscal year by making permanent the \$170 per pupil reduction currently in effect for fiscal year 2010-11 and instituting an additional reduction of \$300 per pupil. The Act also included one-time grant funding for the 2011-12 fiscal year equal to \$100 per pupil for public schools (including schools of excellence) if they satisfy 4 out of 5 "financial best practices" relating to health and other benefit coverage, service consolidation plans, competitive bidding for certain vendor services and transparency in reporting certain educational and financial data to its students, parents and community members. The Academy has satisfied the best practice requirements and began receiving these payments in March 2012.

There is past precedent for: (i) the State Treasurer giving advance notice to the State Budget Director if estimated State School Aid fund revenues and other dedicated funding would be insufficient to support appropriated State School Aid amounts for a fiscal year; and (ii) the State Budget Director, pursuant to Section 11(3) of the State School Aid Act, notifying the State Senate Majority Leader and the Speaker of the State House of Representatives that beginning on a specified date, a specified prorated reduction in a fiscal year would be applied to all spending categories except those specifically protected by law, unless legislation were enacted to reduce that fiscal year's State School Aid appropriations so as not to exceed the revised State School Aid revenue projections.

Section 20 of Article 5 of the State Constitution requires that the Governor, with the approval of the appropriating committees of the State House of Representatives and the State Senate, reduce expenditures authorized by appropriations whenever it appears that actual revenues for a fiscal period will fall below the revenue estimates on which appropriations for that period were based. In recent years, State School Aid has been reduced as part of the process of balancing the State's budget. See "RISK FACTORS" herein, including "Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation," "Delay in, Reduction, or Termination of State School Aid," "Changes in Law" and "Legislative and Nonappropriation Risk."

The Reserve Fund

The Reserve Fund with respect to the Bonds (the "Reserve Fund") will be established pursuant to the Indenture to provide additional security for the Bonds. Under the Indenture and the Financing Agreement, the Academy is required to fund and maintain the Reserve Fund in an amount equal to the Reserve Fund Requirement. The "Reserve Fund Requirement" means an amount equal to the least of: (i) the maximum annual principal and interest requirements on the Bonds and any Additional Bonds for the then current or any succeeding Bond Year; (ii) 125% of the average annual principal and interest requirements on the Bonds and any Additional Bonds; or (iii) 10% of the original principal amount of the Bonds and any Additional Bonds (net of original issue discount). The Reserve Fund will be initially funded on the date of issuance of the Bonds by a contribution from the Authority of appropriated funds of the Authority in the amount of \$292,250.

If at any time there are not sufficient funds in the Bond Fund established under the Indenture for the payment of principal of, premium, if any, and interest on the Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Bonds.

From time to time as the Trustee determines is necessary, and in any event on the first Business Day of each May and November, while amounts are required to be on deposit in the Reserve Fund established under the Indenture, the Trustee shall determine the market value (including accrued but unpaid interest) of all Eligible Investments (as defined in the Indenture) on deposit in the Reserve Fund, together with any cash then held in the Reserve Fund and any amounts that are available to be drawn under any letter of credit, surety bond or insurance policy then on deposit in the Reserve Fund. If the Trustee determines that the aggregate value of such amounts on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee shall immediately notify the Academy of the amount necessary to restore the Reserve Fund to the Reserve Fund Requirement and the Academy shall pay such amount to the Trustee for deposit into the Reserve Fund in accordance with the Indenture on or before the next Payment Date following such notification. Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund established pursuant to the Indenture to replenish any deficiency in the Reserve Fund, after taking into consideration the priority of payments set forth in Section 4.01 of the Indenture, then the Trustee shall transfer funds from the State Aid Intercept Account into the Reserve Fund in accordance with the Indenture to replenish such deficiency.

The Mortgage and the Environmental Report

As additional security for the Bonds, the Academy will deliver, and the Trustee will receive, a first mortgage lien, subject to permitted encumbrances, on the Property to secure the payment of the Academy's Bond Payments due under the Financing Agreement. Under the Financing Agreement, the Academy is required to cause to be delivered to the Trustee a policy of mortgage insurance on the Property, insuring the first priority lien of the Mortgage, subject to only permitted encumbrances. The mortgage insurance policy shall provide for title insurance in amount equal to the full principal amount of the Bonds.

Under the State School Aid Act, property of a school of excellence that was acquired substantially with funds appropriated under such Act is required to be transferred to the State by the school of excellence in certain events, including revocation of its charter or if its charter has not been reissued by the authorizing body. In such event, the State School Aid Act authorizes the State Treasurer to sell such property and requires the State Treasurer to apply the net proceeds from such sale first to pay any debt of the school of excellence secured by such property, and second, to deposit any remaining amount into the State School Aid Fund.

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. The Academy has obtained a Phase I Environmental Report regarding the Project. See "RISK FACTORS – Environmental Issues Regarding the Property" herein for a description of the Phase I Environmental Report.

Certain Financial Information Concerning the State

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Office of the State Budget are available from the Office of the State Budget website at www.michigan.gov/budget. The State has agreed to file its CAFR with the Municipal Securities Rulemaking Board annually.

Limited Obligation

Neither the Authority, nor the State nor the Authorizing Body shall be obligated to pay the Bonds or the interest thereon or other costs incident thereto, except that the Authority shall be obligated to make such payments solely from the security for the Bonds described herein. Neither the faith and credit of the Authority, the State, nor the Authorizing Body, nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or the interest on, the Bonds. The Bonds are not general obligations of the Authority, but are limited obligations payable solely from certain amounts payable by the Academy under the Financing Agreement and Municipal Obligation and other moneys pledged therefore under the Indenture. The Authority has no taxing power.

SCHOOLS OF EXCELLENCE IN MICHIGAN

General

The Academy was originally organized as a public school academy under Part 6A of the Revised School Code. On April 29, 2011, the Academy entered into a new contract with the Authorizing Body confirming the Academy's status as a school of excellence organized and operated under Part 6E of the Revised School Code. As a school of excellence, the Academy is a public school under section 2 of Article VIII of the State Constitution and is subject to the leadership and general supervision of the State Board of Education under section 3 of Article VIII of the State Constitution. A school of excellence is a body corporate and is a governmental agency. As a school of excellence, the Academy continues to be funded through the State School Aid Act and receives funding through a per-pupil foundation allowance.

The Academy was the second school authorized for conversion to school of excellence status. There are currently 12 schools of excellence operating in Michigan. See "RISK FACTORS - Termination, Revocation or Non-Renewal of Charter," and "Changes in Law" herein.

Recent legislation which became effective March 28, 2012 makes significant changes to the laws governing schools of excellence. The new legislation: (i) gradually eliminates the cap on the number of schools of excellence; (ii) eliminates a provision applicable to schools of excellence authorized by boards of public school districts that operate grades K to 12 requiring that employees of the schools of excellence employed in similar classifications as those in the K to 12 school district be covered by the respective collective bargaining agreement(s) applicable in the K to 12 school district; (iii) allows schools of excellence to operate the same grade configurations at multiple sites; (iv) requires more transparency for schools of excellence; (v) exempts schools of excellence from certain property taxes; and (vi) codifies certain processes by which authorizing bodies must evaluate schools of excellence and amends procedures for reconstituting schools of excellence which fail to meet one or more requirements of the authorizing body. For more information on these new laws, see APPENDIX C – "SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO SCHOOLS OF EXCELLENCE UNDER PART 6E OF THE REVISED SCHOOL CODE."

Michigan School Finance Reform

Schools of excellence, which have no taxing authority, receive the majority of their funding from State School Aid, which is derived from a mix of funding sources, including, but not limited to, a statewide property tax of 6 mills on all property (homestead and non-homestead), a state sales and use tax, a real estate transfer tax and a cigarette tax.

On March 15, 1994, the electors of the State approved a ballot proposition ("Proposal A") to amend the State Constitution, in part, to increase the state sales tax from 4% to 6% as part of a complex

plan to restructure the source of funding of public education (K-12) in Michigan in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among all public schools (including schools of excellence). The State School Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in the fiscal year 1994/1995. By law, a school of excellence's State School Aid payment must not exceed the per-pupil base foundation received by the local school district in which the school of excellence is located. For public school academies, prior to fiscal year 2007-08, the foundation allowance was capped at the lesser of (i) the foundation allowance of the local school district in which the public school academy is located, or (ii) \$300 above the State's basic foundation allowance as annually determined by the Legislature. For fiscal year 2007-08 and thereafter, the foundation allowance for a public school academy and a school of excellence is the lesser of (i) the foundation allowance of the local district in which the school of excellence is located or (ii) the maximum school of excellence allocation (which is currently \$7,580 and will annually be adjusted under the foundation allowance formula). The Academy's per-pupil allowances are shown in APPENDIX A – "Table 8" herein.

State School Aid appropriations and the payment schedule for State School Aid can be changed by the State Legislature at any time. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – State School Aid Source" and "RISK FACTORS" herein.

LIMITATION ON ADDITIONAL BONDS, ACADEMY BONDS AND ADDITIONAL INDEBTEDNESS

Additional Bonds

The Authority reserves the right to issue Additional Bonds under the Indenture, upon the request of the Academy, with such approvals as required by the Enabling Legislation, without limit in one or more series for the acquisition, construction and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Financing Agreement. Additional Bonds shall be of the same priority as the Bonds and all bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy.

No Additional Bonds shall be issued unless the following terms and conditions have been met:

(a) The Financing Agreement, the State Aid Agreement and the Mortgage shall be in effect and no "event of default," as such term is defined in the Financing Agreement and the Mortgage, shall exist thereunder; and

(b) The Trustee shall have been furnished an opinion of an attorney or firm of attorneys nationally recognized as bond counsel to the effect that the issuance of such Additional Bonds shall not cause interest on the Bonds and any other Outstanding Bonds issued on a federally tax-exempt basis to be includable in gross income of the recipient for federal income tax purposes under the Code; and

(c) There shall have been furnished to the Trustee a supplement to the Financing Agreement providing for additional Academy Payments or a new agreement providing for additional payments sufficient to pay the principal of and interest on the Additional Bonds when due and supplements or amendments to the Mortgage and State Aid Agreement, if required, providing for the security of the Additional Bonds on parity with the Outstanding Bonds; and

(d) There shall have been furnished to the Trustee a certificate of an Authorized Officer of the Academy to the effect that the proceeds of the Additional Bonds, together with any additional funds supplied or to be supplied from any source, will be sufficient to complete the cost of the project for which such Additional Bonds are issued; and

(e) There shall be given to the Trustee evidence of compliance with the requirements of the Financing Agreement relating to the issuance of Additional Bonds, and such other certificates, affidavits, documents or opinions as the Trustee may reasonably request; and

(f) Upon issuance of such Additional Bonds, there shall be deposited in the Reserve Fund an amount necessary to cause the amount therein to equal the Reserve Fund Requirement and the maximum additional amount permitted under the Code to be deposited therein with respect to such Additional Bonds; and

(g) The proceeds of the Additional Bonds are to be used to finance the improvement of the Project or the acquisition or installation of equipment therein or the acquisition, construction and/or renovation of, an additional school facility of the Academy and/or the acquisition or installation of equipment thereon, and the Academy obtains: (i) a written report from an independent consultant satisfactory to the Trustee who is not within the regular employ of the Academy and has a reputation for skill and experience in such work, which report sets forth and states that the estimated Academy Repayments which will be available for deposit in the State Aid Intercept Account for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Additional Bonds are to be placed in service, will not be less than one hundred twenty-five percent (125%) of the maximum Principal and Interest (less investment proceeds reasonably expected to be available for payment of debt service) to become due on Bonds and the proposed Additional Bonds, as the case may be, in any fiscal year after which such improvements, additions, equipment or new facilities are expected to be placed in service and (ii) evidence satisfactory to Bond Counsel and the Trustee that the Academy has met the Cash on Hand Requirement under Section 717 of the Financing Agreement at the time of issuance of such Additional Bonds; and

(h) The report of independent consultant obtained pursuant to clause (g) above also provides a statement of projected revenues and expenditures of the Academy for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Additional Bonds are to be placed in service, showing that projected revenues will exceed projected expenditures in each such fiscal year.

See APPENDIX D — "FORMS OF THE INDENTURE AND THE FINANCING AGREEMENT."

Academy Bonds and Additional Indebtedness of the Academy

The Academy covenants and agrees that for so long as any Bond remains Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation on a parity with or superior to the Bonds and secured by the Security, except Academy Bonds as provided in Section 707 of the Financing Agreement.

No Academy Bonds shall be issued unless the following terms and conditions have been met:

(a) No "event of default," as such term is defined in the Financing Agreement and the Mortgage, shall exist thereunder; and

(b) The Academy shall have been furnished an opinion of an attorney or firm of attorneys nationally recognized as bond counsel to the effect that the issuance of such Academy Bonds shall not cause interest on the Bonds or any Additional Bonds issued on a federally tax-exempt basis to be includable in gross income of the recipient for federal income tax purposes under the Code; and

(c) There shall have been furnished to the Academy an agreement providing for additional payments sufficient to pay the principal of and interest on such Academy Bonds when due and a mortgage and/or State School Aid Agreement, if required, providing for the Pledged State Aid as security of such Academy Bonds; and

(d) There shall have been furnished a certificate of an Authorized Officer of the Academy to the effect that the proceeds of such Academy Bonds, together with any additional funds supplied or to be supplied from any source, will be sufficient to complete the cost of the project for which such Academy Bonds are issued; and

(e) The Academy shall provide written evidence of compliance with the requirements of the Financing Agreement relating to the issuance of such Academy Bonds, and such other certificates, affidavits, documents or opinions as may be reasonably required; and

(f) Upon issuance of such Academy Bonds, if required, there shall be deposited in a reserve fund an amount not to exceed the maximum amount permitted under the Code to be deposited therein with respect to such Academy Bonds; and

(g) The proceeds of such Academy Bonds are to be used to finance the improvements to the Project or the acquisition or installation of equipment and furnishings therein or the acquisition, construction and/or renovation of, an additional school facility of the Academy and/or the acquisition or installation of equipment and furnishings therein, and the Academy obtains a written report from an independent consultant who is not within the regular employ of the Academy and has a reputation for skill and experience in such work, which report sets forth and states that the estimated repayments which will be available for debt service on the Bonds, any Additional Bonds and the proposed Academy Bonds for each of the three Fiscal Years following the Fiscal Year in which it is estimated the improvements, additions, equipment, furnishings or new facilities financed by such Academy Bonds are to be placed in service, will not be less than one hundred twenty five percent (125%) of the maximum principal and interest (less investment proceeds reasonably expected to be available for payment of debt service) to become due on the Bonds, any Additional Bonds and the proposed Academy Bonds, as the case may be, in any Fiscal Year after which such improvements, additions, equipment, furnishing or new facilities are expected to be placed in service; and

(h) The report of independent consultant obtained pursuant to clause (g) above also provides a statement of projected Gross Revenues and projected Operating Expenditures of the Academy for each of the three Fiscal Years following the Fiscal Year in which it is estimated the improvements, additions, equipment, furnishing or new facilities financed by such Academy Bonds are to be placed in service, showing that projected Gross Revenues will exceed projected Operating Expenditures in each such Fiscal Year.

See APPENDIX D — "FORMS OF THE INDENTURE AND THE FINANCING AGREEMENT."

The Academy further covenants and agrees that for so long as any Bonds remains Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation payable wholly or in part from: (1) moneys, funds, accounts, investments or (2) any other assets of the Academy not comprising State School Aid without the prior written consent of the Trustee, except:

- (a) obligations incurred in the ordinary course of business;
- (b) State School Aid notes (including State School Aid note lines of credit) issued pursuant to Act 451, Public Acts of Michigan, 1976, as amended;
- (c) purchase money obligations secured by the property being financed; and
- (d) obligations incurred pursuant to and in compliance with federal and other charitable grants.

RISK FACTORS

This Offering Memorandum contains summaries of pertinent portions of the Bonds, the Indenture and the Financing Agreement. Such summaries and references are qualified in their entirety by reference to the full text of such documents. See APPENDIX D – "FORMS OF THE INDENTURE AND THE FINANCING AGREEMENT." The following discussion of some of the risk factors associated with the Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Fifth Third Securities, Inc. (the "Placement Agent") disclaims any responsibility to advise prospective investors of such risks as they exist as of the date of this Offering Memorandum or as they change from time-to-time. Prospective investors should consult their own legal and tax advisors as to the risks entailed by an investment in the Bonds and the suitability of investing in the Bonds in light of their particular circumstances. Prospective investors should be able to bear the risks relating to an investment in the Bonds and should carefully consider, among other factors, the matters described below.

Speculative Investment

Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. The Bonds are unrated and the Academy does not have an investment grade rating. Any investor who, because of financial condition, is unable to bear the loss of an investment in the Bonds, or who, because of investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inherent with an investment in the Bonds, should not purchase the Bonds.

The Bonds may experience price fluctuations due to changes in interest rate and bond yield levels. As a result, the value of the Bonds may fluctuate significantly in the short-term. Further, such securities generally have a less liquid resale market. As a result, potential investors may have difficulty selling or disposing of the Bonds quickly in certain markets or market conditions.

Sufficiency of Revenues

The Bonds are secured by and payable solely from revenues of the Academy pledged under the terms and conditions of the Indenture and the Financing Agreement and as otherwise described therein. Based on present circumstances, i.e., its Charter and operating history, the Academy believes it will generate sufficient revenues to meet its obligations under the Financing Agreement and the Municipal Obligation. However, the Charter may be terminated or not renewed, or the basis of the assumptions utilized by the Academy to formulate this belief may otherwise change and no representation or assurance can be made that the Academy will continue to generate sufficient revenues to meet its obligations.

If actual student enrollment is lower than forecasted, there will be commensurate reductions in State School Aid payable to the Academy, which will have an adverse effect on the financial condition of the Academy, including its ability to pay debt service on the Bonds. See APPENDIX A – CONCORD ACADEMY - PETOSKEY – "Historical and Projected Revenues and Expenses" and "Summary of Significant Assumptions."

Schools of Excellence Generally

The operations of the Academy relate primarily to the ownership and operation of a school of excellence located in Petoskey, Michigan. Such operations are dependent on sufficient demand for such facilities, adequate revenues from enrollment at the Facility and control of expenses. The operation of a school of excellence is highly regulated through the Charter, the Authorizing Body and the Michigan Department of Education. A school of excellence may not charge tuition to a student attending the academy. The failure of the Academy to meet the requirements of the regulations, or the termination, revocation or non-renewal of the Charter by the Authorizing Body, or its designee, or the inability to secure a charter from another authorizing body would have a material adverse effect on the ability of the Academy to make Academy Payments. See "RISK FACTORS – Termination, Revocation or Nonrenewal of Charter" herein.

No Taxing Authority

The Academy is a Michigan school of excellence and has no taxing power. The Academy does not possess the ability to assess ad valorem taxes now or in the future. As such, the Academy is completely dependent upon State School Aid revenues to make the Academy Payments. Any event that would delay, reduce or eliminate State School Aid monies from the State would have a material adverse effect on the ability of the Academy to make Academy Payments coming due thereafter. See "RISK FACTORS" herein including "Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation," "Delay in, Reduction, or Termination of State School Aid" and "Termination, Revocation or Nonrenewal of Charter" herein.

Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation

The Academy may not charge tuition and has no taxing authority. The primary source of revenue received by the Academy is State School Aid. The amount of State School Aid received by any individual public school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the State Legislature. The State Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, to enable the Academy to pay debt service on the Bonds and to meet its general operating expenses. Similarly, the State allocation per student could be reduced or not keep pace with expenses such that the aggregate State School Aid payments to the Academy is inadequate to allow the Academy to pay its operating expenses and debt service on the Bonds. No liability shall accrue to the State in such event, and the State will not be obligated or liable for any future payments or any damages in such event. In the event the State were to withhold the payment of monies from the Academy for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely the Academy would be forced to cease operations.

Delay in, Reduction, or Termination of State School Aid

Any event that would cause a delay, reduction or elimination of State School Aid payments would have a material adverse effect on the ability of the Academy to make debt service payments on the

Bonds. The State Legislature is required to balance the State's budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the per pupil allowance. Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid fund in any given year, then the State must prorate certain payments to public schools (including schools of excellence) in order to eliminate the shortfall. In previous fiscal years, the State has applied across-the-board cuts to eliminate shortfalls which have resulted in a reduction of the Academy's per pupil foundation allowance. No representation can be made that future fiscal periods will not be subject to similar budget shortfalls. Any reduction in State School Aid payments could have a material adverse effect on the ability of the Academy to make Academy Payments coming due thereafter.

Changes in Law

The School Aid Act is subject to modification by the State Legislature, subject only to certain constitutional parameters. The amount, timing and methodology for calculation of State School Aid has changed significantly in recent years, and is subject to future legislative changes.

In addition, the Revised School Code is subject to modification by the State Legislature. In particular, recent legislation which became effective March 28, 2012 makes significant changes to the laws governing public school academies and schools of excellence. The new legislation: (i) gradually eliminates the cap on the number of public school academies so that there is no limit on the total number that can be chartered by universities after December 31, 2014 and immediately eliminates the cap on the number of schools of excellence; (ii) allows all community colleges to authorize public school academies outside of their regular district boundaries under certain circumstances; (iii) allows public school academies and schools of excellence to operate the same grade configurations at multiple sites; (iv) eliminates some restrictions on where public school academies may be located; (v) requires more transparency for public school academies; (v) exempts public school academies and schools of excellence from certain property taxes; and (vi) codifies certain processes by which authorizing bodies must evaluate public school academies prior to issuing a reauthorization and provides for reconstituting public school academies which fail to meet one or more requirements of the authorizing body. For more information on the legislation, APPENDIX C – "SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO SCHOOLS OF EXCELLENCE UNDER PART 6E OF THE REVISED SCHOOL CODE."

This new legislation essentially removes some of the barriers for additional public school academies and schools of excellence to be organized. Several public school academies, traditional public schools and private schools are located in close proximity to the Academy and compete with the Academy for students. This new legislation may result in additional public school academies or schools of excellence opening in or around Petosky, Michigan and competing with the Academy for students. There can be no assurance that the Academy will attract and retain the number of students that are needed to produce the pledged revenues that are necessary to pay the debt service on the Bonds. See "RISK FACTORS – Competition for Students" herein.

Future amendments to the State School Aid Act, the Revised School Code or any other law may adversely affect the Academy, for example, by reducing the maximum amount payable by the State for students enrolled by the Academy, by limiting the amount of such State School Aid payments that may be pledged to obligations such as the Bonds, by withholding a percentage of the State School Aid payments if a school of excellence is deemed not to be in compliance with its charter or State and federal laws, by decreasing the maximum length of a charter contract's term, by requiring a State body to make an assessment of each school of excellence's effectiveness every year, by limiting the number of students for which State funds are available, by mandating new facilities or programs which may cost more than has

been projected, by revising the relative responsibilities between public schools (including schools of excellence) and the State for financing schools or by eliminating the authority for public school academies or schools of excellence.

Legislative and Nonappropriation Risk

Even though the State is obligated under the State Constitution to support public education in the State, the State is not obligated to continue to finance public education through State School Aid or continue to support public education via public school academies or schools of excellence. Any change in the State Constitution, the enabling legislation that created public school academies and schools of excellence or failure by the State Legislature to appropriate funds sufficient to fund the operation of public school academies and schools of excellence could have a material adverse effect on the ability of the Academy to make Academy Payments.

Any event that would cause a delay, reduction or elimination of State School Aid would have a material adverse effect of the ability of the Academy to make any payments due under the Financing Agreement and the Municipal Obligation coming due thereafter. See "RISK FACTORS - Delay in, Reduction, or Termination of State School Aid" herein.

Limitation of Availability of State School Aid

NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FROM THE STATE IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO MAKE THE ACADEMY PAYMENTS.

Environmental Issues Regarding the Property

The Property is 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 Property for investigating and remediating adverse environmental conditions on or relating to the Property, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Property. Costs incurred by the Academy with respect to environmental liability could adversely impact its financial condition and its ability to operate its school facilities.

A Phase I Environmental Site Assessment was performed on the Property by Makinac Environmental Technology, Inc., Petoskey, Michigan ("MET") in conformance with the scope and limitations of the American Society of Testing and Materials ("ASTM") Practice E 1527. The Phase I Environmental Site Assessment was undertaken to identify areas of potential environmental concern or evidence of chemical contamination on the Property. In its report, dated March 9, 2012 (the "Report"), MET stated that the Phase I Environmental Site Assessment ("ESA") revealed no evidence of recognized environmental conditions in connection with the property or surrounding area.

Economic and Other Factors

Future economic and other factors may adversely affect the Academy's revenues and expenses and, consequently, the Academy's ability to make Academy Payments under the Financing Agreement and the Municipal Obligation. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the Academy at optimum levels for each grade level; the ability of the Academy to provide the education desired and accepted by the population served; economic developments in Petoskey, Michigan; decline of population in Petoskey, Michigan; diminution of the Academy's reputation in its field; competition from other educational institutions, including public school

academies (including schools of excellence), private schools and public schools; lessened ability of the Academy 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 Revised School Code or State School Aid Act; future claims for accidents at the Facility or on the Property and the extent of insurance coverage for such claims; decrease in per-student funding amounts by the State; and the occurrence of natural disasters such as floods or tornados.

Termination, Revocation or Non-Renewal of Charter

The Academy operates under the Charter from the Authorizing Body. The Charter contract provides the basis for the Academy to receive State School Aid payments. The Charter, unless sooner terminated in accordance with the terms of the Charter, expires June 30, 2021.

As a matter of law, unless pre-empted by operation of M.C.L. 380.1280c, decisions to renew or not renew the Charter are at the sole discretion of the Authorizing Body, and the Authorizing Body can choose to terminate the Charter upon its expiration for any reason. Additionally, the Authorizing Body may unilaterally terminate the Charter at any time if the Academy is not in substantial compliance with the Charter or any provision of applicable law. The Authorizing Body may also revoke or terminate the Charter pursuant to its terms based on grounds specified in the Charter. See APPENDIX A – "CONCORD ACADEMY - PETOSKEY – The Charter Agreement." The decision to terminate or to revoke a contract is in the discretion of the Authorizing Body, is final, and is not subject to review by a court or any State agency. In the event that the Charter is revoked or terminated, the ability of the Academy to make Academy Payments on the Bonds would be adversely affected and the Academy could be forced to cease operations.

Pursuant to recently enacted legislation, the standards for renewal of the Charter shall include increases in academic achievement for all groups of pupils as measured by assessments and other objective criteria as the most important factor in the decision of whether or not to renew the charter.

IN THE EVENT THAT THE AUTHORIZING BODY WERE TO REVOKE, TERMINATE, SUSPEND OR NOT RENEW THE ACADEMY'S CHARTER, OR IF THE ACADEMY WERE UNABLE TO SECURE ANOTHER AUTHORIZING BODY, THE ABILITY OF THE ACADEMY TO MAKE ACADEMY PAYMENTS UNDER THE FINANCING AGREEMENT, THE MUNICIPAL OBLIGATION AND THE INDENTURE COMING DUE THEREAFTER WOULD BE MATERIALLY ADVERSELY AFFECTED.

Pursuant to Section 18b of the State School Aid Act, in the event that the Academy: (i) is ineligible to receive funding under the State School Aid Act for 18 consecutive months; (ii) the Charter is revoked; or (iii) the Charter is not reauthorized by the Authorizing Body, then property, including title to such property, acquired substantially with funds received from the State pursuant to the State School Aid Act is required to be transferred to the State. The State Treasurer, or his or her designee, is authorized to dispose of property transferred to the State pursuant to Section 18b of the State School Aid Act. Except as otherwise provided in Section 18b of the State School Aid Act, the State Treasurer shall deposit in the State School Aid Fund any money included in that property and the net proceeds from the sale of the property or interests in the property, after payment by the State Treasurer of debt secured by the property or interest in the property.

Limited Operating History; Reliance on Projections

The ability of the Academy to make Academy Payments when due is dependent on State School Aid payments to be received by the Academy as payment for educating students. The Academy has conducted operations as a public school academy since 1994 and a school of excellence since 2011. The projections of revenues and expenses contained in APPENDIX A – "CONCORD ACADEMY – PETOSKEY – Historical and Projected Revenues and Expenses" were prepared by the Academy and have not been independently reviewed or verified by any other party. In particular, the Placement Agent has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy ending June 30, 2012 through 2017, and consequently do not cover the entire period that the Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy's assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy. 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 School 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. Refer to APPENDIX A – "CONCORD ACADEMY - PETOSKEY" to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. 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 SCHOOL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

Existing and Prospective Operations Generally

The revenues and expenses associated with the existing and prospective operations of the Academy will be affected by future events and conditions relating generally to, among other things, demand in the Academy's service area for educational services, the ability of the Academy to continue to provide the kinds of facilities and educational services desired or required by the student population, economic developments in Petoskey, Michigan, competition from existing or future facilities and providers, the ability of the Academy to maintain high enrollment levels in the Facility and the ability to continue to receive State School Aid sufficient for the payment of all related costs of operation.

No assurances can be given that the Academy will continue to have funds for the payment of amounts due under the Indenture, the Financing Agreement and the Municipal Obligation including the Academy Payments. Accordingly, the likelihood that there will be sufficient funds to pay the principal of, premium, if any, and interest on the Bonds is dependent upon certain factors which include, but are not

limited to: (i) the continuing need of the Academy for the Property; (ii) the ability of the Academy to obtain funds (including State School Aid) to pay obligations associated with the Bonds; (iii) the demographic conditions within the service area of the Academy; and (iv) the value of the Property and other assets of the Academy upon foreclosure sale under the Mortgage instituted by the Trustee pursuant to the Indenture and Mortgage and upon exercise of the remedies available under the Indenture.

Competition for Students

The Academy competes for students with public school academies (including schools of excellence), traditional public schools and private schools. There can be no assurance that the Academy will attract and retain the number of students that are needed to produce the pledged revenues that are necessary to pay the debt service on the Bonds. Several public school academies, traditional public schools and private schools are located in close proximity to the Academy. Under the recently-enacted legislation, public school academies may, with the concurrence of their authorizer replicate multiple configurations of the same grades at separate sites. Additionally, by 2015, under the recently-enacted legislation, there will be no limit to the number of charters State universities may authorize and no geographic limitation to the area in which all community colleges may grant charters. These provisions could create additional competition for students in the Academy service area. See APPENDIX A – "CONCORD ACADEMY – PETOSKEY – Service Area and Competing Schools" for information regarding other schools in the Academy's service area and schools that compete with the Academy. For more information on these new laws, see APPENDIX C – "SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO SCHOOLS OF EXCELLENCE UNDER PART 6E OF THE REVISED SCHOOL CODE" and "RISK FACTORS – Changes in Law" herein.

Factors Associated with Education or with the Academy's Operations

There are a number of factors affecting elementary and secondary school education in general, including the Academy, which could have an adverse effect on the Academy's financial position and its ability to make Academy Payments required under the Financing Agreement, the Municipal Obligation and the Indenture. These factors include, but are not limited to, increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, the federal No Child Left Behind Act of 2001 and Michigan's Race to the Top legislation, codified in part at M.C.L.A. 380.1280c; laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Academy's work force with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy and legislation or regulations which may affect program funding. The Academy cannot assess or predict the ultimate effect of these factors on its operations or its ability to make the Academy Payments.

Compliance with the No Child Left Behind Act of 2001

The Federal No Child Left Behind Act of 2001 ("NCLB") establishes Adequate Yearly Progress ("AYP") in mathematics and English language arts that must be achieved by students and strengthens requirements for state assessments, accountability systems, and support for school improvement. NCLB also establishes minimum qualifications for teachers and paraprofessionals. Failure of the Academy to meet the requirements of NCLB may have a material adverse effect on the Academy and its ability to make Academy Payments. For information regarding the Academy's AYP, see APPENDIX A – "CONCORD ACADEMY - PETOSKEY – Academic Performance."

Michigan's Race to the Top Legislation

Under legislation enacted in response to the Race to the Top grant incentive program created under sections 14005 and 14006 of the American Recovery and Reinvestment Act of 2009 (the "RTT Grant") if

a public school (including a school of excellence) is determined by the Michigan Department of Education to be in the lowest 5% of public schools in the State, it is subject to the jurisdiction of the State school reform/redesign officer and the implementation of one of four federally mandated intervention models. Under the RTT Grant and amendments to Michigan's charter school legislation, in the event a school of excellence that has been operating for at least four years is identified as in the lowest achieving 5% of all public schools in the State, and further to be in its second year of restructuring sanctions under the No Child Left Behind Act (not including the individualized education plan subgroup) and is not currently undergoing reconstitution permitted by the charter school legislation, the Superintendent of Public Instruction is required to notify the school of excellence's authorizing body. Upon the receipt of such notice from the Superintendent of Public Instruction, the authorizing body shall amend the school of excellence's contract to eliminate the school of excellence's authority to operate the existing age and grade levels at the site and the school of excellence shall cease operating the existing age and grade levels at the site, effective at the end of the current school year. If the school of excellence operates at one site or is a cyber school, and the authorizing body receives such a notice from the Superintendent of Public Instruction, the authorizing body shall revoke the school of excellence's contract, effective at the end of the current school year. See APPENDIX C – "SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO SCHOOLS OF EXCELLENCE."

Failure to make AYP or designation of the Academy as among the lowest achieving 5% of all public schools in the State would, were it to occur, carry with it potential sanctions up to and including closure.

Future Need for the Property

Changes of economic, social or other conditions could affect demographics of the Academy and reduce the Academy's ability, need or willingness to utilize the Property. The Academy is not legally prohibited from constructing additional facilities at any time. Changes in future needs may have an adverse effect upon the willingness and ability of the Academy to budget money to continue the operations at the Facility or make Academy Payments under the Indenture.

Collateral Insufficiency

In the event of a default under the Indenture, the indebtedness thereunder may be accelerated and the Mortgage foreclosed upon by the Trustee.

A potential purchaser of the Bonds should not assume that it will be possible to obtain proceeds from the foreclosure of the Mortgage and the sale of the Property after a foreclosure under the Mortgage, in an amount equal to the aggregate principal amount of the Bonds then outstanding plus accrued interest thereon. Such risks include environmental matters, fire and other casualty, condemnation, increased taxes, changes in demand for the Facility, decline in local and general economic conditions and changing governmental regulations. If the Property is sold pursuant to a foreclosure sale under the Mortgage (and there is no assurance that there would be any purchaser upon a foreclosure sale) for an amount less than the aggregate principal amount of and accrued interest on the Bonds, such partial payment may be the only payment to the Bondholders; upon such partial payment, no holder of any Bond shall have any further claim for payment from the Trustee, other than claims arising from the Academy's general obligation pledge.

Inability to Liquidate or Delay in Liquidating the Property

An event of default that has occurred and is continuing gives the Trustee the right of possession of, and the right to sell, the Property pursuant to a foreclosure sale under the Mortgage. The Facility is intended to be used for the public school purposes of the Academy. Because of such use, a potential purchaser of the Bonds should not anticipate that a sale of the Property could be accomplished rapidly, or at all. Any sale of the Property would require compliance with the laws of the State. Such compliance

may be difficult, time-consuming and/or expensive. Any delays in the ability of the Trustee to foreclose on the Mortgage would result in delays in the payment of the Bonds.

The Facility is specifically used as a school facility and may not be readily adaptable to other uses. As a result, in the event of a sale of the Property, the number of uses that could be made of the Property, and the number of entities that would be interested in purchasing the Property, could be limited, and the sale price would thus be affected. The location of the Property may also limit the number of potential purchasers. The ability of the Trustee to sell the Property to third parties, thereby liquidating the investment, would be limited as a result of the nature of the Property. For these reasons no assurance can be made that the amount realized upon any sale of the Property will be fully sufficient to pay and discharge the Bonds. In particular, there can be no representation that the cost of the Property constitutes a realizable amount upon any forced sale thereof. In the event the Trustee takes possession of the Property, the Property may be subject to real estate taxation.

Damage or Destruction of the Property

The Indenture requires that the Academy's property be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of an insured risk. Further, there can be no assurance of the creditworthiness of the insurance companies from which the Academy will obtain the required insurance policies.

Completion and Security Risk

State law requires certain approvals be sought and obtained, including, but not limited to, a certificate of occupancy, in order for the Facility to be used as a public school building. The failure of the Academy to maintain the permanent certificate of occupancy could render the Facility unable to accommodate students until all required approvals have been obtained. Such failure could have a material adverse effect on the Academy's ability to make Academy Payments.

Value of the Property May Fluctuate

The value of the Property at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Property which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline.

Key Management

The creation of, and the philosophy of teaching in schools of excellence such as the Academy may reflect the vision and commitment of a few key persons who are on the Board of Directors and/or who make up the upper management of the Academy ("Key Members/Managers"). Loss of such Key Members/Managers could adversely affect the Academy's operations or financial results. It is anticipated that over time that schools of excellence will become less dependent upon the Key Members/Managers. However, there can be no assurance that this will occur.

Resale of Bonds/Lack of Secondary Market

There can be no assurance that there will be a secondary market for the Bonds.

Enforceability of Remedies; Bankruptcy

Remedies provided for in the Financing Agreement, the Mortgage and the Indenture may be unenforceable as a result of the application of principles of equity or of State and federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and sale or leasing with respect thereto. The enforcement of any remedies provided in the Financing Agreement, the Indenture and the Mortgage could prove both expensive and time consuming.

Bankruptcy proceedings by the Academy also could have adverse effects on holders of the Bonds, including: (a) delay in enforcement of their remedies; (b) subordination of their claims to claims of those supplying goods and services to the Academy after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings; and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds. The United States Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the holders of the Bonds, such class of creditors will have the benefit of their original claim or the "indubitable equivalent" of it, although the plan may not provide for payment in full of the Bonds. The effect of these and other provisions of the United States Bankruptcy Code cannot be predicted and may be affected significantly by judicial interpretation.

Determination of Taxability

If a Determination of Taxability (as defined in the Indenture) were to occur, the Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date, on the earliest practicable date for which notice can be given following such determination. No assurance can be made that under these circumstances, the Academy would possess the ability to make the required payments.

TAX MATTERS

General

In the opinion of the Attorney General of the State and in the opinion of Clark Hill PLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted net current earnings for the purpose of computing such alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements. Bond Counsel and the Attorney General will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Prospective purchasers of the Bonds should be aware that (i) interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iii) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of

determining taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds, (vi) registered owners acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code, (viii) interest on the Bonds is subject to backup withholding under Section 3406 of the Code in the case of registered owners that have not reported a taxpayer identification number and are not otherwise exempt from backup withholding, and (ix) registered owners of the Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Bonds, and financial institutions may not deduct that portion of their interest expense allocated to interest on the Bonds.

In the opinion of the Attorney General of the State and in the opinion of Clark Hill PLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the Bonds and the interest thereon are exempt from all taxation of the State or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Market Discount

Pursuant to amendments made to the Code by the Omnibus Budget Reconciliation Act of 1993, the "market discount rules" of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Future Developments

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority in the event of an audit

examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS THAT COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE REGISTERED OWNERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY SUCH FUTURE LEGISLATION, OR ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE AUDIT PROCESS OR RESULT OF ANY EXAMINATION OF THE BONDS OR OTHER BONDS THAT PRESENT SIMILAR TAX ISSUES, WILL NOT ADVERSELY AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Authority of the Bonds will be passed upon by Bond Counsel and the Attorney General of the State. Copies of the approving opinion of Bond Counsel and of the Attorney General will be available at the time of the delivery of the Bonds. Certain legal matters will be passed upon for the Academy by Lewis & Munday, P.C., Detroit, Michigan, and by Varnum LLP, Grand Rapids, Michigan in its capacity as counsel to the Placement Agent.

Varnum LLP has in the past acted from time to time as bond counsel to the Authority in connection with its issuance of other notes and bonds, and has in the past represented or may in the future represent the Placement Agent in other bond transactions.

PLACEMENT OF BONDS

The Placement Agent has agreed to use its best efforts to place the Bonds to "Accredited Investors" as defined in the Securities Act of 1933, as amended (the "1933 Act") or a "Qualified Institutional Buyer" as that term is defined under Rule 144A of the Securities Exchange Commission for the price of \$3,040,000 pursuant to a bond placement agreement (the "Placement Agreement"). The Placement Agent will receive a fee of \$60,800 if all the Bonds are placed. Neither the Attorney General nor Bond Counsel will express any opinion concerning the investment quality of the Bonds, or the accuracy, completeness or sufficiency of any offering material relative to the Bonds. The Purchaser's obligations to accept delivery of the Bonds is subject to various conditions in the Placement Agreement.

The Placement Agreement contemplates and provides that the Purchaser will not resell the Bonds except to an "Accredited Investor" as defined in the 1933 Act or a "Qualified Institutional Buyer" as that term is defined under Rule 144A of the Securities Exchange Commission, as a private placement of the Bonds.

Each Accredited Investor or Qualified Institutional Buyer purchasing the Bonds will be required to execute an Investment Certificate substantially in the form attached as Appendix B to the Placement Agreement.

LITIGATION

There is no litigation of any nature pending or threatened against the Authority or the Academy to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds or the refinancing of the Prior Obligation, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Authority or the Academy taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Bonds or the existence or powers of the Authority or the Academy.

There is no litigation pending or, to the knowledge of the Academy, threatened against the Academy, wherein an unfavorable decision would adversely affect the ability of the Academy to carry out its obligations under the Financing Agreement or the Municipal Obligation or would have a material adverse impact on the financial position of the Academy.

APPROVAL BY MICHIGAN DEPARTMENT OF TREASURY

The Academy received a letter from the Department of Treasury of the State of Michigan, dated March 1, 2012, stating that the Academy is in material compliance with the criteria of the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended, for a municipality to be granted qualified status. The Academy may therefore proceed to issue any municipal obligation without further approval from the Department of Treasury of the State of Michigan.

FINANCIAL ADVISOR

Clear Scope Advisors, Inc., Southfield, Michigan ("Clear Scope") is serving as Financial Advisor to the Academy in connection with the issuance of the Bonds and the Municipal Obligation. Clear Scope is not obligated nor has it undertaken to make an independent verification or to assume responsibility for the accuracy or completeness of the information contained in this Offering Memorandum. Payment of the fees expected to be paid to Clear Scope is dependent on the issuance of the Bonds.

CONTINUING DISCLOSURE

The Bonds will be issued in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof and are being offered only to purchasers, each which will represent that it (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment and (ii) is not purchasing for more than one account or with a view to distributing or reselling the Bonds. Accordingly, the Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

However, the Academy will voluntarily execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), with respect to the Bonds, for the benefit of the registered and Beneficial Owners (as defined in the Continuing Disclosure Agreement). See APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT." Pursuant to the Continuing Disclosure Agreement, the Academy will agree to provide, or cause to be provided, annually to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system certain quantitative financial information and operating data of the type specified in the Continuing Disclosure Agreement (the "Annual Report"); and to provide in a timely manner to EMMA notice of the occurrence of certain

events and of any failure to timely provide the Annual Report. The Continuing Disclosure Agreement does not require that information be provided to registered owners or Beneficial Owners of the Bonds, but rather requires only that such information be provided to EMMA.

BONDS NOT A DEBT OF STATE

The Bonds will not constitute or create any debt or debts, liability or liabilities on behalf of the State or any political subdivision thereof, other than a limited obligation of the Authority, nor a loan of the credit of the State or a pledge of the faith and credit of the State or of any such political subdivision, but will be payable solely from the funds provided therefor. The issuance of Bonds under the Indenture will not directly, indirectly or contingently obligate the State, the Authority, or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment. The Authority has no taxing power.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Bonds, in the State, are securities in which all insurance companies, banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

FINANCIAL STATEMENTS

The financial statements of the Academy, as of and for the years ended June 30, 2009, June 30, 2010, and June 30, 2011, included in this Offering Memorandum have been audited by Dan Smith, C.P.A., to the extent and for the periods indicated in their report thereon. The auditor has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly does not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. The Academy is not aware of any facts that would make the audited financial statements misleading.

MISCELLANEOUS

The Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the "1933 Act"), and the offer, sale and delivery of the Bonds does not require registration under the 1933 Act or qualification of the Indenture under the Trust Indenture Act of 1939, as amended. The Academy has agreed that, during the course of the transaction and prior to the sale of the Bonds, potential investors may ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and that potential investors may obtain from it any additional information necessary to verify the accuracy of the information furnished, in each case to the extent it possesses such information or can acquire it without unreasonable effort or expense. Any request for information may be directed to the Placement Agent.

The Academy has furnished the information herein relating to itself. The Authority has furnished the information herein relating to itself. The Placement Agent has furnished the information in this Offering Memorandum with respect to the offering prices of the Bonds and the information under the caption "PLACEMENT OF BONDS" herein.

All quotations from, and summaries and explanations of, the Indenture and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. See APPENDIX D – "FORMS OF THE INDENTURE AND THE FINANCING AGREEMENT." All references herein to the Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Offering Memorandum shall not be construed as constituting an agreement with purchasers of the Bonds. The cover page, introductory statement and the attached Appendices are part of this Offering Memorandum. All information contained in this Offering Memorandum, including the Appendices, is subject to change and/or correction without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder creates any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof.

ANY STATEMENTS MADE IN THIS OFFERING MEMORANDUM INVOLVING MATTERS OF OPINION OR ASSUMPTIONS OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES OR ASSUMPTIONS WILL BE REALIZED.

CONCORD ACADEMY - PETOSKEY

By: /s/ David Hill
Its: Executive Director

APPENDIX A

CONCORD ACADEMY - PETOSKEY

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APPENDIX A¹

CONCORD ACADEMY-PETOSKEY

GENERAL

Concord Academy - Petoskey (the “Academy”) is a School of Excellence, body corporate, and a governmental agency organized pursuant to Parts 6A and 6E of Act No. 451 of the Public Acts of 1976 (the “Revised School Code”), Michigan Compiled Laws (“MCL”) Sections 380.502 and 380.551 *et seq.* and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, MCL Section 450.2101 *et seq.*, except that a School of Excellence is not required to comply with sections 170 to 177 of 1931 PA 327, MCL 450.170 to 450.177.

The Academy is governed by a volunteer Board of Directors and operates under a charter contract (the “Charter”) with the Lake Superior State University (the “Authorizing Body”), its authorizing body. The Academy was established as a public school academy in 1994 and was originally chartered for a five year term by Central Michigan University. In 2000, the Authorizing Body issued the Academy a Charter, which has been renewed twice, in July 1, 2005 and July 1, 2010. On April 29, 2011, the Academy was approved for conversion to a School of Excellence, and a Charter to operate as a School of Excellence was issued for a ten-year term, expiring June 30, 2021.

The Academy's conversion from a public school academy to a School of Excellence was predicated upon a determination by the Michigan Department of Education that the Academy met the academically rigorous statutory requirements for conversion to a School of Excellence. The Academy is one of twelve public school academies in the State and the only one in northern Michigan to receive this title.

ACADEMY HISTORY

The Academy opened in the fall of 1994 as one of the first public school academies in Michigan, enrolling 110 students. Originally intended to be a K-6 school, it opened as a K-8 school in response to public interest. The following year it added grades 9-12 to become a complete K-12 school. The Academy’s enrollment climbed quickly from its original 110 students up to 250 students. Subsequently, two other schools modeled after the Academy opened in Boyne City and later in Antrim. Each subsequent school adopted the curriculum plan but operates and functions independently. The Academy operates with its own K-12 instructional plan written by Kim Overton, co-founder. The entire kindergarten through 12th program is intertwined and spirals upward from one year to the next.

Over the course of eighteen years, the Academy has remained true to the original mission and instructional plan, while continuing to update and refine the curriculum.

¹ Information included in this Appendix A was obtained from the Academy unless otherwise noted.

MISSION STATEMENT

The mission of the Academy is to provide an inspiring and challenging educational environment conducive to critical and creative thinking by integrating a strong fine arts program into the traditional academic curriculum.

In addition, the Academy has five school-wide goals:

- To serve the student and educate the whole child by providing academic, cultural and character education;
- To uphold traditional values such as honesty, kindness and respect;
- To encourage students to become leaders and creative thinkers;
- To value contributions and suggestions of students, remembering that true education is not “pouring in” but bringing forth;
- To maintain a positive connection with our community, by both drawing on the valuable resources of our community and contributing harmoniously to our community.

CURRICULUM AND PROGRAMMING

Concord Academy’s instructional plan features these components:

- Integrated arts education: At Concord Academy the academic curriculum and arts curriculum are uniquely intertwined; each discipline strengthens the other. Concord blends a traditional core curriculum of language arts, social studies, mathematics and science with arts programming that includes visual art, vocal music, instrumental music, dance and drama. Arts programming benefits every student academically and personally.
- Thematic instruction: School-wide coursework is unified around a revolving theme. For example, if the school-wide theme is U.S. history, and students are studying the Civil War in social studies, they would also read literature about the Civil War in language arts. In addition, they could study the dances of the civil war era as well as the music and art.
- Continuous progress learning: Students progress in their classrooms based upon their own ability. In a math class, students work in smaller groups that reflect their own skills and progress at the rate appropriate for them. This allows students to progress rapidly in some subjects and perhaps more slowly in others when necessary.
- Multi-age classrooms: Students work in classrooms that have a blend of grades. Concord has had multi-age classrooms since its inception. In addition, Concord functions as a K-12 community giving students a variety of peer groups as well as learning partners.
- Multiple Intelligence instruction: Students at Concord Academy receive instruction utilizing Gardner’s theory of multiple intelligences. Thus, students are taught accessing auditory, visual, kinesthetic, inter- and intra-personal styles providing all students the opportunity to learn.

Kindergarten and elementary program

Students in the kindergarten and elementary program begin with a curriculum that emphasizes a strong foundation in reading and mathematics as well as social studies and science and visual art, Orff music and dance.

In kindergarten, students work with reading fundamentals that includes phonics. This program carries through the early elementary grades. Students also begin a study of mathematics. This mathematics program is consistent through elementary, middle and high school. Students begin their arts study with a class that blends music and movement. Teachers also introduce students to social studies and science.

As students' progress through the elementary program, the curriculum grows with them. In first and second grade the students continue to develop their language skills with a study of reading and writing and continuing their phonics study. Social studies and science are incorporated with more emphasis throughout their school week. Students now have separate class in Orff music, dance and visual art. In each of these arts classes, students learn technique as well as prepare pieces for performances.

In third and fourth grades, students continue to progress in their studies, adding more projects to their work in language arts, social studies, mathematics and science. Writing receives greater emphasis. Students gather the skills they need to become more independent learners. Students study Michigan history as part of their social studies program. Students in third, fourth and fifth grades take the Michigan Educational Assessment Program tests. Students in fourth, fifth, and sixth grades may participate in Concord Music and Movement ("CM&M") as an extra-curricular program to enhance their skills.

In fifth and sixth grade, students hone their skills in reading, writing and mathematics and explore science and social studies with greater depth and frequency. Students add drama to their schedule, where they use its versatility to explore academic topics. Students now participate in both vocal and instrumental music, choosing a band instrument to study.

Middle and high school programs

Middle school students bridge the learning of fundamentals in the elementary program into the high school program. The middle school curriculum is focused on developing independent learners for high school by fostering creative thinking, problem solving, inquiry based projects, and development of basic skills.

Students hone their skills in the four academic areas of language arts, social studies, mathematics and science in addition to the arts courses in visual arts, instrumental and vocal music, dance and drama. Students are engaged in many performances to build confidence and poise. These performances also help foster academic integration as well as building the students into a community.

Students have the opportunity to participate in CM&M, a popular performance group that makes appearances throughout the region and a teen improvisation drama group.

The high school program integrates a college prep curriculum with a fine arts emphasis. Students take four years of English, history, and mathematics and three years of science as well as visual art, instrumental music, choir, dance and theatre. While grades K-8 integrate the themes of U.S. history and world cultures, the high school weaves its studies through ancient, world, European and United States history.

Students may prepare for the Advanced Placement exams in their junior and senior years that give college credit based upon successful test scores. Concord offers at various times AP

course work in English literature, English language, biology, environmental science, physics, calculus, U.S. history, European history, world history, studio art, art history, and music theory.

A critical aspect of the curriculum is the opportunity to perform. Since all students take a full arts schedule in addition to a rigorous academic schedule, their performance preparation happens during the school day. Students are involved in many performances throughout the year from choir and instrumental music concerts to dance performances to art shows and theatrical productions.

High school students take the Michigan Merit Exam as well as college entrance exams. Concord's high school also has a National Honor Society and a Quiz Bowl team.

Extracurricular Activities

The Academy provides various extracurricular activities for students. Some of the student activities include baseball, soccer, lacrosse, ski club, football, gymnastics, taekwondo, snowshoes, jazz band, music, national honor society and various clubs.

THE CHARTER AGREEMENT

The Academy currently operates as a School of Excellence under a 10-year Charter Contract (the "Charter") issued by the Authorizing Body beginning July 1, 2011. Pursuant to MCL 380.502a and Part 6E of the Revised School Code, Sections 380.502a and 380.551 to 380.561 of the Michigan Compiled Laws, on April 29, 2011, the Academy was approved for conversion to a School of Excellence, and a Charter to operate as a School of Excellence was issued for a ten-year term, expiring June 30, 2021.

To obtain its initial Charter to operate as a public school academy, its Charter renewals, and its conversion to School of Excellence status, the Academy filed detailed written applications with the Authorizing Body and was determined by the Michigan Department of Education to have met the rigorous academic requirements for conversion to a School of Excellence. The Authorizing Body is responsible for overseeing the operations of the Academy to ensure compliance with the terms of the Charter and with applicable law, and for assisting the Academy in complying with its Charter and applicable State and federal laws. The Authorizing Body receives a combined total of up to 3% of the Academy's State School Aid Payments for providing such oversight, training, technical assistance, and other purposes that assist the Academy in achieving improved academic performance.

Grounds for Revocation of the Charter

Under its terms and conditions, the Academy's Charter may be revoked by the Authorizing Body upon a determination by the Authorizing Body that one or more of the following grounds for revocation have occurred:

- (a) Failure of the Academy to abide by and meet the educational goals set forth in the Charter;
- (b) Failure of the Academy to comply with all applicable law;
- (c) Failure of the Academy to meet generally accepted public sector accounting principles; or
- (d) The existence of one or more other grounds for revocation specified in the Academy's Charter.

Regarding “other grounds” for revocation specified in the Charter, the Authorizing Body may also revoke the Charter upon a determination that one or more of the following has occurred:

- (a) The Academy is insolvent, has been adjudged bankrupt, or has operated for one or more school fiscal years with a fund balance deficit;
- (b) The Academy has insufficient enrollment to successfully operate the Academy, or the Academy has lost more than twenty-five percent (25%) of its student enrollment from the previous school year;
- (c) The Academy defaults in any of the terms, conditions, promises or representations contained in or incorporated into the Charter;
- (d) The Academy files amendments to its Articles of Incorporation with the Michigan Department of Labor and Economic Growth (now known as the Michigan Department of Licensing and Regulatory Affairs), Bureau of Commercial Services without first obtaining Authorizing Body approval;
- (e) The Authorizing Body discovers grossly negligent, fraudulent or criminal conduct by the Academy’s applicant, directors, officers, employees or agents in relation to their performance under the Charter;
- (f) The applicant, the Academy’s directors, officers or employees have provided false or misleading information or documentation in connection with the Authorizing Body’s approval of the Charter application, the issuance of the Charter, or the Academy’s reporting requirements under the Charter or applicable law;
- (g) The Academy fails to work towards operating all of grades 9 to 12 within 6 years after issuance of the Charter, and has not entered into a matriculation agreement with another public school that provides grades 9 to 12;
- (h) The Academy violates the site restrictions set forth in the Charter or the Academy operates at a site or sites without the prior written authorization of the Authorizing Body; or
- (i) The Authorizing Body, its trustees, officers, employees, agents or representatives are not included as third party beneficiaries under any educational management agreement entered into by the Academy for purposes of indemnifying such parties in accordance with the Charter.

Revocation Procedure

The Charter may be revoked by the Authorizing Body upon a determination by the Authorizing Body that grounds for revocation of the Charter exist, pursuant to the procedures set for below:

- (a) Notice of Intent to Revoke. The Director of Public School Academy Operations ("PSA Director") or other Authorizing Body representative, upon reasonable belief that grounds for revocation of the Charter exist, shall notify the Academy Board of such grounds by issuing the Academy Board a Notice of Intent to Revoke for non-compliance with the Charter or applicable law. The Notice of Intent to Revoke shall be in writing and shall set forth in sufficient detail the alleged grounds for revocation.

- (b) Academy Board's Response. Within thirty (30) days of receipt of the Notice of Intent to Revoke, the Academy Board shall respond in writing to the alleged grounds for revocation. The Academy Board's response shall be addressed to the PSA Director, and shall either admit or deny the allegations of non-compliance. If the Academy's response includes admissions of non-compliance with the Charter or applicable law, the Academy Board's response must also contain a description of the Academy Board's plan and time line for correcting the non-compliance with the Charter or applicable law. If the Academy's response includes a denial of non-compliance with the Charter or applicable law, the Academy's response shall include sufficient documentation or other evidence to support a denial of non-compliance with the Charter or applicable law. A response not in compliance with these requirements shall be deemed to be non-responsive. As part of its response, the Academy Board may request that a meeting be scheduled with the PSA Director prior to a review of the Academy Board's response.
- (c) Plan of Correction. Within fifteen (15) days of receipt of the Academy Board's response or after a meeting with Academy Board representatives, whichever is sooner, the PSA Director shall review the Academy Board's response and determine whether a reasonable plan for correcting the deficiencies can be formulated. If the PSA Director determines that a reasonable plan for correcting the deficiencies set forth in the Notice of Intent to Revoke can be formulated, the PSA Director shall develop a plan for correcting the non-compliance ("Plan of Correction"). In developing a Plan of Correction, the PSA Director is permitted to adopt, modify or reject some or all of the Academy Board's response for correcting the deficiencies outlined in the Notice of Intent to Revoke. As part of any Plan of Correction, the PSA Director shall "reconstitute" the Academy (e.g., replace the Educational Management Organization and/or members of the Academy Board of Directors) in an effort to improve student educational performance and to avoid interruption of the educational process. The Notice of Intent to Revoke shall be withdrawn if the PSA Director determines any of the following: (i) the Academy Board's denial of non-compliance is persuasive; (ii) the non-compliance set forth in the Notice of Intent to Revoke has been corrected by the Academy Board; or (iii) the Academy Board has successfully completed the Plan of Correction. In the event the Notice of Intent to Revoke is withdrawn, the PSA Director shall notify the Academy Board, in writing, of such withdrawal.
- (d) Request for Revocation Hearing. The PSA Director or other Authorizing Body representative may initiate a revocation hearing before the University Charter Schools Hearing Panel if the PSA Director determines that any of the following has occurred:
- (i) the Academy Board has failed to timely respond to the Notice of Intent to Revoke;
 - (ii) the Academy Board's response to the Notice of Intent to Revoke is non-responsive;
 - (iii) the Academy Board's response admits violations of the Charter or applicable law which the PSA Director deems cannot be remedied or cannot be remedied in an appropriate period of time, or for which the PSA Director determines that a Plan of Correction cannot be formulated;

- (iv) the Academy Board's response contains denials that are not supported by sufficient documentation or other evidence showing compliance with the Charter or applicable law;
 - (v) the Academy Board has not complied with part or all of a Plan of Correction;
 - (vi) the Academy Board has engaged in actions that jeopardize the financial or educational integrity of the Academy; or
 - (vii) the Academy Board has been issued multiple or repeated Notices of Intent to Revoke.
- (e) Hearing Before University Charter Schools Hearing Panel. Within thirty (30) days of the date of a Request for Revocation Hearing, the Hearing Panel shall convene a revocation hearing. The Hearing Panel shall provide a copy of the notice of hearing to the Authorizing Body's Charter Schools Office and the Academy Board at least ten (10) days before the hearing. The purpose of the Hearing Panel is to gather facts surrounding the PSA Director's request for Charter revocation, and to make a recommendation to the Authorizing Body on whether the Charter should be revoked. The revocation hearing shall be held at a location, date and time as determined by the PSA Director or other Authorizing Body representative. The hearing shall be transcribed by a court reporter and the cost of the court reporter shall be divided equally between the University and the Academy. The PSA Director or his or her designee, and the Academy Board or its designee, shall each have equal time to make their presentation to the Hearing Panel. Although each party is permitted to submit affidavits and exhibits in support of their positions, the Hearing Panel will not hear testimony from any witnesses for either side. The Hearing Panel may, however, question the PSA Director and one or more members of the Academy Board. Within thirty (30) days of the Revocation Hearing, the Hearing Panel shall make a recommendation to the University Board concerning the revocation of the Charter. In its discretion, the Hearing Panel may extend any time deadline set forth in this subsection. A copy of the Hearing Panel's recommendation shall be provided to the Authorizing Body's Charter Schools Office and the Academy Board at the same time that the recommendation is sent to the University Board.
- (f) University Board Decision. If the Hearing Panel's recommendation is submitted to the University Board at least fourteen (14) days before the University Board's next regular meeting, the University Board shall consider the Hearing Panel's recommendation at its next regular meeting and vote on whether to revoke the Charter. The University Board reserves the right to modify, reject or approve all or any part of the Hearing Panel's recommendation. The University Board shall have available copies of the Hearing Panel's recommendation and the transcript from the hearing. The University Board may waive the fourteen (14) days submission requirement or hold a special board meeting to consider the Hearing Panel's recommendation. A copy of the University Board's decision shall be provided to the Public School Academy Office, the Academy Board and the Michigan Department of Education.

- (g) Effective Date of Revocation. If the University Board votes to revoke the Charter, the revocation shall be effective on the date of the University Board's act of revocation, or at a later date as determined by the University Board, but not later than the last day of the Academy's current academic year.
- (h) Disposition of State School Aid Funds. Any state school aid funds received by the University Board after a recommendation is made by the Hearing Panel to revoke the Charter, or a decision by the University Board to revoke the Charter, may be withheld by the University Board or returned to the Michigan Department of Treasury upon request. Provided, however, that the University Board shall forward to the Academy the current fiscal year allotment of State Aid received from the state as fiscal agent for the Academy prior to Charter revocation.
- (j) Disposition of District Code Number. After a recommendation is made by the Hearing Panel to revoke the Charter, or a decision by the University Board to revoke the Charter, the district code shall remain under the direction and control of the State Board of Education and/or its designated representative.

See "RISK FACTORS-Termination, Revocation or Non-Renewal of Charter" in the forepart of this Official Statement.

BOARD OF DIRECTORS

The governing body for the Academy (the "Board") currently consists of five (5) members. Vacancies in office are determined and filled pursuant to the provisions set forth in the method-of-selection resolution adopted by the Authorizing Body under MCL 380.553(4) and 380.561(1)(c), which is incorporated by reference into the [Academy's Articles of Incorporation (Article VII) and Bylaws (Article I)], and provides for appointment by the Authorizing Body. The Board has the authority to organize and administer the Academy and to contract with persons or entities as necessary for the operation, management, financing and maintenance of the Academy, including assuring that the Academy operates according to the terms and condition of the Charter Contract. The current Academy Board members are as follows:

<u>Name</u>	<u>Position</u>	<u>Member Since</u>	<u>Term Expires</u>
Thomas Glenn Tietjen, M.D.	President	2010	May 05, 2013
Jean Frentz	Vice President	2010	June 30, 2014
Jill Marie Ryan	Treasurer	2010	May 15, 2013
Ruth Milks	Secretary	2011	June 30, 2014
Karen DenBesten, M.D.	Member	2012	June 30, 2013

Thomas Glenn Tietjen, M.D.- President. Dr. Tietjen currently serves as President of the Board, and has served on the Board since 2010. Dr. Tietjen is a physician in private practice with Great Lakes Digestive Health Associates, PC. He is licensed to practice medicine with the Michigan Department of Community Health--Board of Medicine.

Jean Frentz – Vice President. Ms. Frentz currently serves as Vice President of the Board, and has served on the Board since 2010. She is a retired educator and public school administrator, having served most recently as Assistant Superintendent for Haslett and Okemos Public

Schools. She has three degrees from Michigan State University, in Special Education and School Administration. Her 31 years in public education provide a good background for her work on the Concord-Petoskey board.

Jill Marie Ryan - Treasurer. Ms. Ryan currently serves as the Treasurer of the Board, and has served on the Board since 2010. Ms. Ryan has 17 years of experience as a manager in the nonprofit field, currently serving as the Executive Director of Freshwater Future. She earned a Bachelor's degree from Grand Valley State University, a Masters degree from the University of Maine, and a Juris Doctorate from Case Western Reserve University.

Ruth Milks – Secretary. Ms. Milks currently serves as a Secretary of the Board, and has served on the Board since 2011. She is an active parent of the school who has served as President of the parent association. She currently administers the school's Friday Back Pack program in conjunction with Manna Food Project. This program provides weekend food assistance to needy families each week throughout the school year.

Karen DenBesten, M.D.– Member. Dr. DenBesten currently serves as a Member of the Board, and has served on the Board since 2012. Karen DenBesten is an infectious disease specialist practicing at Northern Michigan Hospital. Dr. DenBesten attended medical school at Ohio State University. She completed her internal medicine residency at Northwestern University and infectious disease fellowship at Rush-Presbyterian St. Luke's Medical center in Chicago. She has been in practice for the past ten years. She has two children at Concord academy in Petoskey. She is using her leadership and communication skills to serve as a board member at Concord.

ADMINISTRATORS

Listed below is a summary biography of the principal administrator of the Academy.

David Ray Hill — Executive Director

Mr. Hill has been with the Academy since 2010. Prior to accepting his current role, Mr. Hill was a teacher in private Waldorf schools for 18 years prior to transitioning to charter school administration. He was formerly the Director at the Monterey Bay Charter School for five years. Mr. Hill's additional previous work experience includes training as an ornamental blacksmith, several years on an organic farm in Norway, a stint in the Norwegian merchant marine, five years as a precision machinist in Detroit, and starting a family rental car business in Honolulu, Hawaii. Mr. Hill earned a B.A. from Mercy College of Detroit (now University of Detroit-Mercy) and an M.A. in school administration from San Jose State University. He fulfilled his teacher certification coursework at the University of Michigan. Mr. Hill holds a Michigan Professional Educator Certificate and Administrator (K-12) Certificate.

THE ACADEMY'S FACILITY

The Academy currently serves grades K-12 and operates from a single location at 2468 Atkins, Petoskey, Michigan (the "Facility"). The existing building contains 27,500 gross square feet. The original (core structure) was constructed in 1999 and contains 15,630 gross square feet. The core structure is divided into a lobby, reception, main office with two private offices, multi-purpose room, maintenance room, teacher's lounge with a private restroom, library, girl's restroom, boy's restroom, kindergarten room with a private restroom, and six class rooms. The east addition was constructed in 2002 and contains 6,470 gross square feet. This addition is divided into seven classrooms and a mechanical room. The west addition was constructed in 2002 and contains 5,400 gross square feet. This addition is divided into three classrooms, a girl's restroom, a boy's restroom, a teacher's conference room, and a mechanical room.

The Bonds will (1) refinance the outstanding principal amount of the Academy's \$3,690,000 Full Term Certificates of Participation, Series 2000 (the "Prior Obligation") (collectively referred to herein as the "Academy Refunding"); and (2) finance the costs of issuance and other financing costs related to the Bonds and Municipal Obligation.

ENROLLMENT

The Academy began operations in the fall of 1994 as the first grassroots public school academy in Michigan. Originally intended to be a K-6 school, it opened as a K-8 school in response to public interest. The following year it added grades 9-12 to become a complete K-12 school. The Academy's enrollment climbed quickly from its original 110 students up to 200 students and soon after to 270 students. Concord's current enrollment is at 272.

The following table sets forth data provided by the Academy regarding its historical and projected enrollment as of the fall count date in each year.

Table 1
Historical and Projected September Enrollment*

<u>Grades</u>	<u>2007- 2008</u>	<u>2008- 2009</u>	<u>2009- 2010</u>	<u>2010- 2011</u>	<u>2011- 2012</u>	<u>2012- 2013</u>	<u>2013- 2014</u>	<u>2014- 2015</u>	<u>2015- 2016</u>	<u>2016- 2017</u>	<u>2017- 2018</u>
K	24	30	20	20	29	30	30	30	30	30	30
1	29	23	33	26	19	27	30	30	30	30	30
2	27	35	22	30	21	26	30	30	30	30	30
3	34	27	34	22	34	21	30	30	30	30	30
4	27	36	26	31	25	34	30	30	30	30	30
5	34	24	36	27	29	25	28	28	28	28	28
6	25	31	17	32	14	28	25	25	25	25	25
7	32	23	32	17	22	14	23	25	25	25	25
8	26	34	23	26	14	20	17	17	17	17	17
9	21	23	24	20	21	13	18	15	15	15	15
10	20	21	21	21	15	20	14	16	16	16	16
11	10	17	16	18	16	15	16	14	14	14	14
12	<u>22</u>	<u>7</u>	<u>16</u>	<u>8</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
Total	331	331	320	298	272	287	306	306	306	306	306

* The Academy data presented for 2007-2008 through 2011-2012 is actual data as of the fall count date of each school year. Although the Facility has a capacity maximum greater than 331, the total capacity for a productive learning experience is approximately 306 students. Source: Academy

An increase of interest in sports by the Academy's student population is the greatest contributing factor for the recent enrollment drop at the Academy. Therefore in response, the Academy has sought to enter into a cooperative sports agreement with the traditional public schools in the area. The athletic department at Harbor Springs Public Schools is currently reviewing the Academy's proposal. The continued efforts to expand the sports program along with other proactive enrollment initiatives that include parent satisfaction surveys and aggressive marketing will aid to reverse the recent enrollment trend. The demand in the early grades has increased, which will allow the Academy to add a section next year.

The following table sets forth maximum student-faculty ratios for the 2011-2012 school years. The Academy targets a maximum class size of 15 students in Kindergarten, 20 students in grades 1-12.

Table 2
Student / Faculty Ratios

<u>Grade</u>	<u>2011-12</u>
K	15:1
1	20:1
2	20:1
3	20:1
4	20:1
5	20:1
6	20:1
7	20:1
8	20:1
9	20:1
10	20:1
11	20:1
12	20:1

Source: The Academy.

WAIT LIST AND COMPARATIVE ENROLLMENT TRENDS

The following table sets forth the Academy's wait list for the 2011-12 school year. The Academy enrolls students from the waiting list year-round as space becomes available. Historically, the Academy tends to develop a waiting list in the earlier grades.

Table 3
Waiting Lists

<u>Grade</u>	<u>2009-11</u>	<u>2010-11</u>	<u>2011-12</u>
K	2	2	3
1	1	7	4
2	2	4	7
3	6	0	0
4	0	0	0
5	8	4	0

6	0	3	0
7	3	0	0
8	1	0	0
9	4	0	0
10	1	0	0
11	1	0	0
12	<u>0</u>	<u>0</u>	<u>0</u>
Totals:	<u>29</u>	<u>20</u>	<u>14</u>

Source: The Academy, as of September of each school year.

Table 4
Comparative Enrollment Trends
Academy and Public School of Petoskey (“PSP”)

	The Academy		PSP	
	<u>Enrollment</u>	<u>% change</u>	<u>Enrollment</u>	<u>% Change</u>
2007-08	331		2,987	
2008-09	331	0.00	2,975	- .40
2009-10	320	-3.32	2,932	-1.45
2010-11	298	-6.88	2,887	-1.53
2011-12	272	-8.72	3,016	4.47

Source: The Academy and from data made available by the Michigan Department of Education.

Under Michigan law, public school academies and schools of excellence may only be granted a charter by (i) the board of a school district that operates grades K-12, (ii) an intermediate school board, (iii) the board of a community college or (iv) the governing board of a public university. Community colleges, however, are expressly prohibited from chartering a public school academy located in a first class school district. Although this statutory restriction does not appear in Part 6E of the Revised School Code pertaining to schools of excellence, it effectively applies to conversion schools of excellence that began as public school academies established under Part 6A pertaining to public school academies. As of March 28, 2012, new legislation allows for an increase in the number of public school academies that can be authorized by universities. Such legislation provides that the combined total number of contracts for public school academies issued by all state public universities shall not exceed 300 through December 31, 2012, and shall not exceed 500 through December 31, 2014. After December 31, 2014, there will be no limit on the combined total number of contracts for public school academies that may be issued by all state public universities. See "SCHOOLS OF EXCELLENCE IN MICHIGAN" in the forepart of the Offering Memorandum and APPENDIX C – “SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO SCHOOLS OF EXCELLENCE UNDER PART 6E OF THE REVISED SCHOOL CODE”.

There can be no assurance that another charter would not be granted in the future to a public school academy or school of excellence that may compete with the Academy. Other community colleges, and intermediate and nearby local public school districts may also authorize public school academies or school of excellence within their district boundaries.

SERVICE AREA AND COMPETING SCHOOLS

The majority of the Academy's students reside in the City of Petoskey (the “City”). The Academy also serves Emmet County communities of Harbor Spring, Alanson, and Pellston; plus the Charlevoix County communities of Boyne Falls, Boyne City, and Charlevoix. Because the majority of the Academy's students reside in Petoskey, it competes for students mostly with public schools and private schools within a 5 mile area:

- Petoskey Montessori Elementary School, a Petoskey Public School, located approximately 1.2 miles from the Academy, with an enrollment of approximately 37 students in grades K through 5;
- Ottawa Elementary School, a Petoskey Public School, located approximately 1.4 miles from the Academy, with an enrollment of approximately 413 students in grades 1 through 5;
- Sheridan School, a Petoskey Public School, located approximately 1.8 miles from the Academy, with an enrollment of approximately 253 students in grades 1 through 5;
- Central Elementary School, a Petoskey Public School, located approximately 1.9 mile from the Academy, with an enrollment of approximately 280 students in grades PK through 5;
- Lincoln School, a Petoskey Public School, located approximately 2.6 miles from the Academy, with enrollment of approximately 257 students in grades 1 through 5;
- St. Francis Xavier School, a parochial school, located approximately 2.0 mile from the Academy, with an enrollment of approximately 200 students in grades K through 8;
- Petoskey Middle School, a Petoskey Public School, located approximately, located approximately 1.1 miles from the Academy with an enrollment of approximated 708 students in grades 6 through 8; and
- Petoskey High School, a Petoskey Public School, located approximately, located approximately 1.2 miles from the Academy with an enrollment of approximated 1,031 students in grades 9 through 12.

Source: GreatSchools.com

DEMOGRAPHIC INFORMATION

The City of Petoskey is a coastal resort community located in the Northern tip of Michigan. The City is situated within Emmet County and has a total area of 5.09 miles. There were 5,670 households out of which 22.8% had children under the age of 18 living in the household. Petoskey’s neighboring communities are Harbor Springs, Bear Creek, Bliss, Carp Lake, Center, Cross Village, Friendship, Little Traverse, Littlefield, Maple River, McKinley Pleasantview, Readmond, Resort, Springvale, Wawatam and West Traverse. As of the 2010 census, Petoskey had a population of 5,670 and a median household income of \$33,657. The City’s residents are approximately 90.8% white, .70% black, Native American 4.6%, .40% Asian and 1.9% Hispanic.

Source: US Census

ACADEMIC PERFORMANCE

Adequate Yearly Progress (“AYP”)

The Academy met AYP for the 2004-2011 school years. The composite letter grade given by the State of Michigan for the 2010-2011 school year was an A. The tables below detail the individual scores resulting in the composite grades. The composite grade is the overall grade for the school, arrived at by combining student achievement, indicators of school performance and AYP status. When data is available, it combines results over 2 or 3 years. A score and grade is assigned for each content area that is part of the Report Card. The score is calculated on a common school grading scale with 90-100 as an A. The score is based on achievement status and then averaged with the adjusted change score to yield the grade for the subject area.

Table 5
Student Report Card

	<u>Status Score</u> <u>2010-2011</u>	<u>Adjusted Score</u> <u>2010-2011</u>	<u>Ed Yes! Grade</u> <u>2010-2011</u>
Reading	98.7	98.7	A
Mathematics	89.8	94.8	A
Science	95.9	98.4	A
Social Studies	98.9	98.9	A
Achievement Subtotal	95.8	97.7	A
Indicators of School Performance		100	A
Preliminary Grade		98	A
AYP Status (Adequate Yearly Progress)		Met AYP	
Composite Grade		A	

Source: State of Michigan, Department of Education

The Composite Grade

An achievement score for each content area is computed by averaging the Status and Change (or adjusted Change) scores for a content area. A preliminary aggregate achievement score is derived by averaging the scores from each content area. The preliminary aggregate achievement score is weighted 67% and the School Self-Assessment (Indicator score) is weighted 33% in calculating the preliminary score and grade for a school.

The reporting format for the School Report Card has not changed from prior years in that scores and grades are calculated for each content area for each school. The content areas remain the same, using only reading and mathematics at the elementary level, and adding science and social studies at the middle school and high school levels. The score and grade for each content area is based on the score for achievement status, as adjusted by averaging it with the score for achievement change.

- **Achievement Status**
The weighted index continues to be the basis of the calculation of Achievement Status. A score for Achievement Status is calculated for all schools where at least 30 students have valid MEAP scores in the content area at that grade range.
- **Achievement Change**
For elementary and middle schools, multiple linear regression has been used to predict each school's 2010-11 percent proficient based on the school's data from 2008-09, 2009-10, and 2010-11. A prediction has been made for each content area and grade level that was tested in previous years. The prediction is compared to the school's actual 2010-11 percent proficient. This method allows the determination of an Achievement Change component, even across assessments that are not comparable. The school's achievement status score in each content area is adjusted based on whether the school exceeds or does not meet the prediction.
- **Indicators of School Performance**
The school's self-rating for each component, and the evidence provided, is available in the Report Card "preview" that is available to authorized users. This information will be available to the public on the School Report Card when it is released.

Michigan Educational Assessment Program – 2011-12 Student Assessment Data

The Michigan Educational Assessment Program ("MEAP") measures student performances against State standards in reading, writing, mathematics, science and social studies. The Academy's 3rd, 4th, 5th, 6th, 7th, 8th and 9th grade students were tested in October 2011. In 2011, the State adopted improved "cut scores" for the MEAP that represented career- and college-ready achievement standards. The career and college-ready MEAP cut scores better reflect how well schools are preparing students for success at the next grade level and whether all students are progressing at a level sufficient for them to be career and college-ready when they complete their high school education.

The Academy's recent MEAP scores, as well as those of its principal competitors, are set forth in Table 6 below.

Table 6
2011-12 Michigan Educational Assessment Program Data

<u>Subject</u>	<u>Grade</u>	<u>The Academy</u>	<u>PSP</u>	<u>State of Michigan</u>
Reading	3	84.4%	74.9%	62.4%
Math	3	34.4	38.8	36.3
Reading	4	62.5	82.8	67.7
Math	4	25.0	54.7	39.9
Writing	4	29.2	57.4	44.5
Reading	5	86.2	85.2	68.8
Science	5	24.1	26.7	15.3
Math	5	44.8	41.8	39.6
Reading	6	71.4	81.0	67.0
Social Studies	6	21.4	44.3	27.7
Math	6	42.9	44.7	37.1
Reading	7	71.4	72.9	59.7
Writing	7	71.4	59.1	47.3
Math	7	45.5	55.5	37.2
Reading	8	81.8	70.4	60.5
Science	8	18.2	30.4	16.5
Math	8	36.4	39.2	29.4
Social Studies	9	40.0	46.6	28.7

Source: State of Michigan, Department of Education

The ACT College Readiness data are based on ACT administrations completed during the Michigan Merit Examination in the spring of grade 11.

Table 7
2010-11 ACT College & Career Readiness Benchmark

<u>Subject</u>	<u>The Academy</u>	<u>State of Michigan</u>
All Subjects	35.7%	17.3%
English	71.4	53.0
Reading	78.9	39.6
Math	50.0	31.8
Science	35.7	22.7

STATE SCHOOL AID PAYMENTS

The Academy's principal source of revenue is a per-pupil foundation allowance received from the State pursuant to the State School Aid Act of 1979, MCL Section 388.1601 *et seq.*, as amended (the "State School Aid Act").

The following table shows the minimum and maximum foundation allowances per-pupil that the Michigan Legislature allowed public school academies for the 2005-06 through 2011-12 fiscal years. The table also shows the per-pupil foundation allowance the Academy actually received during fiscal years 2005-06 through 2010-11 and the minimum per-pupil allowance that the Academy anticipates receiving for the current 2011-12 fiscal year. On June 21, 2011, the Governor signed into law Act No. 62 of Public Acts of Michigan, 2011, which amends the State School Aid Act and results in a reduction of the Academy's State School Aid per pupil foundation allowance for the 2011-2012 fiscal year to \$7,110, or a \$470 per pupil reduction from 2010-11 fiscal year by making permanent the \$170 per pupil reduction currently in effect for fiscal year 2010-11 and instituting an additional reduction of \$300 per pupil. See "RISK FACTORS" in the forepart of this Official Statement for additional information, including "Delay in, Reduction, or Termination of State School Aid." In addition, the Academy receives certain Federal funding. See SUMMARY OF SIGNIFICANT ASSUMPTIONS – Revenue Assumptions and Variables – Federal" herein.

Table 8
Per-Pupil Foundation Allowance

<u>Fiscal Year</u>	<u>Minimum Foundation Allowance Per Pupil</u>	<u>Maximum Foundation Allowance Per Pupil</u>	<u>Foundation Allowance Per Pupil Received by Academy</u>
2005-06	\$6,875	\$7,175	\$6,800
2006-07	7,085	7,385	6,875
2007-08	7,204	7,475	7,204
2008-09	7,316	7,580	7,286
2009-10	7,316	7,580	7,151
2010-11	7,316	7,580	7,146
2011-12	6,846	7,110	6,946

Source: The Academy, from information published by the Michigan Department of Education.

OTHER BORROWINGS

The Academy has no outstanding obligations other than the Prior Obligation.

DEBT HISTORY

The Academy has no record of default on prior debt financings.

FUTURE FINANCINGS

At this time the Academy has no plan for future long-term financing.

FEDERAL/STATE FUNDING

Public school academy students are similar to public school students with respect to eligibility for federal entitlement programs. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow. Federal funding represents approximately 3% of the current fiscal year's annual revenue for the Academy.

BUDGET PROCESS AND INFORMATION

The Academy's Board of Directors is responsible for establishing, approving and amending an annual budget in accordance with the Uniform Budgeting and Accounting Act, MCL 141.421, *et seq.* By June 30th of each year, the Academy Board must submit to the PSA Director at the Authorizing Body a copy of its annual budget for the upcoming fiscal year. The budget must detail budgeted expenditures at the function level as described in the Michigan Department of Education's Michigan School Accounting Manual. The Academy's Board of Directors is also responsible for approving all revisions and amendments to the annual budget.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Below is a table of the Academy's historical and projected general fund revenues and expenses and changes in fund balance, including projected debt service coverage numbers. The information presented for the Academy's fiscal years ending June 30, 2009, 2010 and 2011 is actual data presented by the Academy, and for the fiscal years ending 2012 through 2016 is projected information provided by the Academy, which is based upon certain assumptions made by the Academy. The projections are based on historical operating data of the Academy and the Academy's assumptions about student enrollment and expenses.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY.

Table 9

Concord Academy - Petoskey Project
Limited Obligation Revenue Refunding Bonds, Series 2012

Net Debt Service Schedule and Projected State Aid Coverage

								ESTIMATED			
								20% of State	State		
					Total	Debt Service		School Aid -	School Aid -	State Aid	Current
					Annual	Coverage	As % State Aid	School Aid -	School Aid -	State Aid	Blended Pupil
FYE	Principal	Interest	Outstanding Debt	Ongoing Expenses	Debt Service	Coverage	As % State Aid	Unrestricted**	Unrestricted	Per Pupil*	Count***
06/30/2012	-	-	-	-	-	-		\$379,252	\$1,896,258	\$6,946	273
06/30/2013	75,000.00	209,851.35	284,851	3,020.89	287,872	-	0.07%	397,311	1,986,556	6,946	286
06/30/2014	100,000.00	188,237.50	288,238	3,232.50	291,470	1.45	13.80%	422,317	2,111,584	6,946	304
06/30/2015	100,000.00	182,737.50	282,738	3,182.50	285,920	1.49	13.45%	425,095	2,125,476	6,946	306
06/30/2016	105,000.00	177,100.00	282,100	3,132.50	285,233	1.49	13.42%	425,095	2,125,476	6,946	306
06/30/2017	115,000.00	171,050.00	286,050	3,080.00	289,130	1.47	13.60%	425,095	2,125,476	6,946	306
06/30/2018	115,000.00	164,725.00	279,725	3,022.50	282,748	1.50	13.30%	425,095	2,125,476	6,946	306
06/30/2019	125,000.00	158,125.00	283,125	2,965.00	286,090	1.49	13.46%	425,095	2,125,476	6,946	306
06/30/2020	135,000.00	150,975.00	285,975	2,902.50	288,878	1.47	13.59%	425,095	2,125,476	6,946	306
06/30/2021	140,000.00	143,412.50	283,413	2,835.00	286,248	1.49	13.47%	425,095	2,125,476	6,946	306
06/30/2022	145,000.00	134,578.13	279,578	2,765.00	282,343	1.51	13.28%	425,095	2,125,476	6,946	306
06/30/2023	160,000.00	124,093.76	284,094	2,692.50	286,786	1.48	13.49%	425,095	2,125,476	6,946	306
06/30/2024	170,000.00	112,750.01	282,750	2,612.50	285,363	1.49	13.43%	425,095	2,125,476	6,946	306
06/30/2025	180,000.00	100,718.76	280,719	2,527.50	283,246	1.50	13.33%	425,095	2,125,476	6,946	306
06/30/2026	190,000.00	88,000.01	278,000	2,437.50	280,438	1.52	13.19%	425,095	2,125,476	6,946	306
06/30/2027	205,000.00	74,421.88	279,422	2,342.50	281,764	1.51	13.26%	425,095	2,125,476	6,946	306
06/30/2028	220,000.00	59,812.50	279,813	2,240.00	282,053	1.51	13.27%	425,095	2,125,476	6,946	306
06/30/2029	240,000.00	44,000.00	284,000	2,130.00	286,130	1.49	13.46%	425,095	2,125,476	6,946	306
06/30/2030	250,000.00	27,156.25	277,156	2,010.00	279,166	1.52	13.13%	425,095	2,125,476	6,946	306
06/01/2031	270,000.00	9,281.25	279,281	1,750.00	281,031	1.51	13.22%	425,095	2,125,476	6,946	306
Total	3,040,000	2,321,026	5,361,026	50,881	5,411,907						

* The pupil funding remains flat at \$6,946.

** State School Aid - Unrestricted to be received from October 20 through August 20.

*** Projected Blended Pupil Count (10% of Spring Count and 90% of Fall Count)

Clear Scope Advisors, Inc.

Table 10

HISTORICAL AND PROJECTED REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDING JUNE 30

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
	Audited	Audited	Audited	Budgeted	Projected	Projected	Projected	Projected	Projected
Enrollment	331	320	298	272.00	287	306	306	306	306
Blended Count Foundation Allowance	330	322	303	273	286	304	306	306	306
Pupil Foundation Allowance	\$7,316	\$7,316	\$7,316	\$6,946	\$6,946	\$6,946	\$6,946	\$6,946	\$6,946
REVENUE									
Local Revenue	\$ 58,618	\$ 91,402	\$ 58,716	98,289.20	87,420.00	68,105.10	75,709.50	78,231.48	85,879.56 ⁽¹⁾
State	2,524,578	2,421,055	2,278,820	1,990,084.20	2,048,346.16	2,185,182.36	2,191,597.81	2,193,908.05	2,196,283.80
Federal	26,767	55,549	149,420	45,210.00	34,115.00	34,115.00	35,820.75	37,611.79	39,492.39 ⁽²⁾
Incoming Transfers/Food Services	-								
TOTAL REVENUES	\$ 2,609,963	\$ 2,568,006	\$ 2,486,956	2,133,583.40	2,169,881.16	2,287,402.46	2,303,128.06	2,309,751.32	2,321,655.75
EXPENDITURES									
<i>Instruction:</i>									
Basic Programs	\$ 1,284,246	\$ 1,368,280	\$ 1,290,292	1,287,704.34	1,262,042.18	1,288,572.94	1,248,910.86	1,240,581.06	1,249,698.12 ⁽³⁾
Added Needs	141,405	141,264	181,592	135,547.81	110,737.76	113,566.11	116,489.58	119,585.69	122,944.95 ⁽⁴⁾
<i>Support Services:</i>									
Administration	591,142	532,561	485,836	401,657.55	351,159.80	365,411.40	391,058.62	400,273.41	417,739.58 ⁽⁵⁾
Operating & Maintenance	157,773	139,866	171,124	153,630.11	124,993.00	133,730.00	145,203.00	145,453.00	151,763.15 ⁽⁶⁾
Food Services									
Outgoing Transfers									
TOTAL OPERATING EXPENSES	\$ 2,174,566	\$ 2,181,971	\$ 2,128,844	\$ 1,978,540	1,848,932.74	\$ 1,901,280	\$ 1,901,662	\$ 1,905,893	\$ 1,942,146
NET REVENUES AVAILABLE FOR DEBT SERVICE	\$ 435,397	\$ 386,035	\$ 358,112	\$ 155,044	\$ 320,948	\$ 386,122	\$ 401,466	\$ 403,858	\$ 379,510
Estimated Debt Service	\$ 333,456	\$ 339,106	\$ 334,394	323,519.00	\$ 287,872	\$ 291,470	\$ 285,920	\$ 285,233	\$ 289,130
Estimated Debt Service Coverage	1.31	1.14	1.07	0.48	1.11	1.32	1.40	1.42	1.31
Debt Service as % of State Revenue	13.21%	14.01%	14.67%	16.26%	14.05%	13.34%	13.05%	13.00%	13.16%
Estimated Remaining Revenues	\$ 101,941	\$ 46,929	\$ 23,718	\$(168,475.41)	\$ 33,076	\$ 94,652	\$ 115,546	\$ 118,625	\$ 90,380
Net Change in Fund Balance	\$101,941	\$46,929	\$23,718	-\$168,475	\$33,076	\$94,652	\$115,546	\$118,625	\$90,380
Beginning Fund Balance	\$ 1,145,207	\$ 1,247,148	\$ 1,294,077	\$ 1,317,795	\$ 1,149,320	\$ 1,182,396	\$ 1,277,048	\$ 1,392,594	\$ 1,511,219
Ending Fund Balance	\$ 1,247,148	\$ 1,294,077	\$ 1,317,795	\$ 1,149,320	\$ 1,182,396	\$ 1,277,048	\$ 1,392,594	\$ 1,511,219	\$ 1,601,599

(1) In 2009-10, the Academy began to receive Rural School Achievement Grant. In 2011-12, the Academy received a refund from the Gas Co. and increase its fundraising activities.

(2) In 2010-11 Federal income was high due to the Academy receiving \$37,368 in ARRA funding and \$71,225 in EduJobs funding.

(3) The Academy has 4 teachers remaining that participate in MSPERS. These teacher will retire in years 2014-15 through 2016-17 and be replaced with 1st year teachers.

(4) In years 2008-09 and 2009-10 the Special Ed Teacher assumed some Administrative roles and the expenses for this position was split between Added Needs and Administration. In 2010-11 the dual responsibilities ended resulting in the increase of expensed under Added Needs and a reduction under Administration. In 2012-13, one Special Ed Teacher was laid off resulting in the reduction of the Added Needs expense.

(5) Administrative expenses decline in 2011-12 due to the termination of the Asst Director position.

(6) The Academy has some capital expenditures in 2010-11 and 2011-12 in the amount of \$54,082.80. These improvement included roofing, adding needed rain gutters, sound proofing the band room, driveway repair at the bottom of the drive, insulation and ventilation in the roof, new exterior sign, exterior work to the Facility and lastly, some drainage work around the Facility and seal coating pavement and repainting all lines.

SUMMARY OF SIGNIFICANT ASSUMPTIONS

The projected information in Tables 9 and 10 are projected based on a number of assumptions and variables. These assumptions and variables include:

Revenue Assumptions and Variables

Base. Approximately 90% of all revenue received by the Academy is based on the State of Michigan per pupil foundation allowance and enrollment. The state aid payments are calculated at \$6,946 per student. See “State Aid Payments” above and “Sources of Payment and Security for the Bonds - Direct Transfer of State School Aid by State Treasurer for Payment of the Financing Agreement” for further information. The Academy projects enrollment increases annually to an enrollment of 306 in the 2013-14 fiscal year. To maintain a conducive academic climate, enrollment has been projected to remain steady at 306 students thereafter.

State law requires two membership student counts each school year; one on the fourth Wednesday in September (the “Fall Count”) and the other on the second Wednesday in February (the “Spring Count”). State law defines a “Blended Pupil Count” to be the current year Fall Count times a factor set by the State times and adding it to the prior year Spring Count times a factor set by the State. The current year factor is 90% and the prior year factor is 10%. The state foundation grant revenue is determined by multiplying the Blended Pupil Count by the per-pupil foundation allowance.

Grants. The Academy receives federal based grants (Title I) based on the number of free and reduced lunch applications processed each school year with the final count of applications being certified in October. Approximately 6% of grant revenue is IDEA funds received from the Intermediate School District for reimbursement of special education costs. The remainder of funding comes from other local, state and federal sources allocated by the lunch and after school program. The projection for the state special education and at risk grants is included at \$81,644.

Expenditure Assumptions

All assumptions are based on type of expenditure and whether it relates primarily to staff salaries, external purchased services, or other definable areas. In years 2012-13 through 2017-18, staff salaries are projected to decrease, as the remaining four teachers that participate in MPERS retire and the positions are filled with new teachers lower on the salary scale. The overall number of staff will remain the same and with incremental increases to salary year to year. The Health Insurance is projected with a 12% increase yearly with no plan changes. Vision and Dental Insurance is projected with a 10% increase yearly with no plan changes.

There are no major capital improvement projects projected.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR
THE ACADEMY FOR THE YEAR
ENDED JUNE 30, 2009
JUNE 30, 2010 AND JUNE 30, 2011

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RECEIVED

By Gloria Suggitt at 6:22 am, Sep 30, 2009

AUDITED FINANCIAL STATEMENTS

CONCORD ACADEMY

PETOSKEY, MICHIGAN

YEAR ENDED JUNE 30, 2009

The auditor has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

CONCORD ACADEMY

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August 18, 2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Concord Academy

I have audited the accompanying financial statements of the governmental activities and the major fund of Concord Academy as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Concord Academy as of June 30, 2009, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 18, 2009, on my consideration of the Academy's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages III - VI and budgetary comparison information on pages 18 through 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Daniel S. Smith, CPA

CONCORD ACADEMY

CONCORD ACADEMY MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2009

This section of Concord Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Academy assets at June 30, 2009, as reported in the Statement of Net Assets, totaled approximately \$3,748,000 for governmental activities. Of the total Academy assets, approximately \$2,244,000 represents capital assets net of depreciation.

Overall revenues were approximately \$2,610,000 (\$118,000 from program revenues and \$2,492,000 from general revenues). Overall expenses approximated \$2,512,000.

The Academy did not incur any new debt instruments during the year, but did pay \$55,000 of the current debt balance. Total debt service payments totaled \$333,456. The Academy spent \$19,237 on capital equipment and improvements. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Academy.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Academy. The Academy does not engage in any business-type activities.

III

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The remaining statements are fund financial statements, which focus on individual parts of the Academy in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Academy as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Academy's assets and liabilities; this is one method to measure the Academy's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as student counts, tax base changes, facility conditions, and personnel changes.

All of the activities of the Academy are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds, focusing on significant (major) funds, not the Academy as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Academy Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Academy has the following types of funds:

Governmental Funds: All of the Academy's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Academy's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

IV

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Assets: The Academy's combined net assets increased approximately \$98,000 during the year ended June 30, 2009.

The increase in net assets is mainly due to careful fiscal management by the administrators and board of directors.

Governmental Funds: The fund balances for governmental funds increased approximately \$196,000. This increase is due in large part to the contributions received and interest earned in the capital projects fund, and the conservative fiscal management of the general fund.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

General Fund: This fund is used to record all activities of the Academy not required to be recorded in a separate fund. This would primarily include instruction, support services and debt service. The major sources of revenue for the general fund are from the State of Michigan Foundation Grant. The major expenses for this fiscal year include purchased services, salaries, benefits, supplies, operation of the buildings, and debt service.

Capital Projects Fund: The Capital Projects Fund was terminated at the start of the fiscal year. Its fund equity was transferred to the general fund.

Fiduciary Fund: The School is the trustee, or fiduciary, for the Concord fundraising groups. All of the School's fiduciary activities are reported in the statement of changes in fiduciary accounts. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Capital Assets cost \$19,237, and included the following: classroom fixtures, computers, and an air purifier.

Long-Term Debt: A total of \$55,000 was paid towards the long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Concord Academy is anticipating an enrollment of approximately 330 students, virtually the same as last September. This number of students allows the school to function at a healthy rate, fiscally speaking.

CONTACTING ACADEMY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the revenues it receives. If you have any questions concerning this report please contact the following School official.

Nick Oshelski, Administrator

CONCORD ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Current Assets:

Cash - Operating Checking	\$ 498,404
Cash - Restricted	531,733
Receivables:	
State Foundation Grant	448,964
Federal Grants	24,242
Deposits	1,000
Total Current Assets	<u>1,504,343</u>

Noncurrent Assets:

Land, Buildings and Equipment	2,821,370
Less, Accumulated Depreciation	(577,471)
Total Noncurrent Assets	<u>2,243,899</u>
Total Assets	<u><u>3,748,242</u></u>

LIABILITIES

Current Liabilities:

Accrued Salaries & Benefits	241,894
Accrued Expenses	13,469
Employee Withholdings	1,832
Current Portion - Long Term Debt	65,000
Accrued Interest	23,000
Total Current Liabilities	<u>345,195</u>

Noncurrent Liabilities:

Certificates of Participation	3,330,000
Total Liabilities	<u>3,675,195</u>

NET ASSETS

Net Assets - Unrestricted	691,415
Net Assets - Reserved	1,000
Net Assets - Restricted	531,733
Investment in Capital Assets - Net of Long Term Debt (Deficit)	(1,151,101)
Total Net Assets	<u><u>\$ 73,047</u></u>

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See accompanying notes to the financial statements

**CONCORD ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

	P R O G R A M R E V E N U E				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAI GRAN CONTR	
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ (1,423,636)	\$ -	\$ 66,134	\$	\$ (1,357,502)
Support Services	(731,693)	52,346	-		(679,347)
Interest Expense	(278,456)	-	-		(278,456)
Unallocated Depreciation	(78,481)	-	-		(78,481)
	<u>(2,512,266)</u>	<u>52,346</u>	<u>66,134</u>		<u>(2,393,786)</u>
GENERAL REVENUES:					
State Foundation Grants (not restricted)					2,485,211
Interest Earnings					6,271
Total General Revenues					<u>2,491,482</u>
Change in Net Assets					97,696
Net Assets (Deficit) - Beginning of Year					(24,649)
Net Assets (Deficit) - End of Year					<u>\$ 73,047</u>

See accompanying notes to the financial statements

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CONCORD ACADEMY PETOSKEY
BALANCE SHEET
JUNE 30, 2009

ASSETS

Cash - Operating Checking	\$ 498,404
Cash - Restricted	531,733
Receivables:	
State Foundation Grant	448,964
Federal Grants	24,242
Deposit	1,000
Total Assets	<u><u>1,504,343</u></u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Accrued Salaries & Benefits	241,894
Accrued Expenses	13,469
Employee Withholdings	1,832
Total Liabilities	<u>257,195</u>
Fund Equity:	
Fund Balance - Unreserved	714,415
Fund Balance - Reserved/Restricted	532,733
Total Fund Equity	<u>1,247,148</u>
Total Liabilities and Fund Equity	<u><u>\$ 1,504,343</u></u>

See accompanying notes to the financial statements

CONCORD ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL
ACTIVITIES (PER BALANCE SHEET - PAGE 3)

\$ 1,247,148

Amounts reported for governmental activities in the Statement of Net Assets (page 2) are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds.

2,243,899

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

(3,395,000)

Accrued Interest is recognized as a liability on the Statement of Net Assets, but not in the General Fund

(23,000)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES
(PER STATEMENT NET ASSETS - PAGE 1)

\$ 73,047

See accompanying notes to the financial statements

**CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	GENERAL FUND
Revenues:	
State Sources	\$ 2,524,578
Local Sources	52,347
Federal Sources	26,767
Interest Income	6,271
Total Revenues	<u>2,609,963</u>
Expenditures:	
Instruction	1,425,651
Supporting Services	748,915
Debt Service:	
Principal	55,000
Interest	278,456
Total Expenditures	<u>2,508,022</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>101,941</u>
Fund Balance - July 1, 2008	<u>1,145,207</u>
Fund Balance - June 30, 2009	<u><u>\$ 1,247,148</u></u>

**CONCORD ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
PER THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - PAGE 5**

\$ 101,941

Amounts reported for governmental activities in the Statement
of Activities (page 2) are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives.

19,237

Depreciation expense is not recorded in the fund financial statements

(78,481)

Debt service principal payments are recorded as expenditures in
the fund statements, but only interest is recorded in the
statement of activities.

55,000

Governmental funds report interest expense when paid, but the
Statement of Activities recognizes the "actual" interest expense,
which is adjusted to include accrued amounts.

CHANGE IN NET ASSETS - PAGE 2

\$ 97,697

See accompanying notes to the financial statements

See accompanying notes to the financial statements

CONCORD ACADEMY PETOSKEY
STATEMENT OF CHANGES IN FIDUCIARY ACCOUNTS
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Concord Academy, (the "Academy") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's accounting policies are described below.

REPORTING ENTITY

Public School Academies are a relatively new type of organization, formed pursuant to the Michigan School Code of 1976 as amended by Act Number 416 of the Public Acts of 1994; Act Number 416 became effective March 30, 1995. The Academy filed Articles of Incorporation as a non-profit corporation April 3, 1995.

On May 1, 2000, the Academy signed a contract to charter a Public School Academy with Lake Superior State University's Board of Trustees (LSSU). According to this contract, the Academy is to act exclusively as a governmental agency and is not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the Michigan State Constitution. Under this contract, LSSU provides certain services to the Academy including approval of the Academy's operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors from a list of candidates provided by the Academy. LSSU is paid three percent of State Aid payments received by the Academy for such services.

In evaluating how to define the Academy, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, and the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Academy contain all the funds controlled by the Academy's Board of Directors as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Academy nor is the Academy a component unit of another entity.

AGENCY FUNCTION

Concord Fundraising Group(s)

BEGINNING BALANCE JULY 1	RECEIPTS	DISBURSE- MENTS	ENDING BALANCE JUNE 30
\$ 5,308	\$ 25,642	\$ 25,951	\$ 4,999

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Concord Academy are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Academy's financial activities.

The accounting policies of Concord Academy conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On July 1, 2003, Concord Academy adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Academy's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Academy as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Academy general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Academy has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Academy's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Academy reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the school. Revenues are derived primarily from the State Foundation grants.

Capital Projects Fund - This fund was terminated as of June 30, 2008. The fund balance was transferred to the general fund.

Fiduciary Fund - The Fiduciary (Agency) fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund is to record the transactions of the Concord fundraising groups for school-related purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Academy are prepared in accordance with generally accepted accounting principles (GAAP). The Academy applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Academy does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Academy considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: state and federal grants, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the authorizing agent, Lake Superior State University, which transmits the funds to the Academy. For the year ended June 30, 2009 the foundation allowance was based on the weighted average of pupil membership counts taken in February, 2008 and September, 2008.

The state foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October, 2008 – August, 2009. Thus, the unpaid portion at June 30 is reported as a receivable.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Academy's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Academy for these budgetary funds were adopted on an activity level. Budgets as adopted, end on June 30, of each year. There are no carryover budget items. During the year ended June 30, 2009, there were no overexpenditures.

CAPITAL ASSETS AND DEPRECIATION

The Academy's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Academy generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 50
Improvements, other than buildings	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10
Infrastructure	25 - 50

Land, construction in progress, and library books and periodicals are not depreciated.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note D.

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE C: CASH AND INVESTMENTS

The Academy's deposits as of June 30, 2009 includes an interest bearing checking account, a savings account, a certificate of deposit and amounts held through the trust department of a bank for the purpose of building construction and payment of debt service. The majority of the trust department funds are deposited in a U.S. Government money market fund which invests exclusively in short-term U.S. Treasury Obligations and repurchase agreements secured by U.S. Treasury Obligations.

The carrying amount of the Academy's deposits at June 30, 2009 was \$930,137 and the bank balance was \$935,725 of which \$500,000 was covered by federal depository insurance and \$430,137 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of the Academy, subject to minimal risk.

Funds are invested in the following as permitted by Michigan law:

Bonds and other obligations of the United States Government.
Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
Certain commercial paper.
United States Government repurchase agreements.
Banker's acceptances of United States Banks.
Certain mutual funds.

NOTE D: CAPITAL ASSETS

	CAPITAL ASSETS NOT DEPRECIATED	CAPITAL ASSETS DEPRECIATED		
	Land & Improv.	Buildings & Improv.	Furniture & Equipment	Totals
Governmental Activities				
Capital Assets				
Balance, July 1, 2008	\$ 126,250	\$2,406,509	\$ 269,374	\$ 2,802,133
Increases	-	-	19,237	19,237
Decreases	-	-	-	-
Balance, June 30, 2009	<u>126,250</u>	<u>2,406,509</u>	<u>288,611</u>	<u>2,821,370</u>
Accumulated Depreciation				
Balance, July 1, 2008	-	302,363	196,627	498,990
Increases	-	55,712	22,769	78,481
Decreases	-	-	-	-
Balance, June 30, 2009	<u>-</u>	<u>358,075</u>	<u>219,396</u>	<u>577,471</u>
Capital Assets, Net	<u>\$ 126,250</u>	<u>\$ 2,048,434</u>	<u>\$ 67,215</u>	<u>\$ 2,243,899</u>

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE E: LONG-TERM DEBT

The following is a summary of changes in the General Long-Term Debt:

	7/1/08	Additions	Retirements	6/30/09
Participation Notes Payable	<u>\$3,450,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$3,395,000</u>

Long-term debt at June 30, 2009 is comprised of the following:

Participation Notes Payable (Series #2 - \$3,690,000) to MJSK Corporation, payable in increasing annual installments beginning in December, 2003, with semi-annual interest payments beginning in June, 2001 at rates from 7.25% to 8.375% through December, 2030. Secured by pledged state aid revenues and a first mortgage on the school building and the land it sets upon.

The total debt service requirements for the next five years and thereafter, as of June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 65,000	\$ 274,106	\$ 339,106
2011	65,000	269,394	334,394
2012	75,000	264,131	339,131
2013	75,000	258,319	333,319
2014	85,000	252,119	337,119
2015	90,000	245,338	335,338
2016	95,000	238,169	333,169
2017-2021	605,000	1,062,194	1,667,194
2022-2030	2,240,000	1,062,788	3,302,788
Total	<u>\$ 3,395,000</u>	<u>\$ 3,926,558</u>	<u>\$ 7,321,558</u>

NOTE F: RESERVED/RESTRICTED FUND BALANCE/NET ASSETS

The Academy has reserved fund balance in the amount of \$1,000, which represents a prepaid deposit.

The Academy has restricted Net Assets in the amount of \$531,733. This amount represents the "reserved" balances (\$428,322) in U.S. Bank to be used for future years debt service and \$103,411 that was donated and restricted for future construction of a performance center. The funds are not available for other operating costs.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE G: EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

PLAN DESCRIPTION

The Academy contributed to the statewide Michigan Public School Employee's Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and currently operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by contacting the Michigan Public Schools Employees' Retirement System, P.O. Box 30171, Lansing, Michigan 48909.

FUNDING POLICY

Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

The Academy is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2009 were 16.72% from July 1, 2008 through September 30, 2008 and 16.54% from October 1, 2008 through June 30, 2009. The contribution requirements of plan members and the Academy are established and may be amended by the MPERS Board of Trustees. The Academy's contributions to MPERS for the current and two preceding years were as follows:

Year Ended June 30,	Compensation Covered	Employer Contribution
2009	\$ 342,074	\$ 58,153
2008	346,458	54,478
2007	1,066,795	153,416

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE G: EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (CONTINUED)

OTHER POST-EMPLOYEE BENEFITS

Retirees have the option of health, dental and vision coverage which is funded on a cash basis by the employers. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

NOTE H: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Academy carries commercial insurance for risks of loss, including employee health and accident insurance.

NOTE I: PURCHASED SERVICES

The Academy contracted with Lakeshore Educational Management, Inc. to provide teaching and administrative services. The payments to this company covered the following expenses associated with the teachers and administrative personnel: wages, payroll taxes, retirement and health insurance.

**CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES:				
Local Sources:				
Fundraisers	\$ 10,000	\$ 6,738	\$ 15,979	\$ 9,241
Trip Revenue	23,000	12,230	17,050	4,820
LSSU Grant	-	-	3,290	3,290
Interest Income	3,999	6,227	6,271	44
Miscellaneous	54,600	16,015	16,028	13
Total Local Sources	91,599	41,210	58,618	17,408
State Sources:				
State Foundation Grant	2,428,378	2,428,378	2,485,211	56,833
Intermediate School District	5,300	39,367	39,367	-
Total State Sources	2,433,678	2,467,745	2,524,578	56,833
Federal Sources:				
Title I	-	5,816	23,908	18,092
Title II	-	-	2,859	2,859
Total Federal Sources	-	5,816	26,767	20,951
TOTAL REVENUES	2,525,277	2,514,771	2,609,963	95,192
EXPENDITURES:				
Instruction:				
Basic Programs:				
Elementary:				
Purchased Services	358,441	312,300	310,695	1,605
Wages	218,009	181,700	181,659	41
Fringes	82,363	81,600	81,372	228
Supplies, Materials and Other Expenses	13,650	19,000	18,534	466
Textbooks - Elementary	6,000	6,000	5,976	24
Capital Outlay	3,000	3,300	3,269	31
Total Elementary	\$ 681,463	\$ 603,900	\$ 601,505	\$ 2,395

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Middle School:				
Purchased Services	\$ 337,152	\$ 256,200	\$ 254,919	\$ 1,281
Wages	-	76,500	76,364	136
Fringes	-	39,800	39,449	351
Supplies, Materials and Other Expenses	14,250	17,575	17,205	370
Capital Outlay	1,000	100	32	68
Total Middle School	352,402	390,175	387,969	2,206
High School:				
Purchased Services	289,033	247,100	246,593	507
Wages	50,997	21,000	20,540	460
Fringes	14,416	7,000	6,879	121
Supplies, Materials and Other Expenses	25,550	21,300	20,760	540
Capital Outlay	2,000	-	-	-
Total High School	381,996	296,400	294,772	1,628
Special Education:				
Purchased Services	-	141,300	140,837	463
Supplies	-	600	568	32
Total Special Education	-	141,900	141,405	495
Total Instruction	1,415,861	1,432,375	1,425,651	6,724
Supporting Services:				
Administration:				
Purchased Services	235,554	238,600	237,433	1,167
Wages	54,101	63,600	63,511	89
Fringes	23,357	36,800	36,670	130
Supplies, Materials and Other Expenses	74,300	102,418	101,525	893
LSSU Oversight Fee	72,851	73,300	74,556	(1,256)
Fundraising	7,000	200	145	55
Trips	23,900	17,300	17,260	40
Professional Fees/Engineering	18,600	60,090	60,042	48
Capital Outlay	1,000	-	-	-
Total Administration	\$ 510,863	\$ 592,308	\$ 591,142	\$ 1,186

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Operation and Maintenance of Plant:				
Wages	\$ -	\$ 500	\$ 346	\$ 154
Fringes	-	100	35	65
Purchased Services	64,960	64,800	64,194	606
Utilities	61,600	39,500	39,393	107
Repair and Maintenance	19,000	19,500	19,269	231
Insurance	24,350	17,500	17,412	88
Supplies	8,000	7,800	7,728	72
Telephone	4,000	2,600	2,581	19
Internet	3,100	1,500	1,477	23
Capital Outlay	12,000	5,500	5,338	162
Total Operation and Maintenance	197,010	159,300	157,773	1,527
Total Supporting Services	707,673	751,608	748,915	2,693
Debt Service:				
Interest - Long Term Debt	206,329	279,000	278,456	544
Principal - Long Term Debt	135,000	55,000	55,000	-
Total Debt Service	341,329	334,000	333,456	544
Total Expenditures	2,464,863	2,517,983	2,508,022	9,961
Excess (Deficiency) of Revenues Over Expenditures	60,414	(3,212)	101,941	105,153
Fund Balance - Beginning of Year	1,145,207	1,145,207	1,145,207	-
Fund Balance - End of Year	\$ 1,205,621	1,141,995	1,247,148	\$ 105,153

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

August 18, 2009

Board of Directors
Concord Academy Petoskey

I have audited the financial statements of the governmental activities and major funds of Concord Academy Petoskey, as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements and have issued my report thereon dated August 18, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Academy's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a

remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control over financial reporting. I consider the deficiencies described in the accompanying schedule of findings and responses (2009-1 through 2009-2) to be significant deficiencies in internal control over financial reporting.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control. My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiencies described above, I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Academy's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Academy's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the Board of Education and management and is not intended to be and should not be used by anyone other than these specified parties.



Daniel S. Smith, CPA

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – Financial Statement Findings

2009-1

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy that the management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Academy's internal controls over financial reporting.

Recommendation

The Academy should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not feel the auditor intervention with the annual financial reporting is detrimental to the overall internal controls of its fiscal management.

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – Financial Statement Findings (Continued)

2009-2

Criteria or Specific Requirement

Establishment and maintenance of separation of duties over the cash collections and cash disbursements process.

Condition

Due to limited staff size, two individuals are essentially involved with the issuance of billings, collection of cash, check signing, bank reconciliation, transfers between bank accounts and responsibility for general ledger postings.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy Board that the management is correctly recording cash collections and cash disbursements.

Effect

The effect of this condition is that a misstatement would not be detected timely by management or the Academy Board.

Recommendation

The Academy should review and implement the necessary separation of duties and board oversight to lessen the effects of the lack of separation of duties.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not have the funding to hire additional staff in order to have separation of duties. The Academy Board has become more active in the oversight in the cash collections and cash disbursements as a compensating control for management.



RECEIVED

By Gloria Suggitt at 1:45 pm, Nov 19, 2010

November 19, 2010

To Whom It May Concern,

Enclosed you will find the Audited Financial Statements for Concord Academy Petoskey
FYE 6-30-10. If you have any questions in regards to this audit, please feel free to
contact David Hill, Director of Concord Academy Petoskey at 231-439-6800 x16.

Sincerely,

Laurie Coy
Bookkeeper, Concord Academy Petoskey

AUDITED FINANCIAL STATEMENTS

CONCORD ACADEMY

PETOSKEY, MICHIGAN

YEAR ENDED JUNE 30, 2010

The auditor has not examined or reviewed any financial documents, statements or materials
that have been or may be furnished in connection with the authorization, issuance or
marketing of the Bonds and accordingly will not express any opinion with respect to the
accuracy or completeness of any such financial documents, statements or materials.

CONCORD ACADEMY
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DAN SMITH
CERTIFIED PUBLIC ACCOUNTANT

August 30, 2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Concord Academy

I have audited the accompanying financial statements of the governmental activities and the major fund of Concord Academy as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. My responsibility is to express an opinion on these financial statements based on my audit.

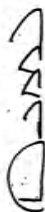
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Concord Academy as of June 30, 2010, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 30, 2010, on my consideration of the Academy's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

114 S. Center Ave. • Suite 108 • Gaylord, MI 49735
989.732.1441

The management's discussion and analysis on pages III - VI and budgetary comparison information on pages 18 through 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Daniel S. Smith, CPA

CONCORD ACADEMY

CONCORD ACADEMY MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2010

This section of Concord Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Academy assets at June 30, 2010, as reported in the Statement of Net Assets, totaled approximately \$3,772,000 for governmental activities. Of the total Academy assets, approximately \$2,189,000 represents capital assets net of depreciation.

Overall revenues were approximately \$2,568,000 (\$189,000 from program revenues and \$2,379,000 from general revenues). Overall expenses approximated \$2,510,000.

The Academy did not incur any new debt instruments during the year, but did pay \$65,000 of the current debt balance. Total debt service payments totaled \$339,106. The Academy spent \$16,778 on capital equipment and improvements. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Academy.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Academy. The Academy does not engage in any business-type activities.

III

II

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The remaining statements are fund financial statements, which focus on individual parts of the Academy in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Academy as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Academy's assets and liabilities; this is one method to measure the Academy's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as student counts, tax base changes, facility conditions, and personnel changes.

All of the activities of the Academy are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds, focusing on significant (major) funds, not the Academy as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Academy Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Academy has the following types of funds:

Governmental Funds: All of the Academy's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Academy's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Assets: The Academy's combined net assets increased approximately \$58,000 during the year ended June 30, 2010.

The increase in net assets is mainly due to careful fiscal management by the administrators and board of directors.

Governmental Funds: The fund balances for governmental funds increased approximately \$47,000. This increase is due in large part to the local grants received and the conservative fiscal management of the general fund.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

General Fund: This fund is used to record all activities of the Academy not required to be recorded in a separate fund. This would primarily include instruction, support services and debt service. The major sources of revenue for the general fund are from the State of Michigan Foundation Grant. The major expenses for this fiscal year include purchased services, salaries, benefits, supplies, operation of the buildings, and debt service.

Capital Projects Fund: The Capital Projects Fund was terminated at the start of the fiscal year. Its fund equity was transferred to the general fund.

Fiduciary Fund: The School is the trustee, or fiduciary, for the Concord fundraising groups. All of the School's fiduciary activities are reported in the statement of changes in fiduciary accounts. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Capital Assets cost \$16,778, and included the following: classroom fixtures and computers.

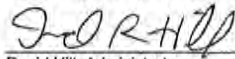
Long-Term Debt: A total of \$65,000 was paid towards the long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Concord Academy is anticipating an enrollment of approximately 310 students, slightly lower than last September. This number of students, with strong fiscal management, allows the school to meet its financial operational costs.

CONTACTING ACADEMY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the revenues it receives. If you have any questions concerning this report please contact the following School official.



David Hill, Administrator

CONCORD ACADEMY STATEMENT OF NET ASSETS JUNE 30, 2010

ASSETS	
Current Assets:	
Cash - Operating Checking	\$ 591,353
Cash - Restricted	550,865
Receivables:	
State Foundation Grant	417,785
Federal Grants	22,075
Deposits	1,000
Total Current Assets	1,583,078
Noncurrent Assets:	
Land, Buildings and Equipment	2,838,148
Less, Accumulated Depreciation	(648,783)
Total Noncurrent Assets	2,189,365
Total Assets	3,772,443
LIABILITIES	
Current Liabilities:	
Accrued Salaries & Benefits	272,228
Accrued Expenses	12,534
Employee Withholdings	4,239
Current Portion - Long Term Debt	65,000
Accrued Interest	22,600
Total Current Liabilities	376,601
Noncurrent Liabilities:	
Certificates of Participation	3,265,000
Total Liabilities	3,641,601
NET ASSETS	
Net Assets - Unrestricted	743,212
Net Assets - Restricted	550,865
Investment in Capital Assets - Net of Long Term Debt (Deficit)	(1,163,235)
Total Net Assets	\$ 130,842

CONCORD ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ (1,509,544)	\$ -	\$ 147,766	\$ -	\$ (1,361,778)
Support Services	(655,649)	41,200	-	-	(614,449)
Interest Expense	(273,706)	-	-	-	(273,706)
Unallocated Depreciation	(71,312)	-	-	-	(71,312)
	<u>(2,510,211)</u>	<u>41,200</u>	<u>147,766</u>	<u>-</u>	<u>(2,321,245)</u>
GENERAL REVENUES:					
State Foundation Grants (not restricted)					2,376,828
Interest Earnings					2,212
Total General Revenues					<u>2,379,040</u>
Change in Net Assets					57,795
Net Assets - Beginning of Year					73,047
Net Assets - End of Year					<u>\$ 130,842</u>

See Auditor's Report and the accompanying notes to the financial statements

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CONCORD ACADEMY PETOSKEY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2010

ASSETS	GENERAL FUND
Cash - Operating Checking	\$ 591,353
Cash - Restricted	550,865
Receivables:	
State Foundation Grant	417,785
Federal Grants	22,075
Deposit	1,000
Total Assets	1,583,078
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accrued Salaries & Benefits	272,228
Accrued Expenses	12,534
Accounts Payable	4,239
Total Liabilities	289,001
Fund Equity:	
Fund Balance - Unassigned	743,212
Fund Balance - Restricted	550,865
Total Fund Equity	1,294,077
 Total Liabilities and Fund Equity	 \$ 1,583,078

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See Auditor's Report and the accompanying notes to the financial statements

**CONCORD ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 3)	\$ 1,294,077
Amounts reported for governmental activities in the Statement of Net Assets (page 2) are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds.	2,189,365
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,330,000)
Accrued Interest is recognized as a liability on the Statement of Net Assets, but not in the General Fund	(22,600)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT NET ASSETS - PAGE 1)	\$ 130,842

See Auditor's Report and the accompanying notes to the financial statements

**CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	GENERAL FUND
Revenues:	
State Sources	\$ 2,421,055
Local Sources	89,190
Federal Sources	55,549
Interest Income	2,212
Total Revenues	2,568,006
Expenditures:	
Instruction	1,509,544
Supporting Services	672,427
Debt Service:	
Principal	65,000
Interest	274,106
Total Expenditures	2,521,077
Excess (Deficiency) of Revenues Over Expenditures	46,929
Fund Balance - July 1, 2009	1,247,148
Fund Balance - June 30, 2010	\$ 1,294,077

See Auditor's Report and the accompanying notes to the financial statements

CONCORD ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PAGE 5	\$ 46,829
Amounts reported for governmental activities in the Statement of Activities (page 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives.	16,778
Depreciation expense is not recorded in the fund financial statements	(71,312)
Debt service principal payments are recorded as expenditures in the fund statements, but only interest is recorded in the statement of activities.	65,000
Governmental funds report interest expense when paid, but the Statement of Activities recognizes the "actual" interest expense, which is adjusted to include accrued amounts.	400
CHANGE IN NET ASSETS - PAGE 2	<u>\$ 57,795</u>

CONCORD ACADEMY PETOSKEY
STATEMENT OF CHANGES IN FIDUCIARY ACCOUNTS
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

AGENCY FUNCTION	BEGINNING BALANCE JULY 1	RECEIPTS	DISBURSE- MENTS	ENDING BALANCE JUNE 30
Concord Fundraising Group(s)	\$ 4,999	\$ 34,416	\$ 30,958	\$ 8,457

See Auditor's Report and the accompanying notes to the financial statements

See Auditor's Report and the accompanying notes to the financial statements

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE A: REPORTING ENTITY

Public School Academies are a relatively new type of organization, formed pursuant to the Michigan School Code of 1976 as amended by Act Number 416 of the Public Acts of 1994; Act Number 416 became effective March 30, 1995. The Academy filed Articles of Incorporation as a non-profit corporation April 3, 1995.

On May 1, 2000, the Academy signed a contract to charter a Public School Academy with Lake Superior State University's Board of Trustees (LSSU). According to this contract, the Academy is to act exclusively as a governmental agency and is not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the Michigan State Constitution. Under this contract, LSSU provides certain services to the Academy including approval of the Academy's operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors from a list of candidates provided by the Academy. LSSU is paid three percent of State Aid payments received by the Academy for such services.

In evaluating how to define the Academy, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, and the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Academy contain all the funds controlled by the Academy's Board of Directors as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Academy nor is the Academy a component unit of another entity.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Concord Academy are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Academy's financial activities.

The accounting policies of Concord Academy conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On July 1, 2003, Concord Academy adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Academy's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Academy as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Academy general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Academy has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Academy's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Academy reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the school. Revenues are derived primarily from the State Foundation grants.

Fiduciary Fund - The Fiduciary (Agency) fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund is to record the transactions of the Concord fundraising groups for school-related purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Academy are prepared in accordance with generally accepted accounting principles (GAAP). The Academy applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Academy does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Academy considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: state and federal grants, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the authorizing agent, Lake Superior State University, which transmits the funds to the Academy. For the year ended June 30, 2010 the foundation allowance was based on the weighted average of pupil membership counts taken in February, 2009 and September, 2009.

The state foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October, 2009 -- August, 2010. Thus, the unpaid portion at June 30 is reported as a receivable.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Academy's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Academy for these budgetary funds were adopted on an activity level. Budgets as adopted, end on June 30, of each year. There are no carryover budget items. During the year ended June 30, 2010, there were no overexpenditures.

CAPITAL ASSETS AND DEPRECIATION

The Academy's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Academy generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 - 50
Improvements, other than buildings	10 - 20
Machinery and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	25 - 50

Land, construction in progress, and library books and periodicals are not depreciated.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note D.

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE C: CASH AND INVESTMENTS

The Academy's deposits as of June 30, 2010 includes an interest bearing checking account, a savings account, a certificate of deposit and amounts held through the trust department of a bank for the purpose of building construction and payment of debt service. The majority of the trust department funds are deposited in a U.S. Government money market fund which invests exclusively in short-term U.S. Treasury Obligations and repurchase agreements secured by U.S. Treasury Obligations.

The carrying amount of the Academy's deposits at June 30, 2010 was \$1,142,218 and the bank balance was \$1,185,598 of which \$604,445 was covered by federal depository insurance and \$581,153 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of the Academy, subject to minimal risk.

Funds are invested in the following as permitted by Michigan law:

Bonds and other obligations of the United States Government.
Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
Certain commercial paper.
United States Government repurchase agreements.
Banker's acceptances of United States Banks.
Certain mutual funds.

NOTE D: CAPITAL ASSETS

	CAPITAL ASSETS NOT DEPRECIATED		CAPITAL ASSETS DEPRECIATED	
	Land & Improv.	Buildings & Improv.	Furniture & Equipment	Totals
Governmental Activities				
Capital Assets				
Balance, July 1, 2009	\$ 126,250	\$2,406,509	\$ 288,611	\$ 2,821,370
Increases	-	-	16,778	16,778
Decreases	-	-	-	-
Balance, June 30, 2010	<u>126,250</u>	<u>2,406,509</u>	<u>305,389</u>	<u>2,838,148</u>
Accumulated Depreciation				
Balance, July 1, 2009	-	358,075	219,396	577,471
Increases	-	55,712	15,600	71,312
Decreases	-	-	-	-
Balance, June 30, 2010	<u>-</u>	<u>413,787</u>	<u>234,996</u>	<u>648,783</u>
Capital Assets, Net	<u>\$ 126,250</u>	<u>\$ 1,992,722</u>	<u>\$ 70,393</u>	<u>\$ 2,189,365</u>

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE E: LONG-TERM DEBT

The following is a summary of changes in the General Long-Term Debt:

	7/1/09	Additions	Retirements	6/30/10
Participation Notes Payable	\$3,395,000	\$ -	\$ 65,000	<u>\$3,330,000</u>

Long-term debt at June 30, 2010 is comprised of the following:

Participation Notes Payable (Series #2 - \$3,690,000) to MJSK Corporation, payable in increasing annual installments beginning in December, 2003, with semi-annual interest payments beginning in June, 2001 at rates from 7.25% to 8.375% through December, 2030. Secured by pledged state aid revenues and a first mortgage on the school building and the land it sets upon.

The total debt service requirements for the next five years and thereafter, as of June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 65,000	\$ 269,394	\$ 334,394
2012	75,000	264,131	339,131
2013	75,000	258,319	333,319
2014	85,000	252,119	337,119
2015	90,000	245,338	335,338
2016	95,000	238,169	333,169
2017-2021	605,000	1,062,194	1,667,194
2022-2030	<u>2,240,000</u>	<u>1,062,788</u>	<u>3,302,788</u>
Total	<u>\$ 3,330,000</u>	<u>\$ 3,652,452</u>	<u>\$ 6,982,452</u>

NOTE F: RESTRICTED FUND BALANCE/NET ASSETS

The Academy has restricted Net Assets/Fund Balance in the amount of \$550,865. This amount represents the "reserved" balances (\$446,420) in U.S. Bank to be used for future years debt service and \$104,445 that was donated and restricted for future construction of a performance center. These funds are not available for other operating costs.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE G: EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

PLAN DESCRIPTION

The Academy contributed to the statewide Michigan Public School Employee's Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and currently operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by contacting the Michigan Public Schools Employees' Retirement System, P.O. Box 30171, Lansing, Michigan 48909.

FUNDING POLICY

Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

The Academy is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2010 were 16.54% from July 1, 2009 through September 30, 2009 and 15.94% from October 1, 2009 through June 30, 2010. The contribution requirements of plan members and the Academy are established and may be amended by the MPERS Board of Trustees. The Academy's contributions to MPERS for the current and two preceding years were as follows:

<u>Year Ended June 30,</u>	<u>Compensation Covered</u>	<u>Employer Contribution</u>
2010	\$ 302,094	\$ 50,161
2009	342,074	58,153
2008	346,458	54,478

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE G: EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (CONTINUED)

OTHER POST-EMPLOYEE BENEFITS

Retirees have the option of health, dental and vision coverage which is funded on a cash basis by the employers. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

NOTE H: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Academy carries commercial insurance for risks of loss, including employee health and accident insurance.

NOTE I: PURCHASED SERVICES

The Academy contracted with Lakeshore Educational Management, Inc. to provide teaching and administrative services. The payments to this company covered the following expenses associated with the teachers and administrative personnel: wages, payroll taxes, retirement and health insurance.

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES:				
Local Sources:				
Grants	82,988	83,120	47,990	(35,130)
Interest Income	7,230	2,215	2,212	(3)
Miscellaneous	10,900	33,735	41,200	7,465
Total Local Sources	101,118	119,070	91,402	(27,668)
State Sources:				
State Foundation Grant	2,371,593	2,288,966	2,376,828	87,862
Intermediate School District	36,200	46,228	44,227	(2,001)
Total State Sources	2,407,793	2,335,194	2,421,055	85,861
Federal Sources:				
Title I	-	63,184	52,299	(10,885)
Title II	-	3,200	3,250	50
Total Federal Sources	-	66,384	55,549	(10,835)
TOTAL REVENUES	2,508,911	2,520,648	2,568,006	47,358
EXPENDITURES:				
Instruction:				
Basic Programs:				
Elementary:				
Purchased Services	358,814	433,554	432,558	996
Wages	186,164	139,091	135,007	4,084
Fringes	71,615	45,798	50,060	(4,262)
Supplies, Materials and Other Expenses	13,776	40,137	18,848	21,289
Textbooks - Elementary	5,400	5,335	5,334	1
Capital Outlay	2,700	425	426	(1)
Total Elementary	\$ 638,469	\$ 664,340	\$ 642,233	\$ 22,107

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Middle School:				
Purchased Services	\$ 273,343	\$ 294,615	\$ 288,297	\$ 6,318
Wages	77,554	65,366	77,605	(12,239)
Fringes	30,219	25,851	25,568	283
Supplies, Materials and Other Expenses	14,360	17,957	17,738	219
Capital Outlay	225	426	426	-
Total Middle School	395,701	404,215	409,634	(5,419)
High School:				
Purchased Services	259,223	254,302	251,006	3,296
Wages	21,929	46,308	21,929	24,379
Fringes	6,817	15,352	14,416	936
Supplies, Materials and Other Expenses	17,280	24,919	29,062	(4,143)
Capital Outlay	-	-	-	-
Total High School	305,249	340,681	316,413	24,468
Special Education:				
Purchased Services	168,732	138,735	138,451	(1,716)
Supplies, Other Expenses	-	2,810	2,813	(3)
Total Special Education	168,732	139,545	141,264	(1,719)
Total Instruction	1,508,151	1,548,981	1,509,544	39,437
Supporting Services:				
Administration:				
Purchased Services	224,377	257,179	270,577	(13,398)
Wages	60,701	48,561	60,701	(12,140)
Fringes	24,188	18,881	17,743	1,138
Supplies, Materials and Other Expenses	70,130	98,405	104,608	(6,203)
LSSU Oversight Fee	71,148	68,669	70,800	(2,131)
Professional Fees	13,000	8,150	8,132	18
Total Administration	\$ 463,544	\$ 499,845	\$ 532,561	\$ (32,716)

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Operation and Maintenance of Plant:				
Purchased Services	\$ 63,207	\$ 53,832	\$ 57,360	\$ (3,528)
Utilities	43,400	39,100	38,629	471
Repair and Maintenance	20,450	15,880	14,314	1,566
Insurance	9,000	15,700	15,710	(10)
Supplies	8,550	9,500	8,738	762
Telephone	2,800	2,700	2,687	13
Internet	1,600	1,600	1,430	170
Capital Outlay	12,000	1,000	998	2
Total Operation and Maintenance	161,007	139,312	139,866	(554)
Total Supporting Services	624,551	639,157	672,427	(33,270)
Debt Service:				
Interest - Long Term Debt	274,106	274,106	274,106	-
Principal - Long Term Debt	65,000	65,000	65,000	-
Total Debt Service	339,106	339,106	339,106	-
Total Expenditures	2,471,808	2,527,244	2,521,077	6,167
Excess (Deficiency) of Revenues Over Expenditures	37,103	(6,596)	46,929	53,525
Fund Balance - Beginning of Year	1,247,148	1,247,148	1,247,148	-
Fund Balance - End of Year	\$ 1,284,251	1,240,552	1,294,077	\$ 53,525

**DAN
SMITH**
CERTIFIED PUBLIC ACCOUNTANT

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

August 30, 2010

Board of Directors
Concord Academy Petoskey

I have audited the financial statements of the governmental activities and the major fund, of Concord Academy Petoskey, as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued my report thereon dated August 30, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. Please

see items 2010-1 and 2010-2. 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.

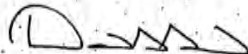
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-1 and 2010-2.

I noted certain matters that I reported to management of the Academy, in a separate letter dated August 30, 2010.

The Academy's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Academy's response and, accordingly, I express no opinion on it.

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



Daniel S. Smith, CPA

CONCORD ACADEMY SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – Financial Statement Findings

2010-1

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy that the management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Academy's internal controls over financial reporting.

Recommendation

The Academy should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not feel the auditor intervention with the annual financial reporting is detrimental to the overall internal controls of its fiscal management.

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II – Financial Statement Findings (Continued)

2010-2

Criteria or Specific Requirement

Establishment and maintenance of separation of duties over the cash collections and cash disbursements process.

Condition

Due to limited staff size, two individuals are essentially involved with the issuance of billings, collection of cash, check signing, bank reconciliation, transfers between bank accounts and responsibility for general ledger postings.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy Board that the management is correctly recording cash collections and cash disbursements.

Effect

The effect of this condition is that a misstatement would not be detected timely by management or the Academy Board.

Recommendation

The Academy should review and implement the necessary separation of duties and board oversight to lessen the effects of the lack of separation of duties.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not have the funding to hire additional staff in order to have separation of duties. The Academy Board has become more active in the oversight in the cash collections and cash disbursements as a compensating control for management.

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AUDITED FINANCIAL STATEMENTS

CONCORD ACADEMY

PETOSKEY, MICHIGAN

YEAR ENDED JUNE 30, 2011

CONCORD ACADEMY

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The auditor has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.



The management's discussion and analysis on pages III - VI and budgetary comparison information on pages 18 through 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Daniel S. Smith, CPA

August 16, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Concord Academy

I have audited the accompanying financial statements of the governmental activities and the major fund of Concord Academy as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Concord Academy as of June 30, 2011, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 16, 2011, on my consideration of the Academy's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

114 S. Center Ave. • Suite 108 • Gaylord, MI 49735
989.732.1441

CONCORD ACADEMY

CONCORD ACADEMY MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2011

This section of Concord Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Academy assets at June 30, 2011, as reported in the Statement of Net Assets, totaled approximately \$3,741,000 for governmental activities. Of the total Academy assets, approximately \$2,167,700 represents capital assets net of depreciation.

Overall revenues were approximately \$2,487,000 (\$266,000 from program revenues and \$2,221,000 from general revenues). Overall expenses approximated \$2,419,000.

The Academy did not incur any new debt instruments during the year, but did pay \$65,000 of the current debt balance. Total debt service payments totaled \$334,394. The Academy spent \$52,552 on capital equipment and improvements. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Academy.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Academy. The Academy does not engage in any business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The remaining statements are fund financial statements, which focus on individual parts of the Academy in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Academy as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Academy's assets and liabilities; this is one method to measure the Academy's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as student counts, tax base changes, facility conditions, and personnel changes.

All of the activities of the Academy are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds, focusing on significant (major) funds, not the Academy as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Academy Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Academy has the following types of funds:

Governmental Funds: All of the Academy's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Academy's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Assets: The Academy's combined net assets increased approximately \$67,700 during the year ended June 30, 2011.

The increase in net assets is mainly due to careful fiscal management by the administrators and board of directors.

Governmental Funds: The fund balances for governmental funds increased approximately \$23,700. This increase is due in large part to the conservative fiscal management of the general fund.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

General Fund: This fund is used to record all activities of the Academy not required to be recorded in a separate fund. This would primarily include instruction, support services and debt service. The major sources of revenue for the general fund are from the State of Michigan Foundation Grant. The major expenses for this fiscal year include purchased services, salaries, benefits, supplies, operation of the buildings, and debt service.

Fiduciary Fund: The School is the trustee, or fiduciary, for the Concord fundraising groups. All of the School's fiduciary activities are reported in the statement of changes in fiduciary accounts. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Capital Assets cost \$52,552, and included the following: building improvements.

Long-Term Debt: A total of \$65,000 was paid towards the long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Concord Academy is anticipating an enrollment of approximately 290-300 students, slightly lower than last September. This number of students, with strong fiscal management, allows the school to meet its financial operational costs.

CONTACTING ACADEMY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the revenues it receives. If you have any questions concerning this report please contact the following School official.

David Hill, Administrator

**CONCORD ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS	
Current Assets:	
Cash	\$ 595,951
Cash - Restricted	556,917
Receivables:	
State Foundation Grant	402,157
Federal Grants	17,297
Deposits	1,000
Total Current Assets	1,573,322
Noncurrent Assets:	
Land, Buildings and Equipment	2,890,700
Less, Accumulated Depreciation	(722,952)
Total Noncurrent Assets	2,167,748
Total Assets	3,741,070
LIABILITIES	
Current Liabilities:	
Accrued Salaries & Benefits	242,576
Accrued Expenses	12,269
Employee Withholdings	662
Current Portion - Long Term Debt	75,000
Accrued Interest	22,000
Total Current Liabilities	352,527
Noncurrent Liabilities:	
Certificates of Participation	3,190,000
Total Liabilities	3,542,527
NET ASSETS	
Net Assets - Unrestricted	760,878
Net Assets - Restricted	556,917
Investment in Capital Assets - Net of Long Term Debt (Deficit)	(1,119,252)
Total Net Assets	\$ 198,543

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See Auditor's Report and the accompanying notes to the financial statements

**CONCORD ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

<u>P R O G R A M R E V E N U E S</u>					
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ (1,471,884)	\$ -	\$ 246,138	\$ -	\$ (1,225,746)
Support Services	(604,408)	19,999	-	-	(584,409)
Interest Expense	(268,794)	-	-	-	(268,794)
Unallocated Depreciation	(74,168)	-	-	-	(74,168)
	<u>(2,419,254)</u>	<u>19,999</u>	<u>246,138</u>	<u>-</u>	<u>(2,153,117)</u>
GENERAL REVENUES:					
State Foundation Grants (not restricted)					2,219,327
Interest Earnings					1,492
Total General Revenues					<u>2,220,819</u>
Change in Net Assets					67,702
Net Assets - Beginning of Year					130,841
Net Assets - End of Year					<u>\$ 198,543</u>

See Auditor's Report and the accompanying notes to the financial statements

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**CONCORD ACADEMY PETOSKEY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2011**

ASSETS		GENERAL FUND
Cash	\$	595,951
Cash - Restricted		556,917
Receivables:		
State Foundation Grant		402,157
Federal Grants		17,287
Deposit		1,000
Total Assets		1,573,322
 LIABILITIES AND FUND EQUITY		
Liabilities:		
Accrued Salaries & Benefits		242,578
Accrued Expenses		12,269
Accounts Payable		682
Total Liabilities		255,527
Fund Equity:		
Fund Balance - Unassigned		760,878
Fund Balance - Restricted		556,917
Total Fund Equity		1,317,795
Total Liabilities and Fund Equity	\$	1,573,322

See Auditor's Report and the accompanying notes to the financial statements.

**CONCORD ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 3)	\$ 1,317,795
Amounts reported for governmental activities in the Statement of Net Assets (page 2) are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds.	2,167,748
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,265,000)
Accrued interest is recognized as a liability on the Statement of Net Assets, but not in the General Fund	(22,000)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 1)	\$ 198,543

See Auditor's Report and the accompanying notes to the financial statements.

**CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND
Revenues:	
State Sources	\$ 2,278,820
Federal Sources	149,420
Local Sources	57,224
Interest Income	1,492
Total Revenues	2,486,956
Expenditures:	
Instruction	1,471,884
Supporting Services	658,960
Debt Service:	
Principal	65,000
Interest	269,394
Total Expenditures	2,463,238
Excess (Deficiency) of Revenues Over Expenditures	23,718
Fund Balance - July 1, 2010	1,294,077
Fund Balance - June 30, 2011	\$ 1,317,795

**CONCORD ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PAGE 5	\$ 23,718
Amounts reported for governmental activities in the Statement of Activities (page 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives.	52,552
Depreciation expense is not recorded in the fund financial statements.	(74,168)
Debt service principal payments are recorded as expenditures in the fund statements, but only interest is recorded in the statement of activities.	65,000
Governmental funds report interest expense when paid, but the Statement of Activities recognizes the "actual" interest expense, which is adjusted to include accrued amounts.	600
CHANGE IN NET ASSETS - PAGE 2	\$ 67,702

CONCORD ACADEMY PETOSKEY
STATEMENT OF CHANGES IN FIDUCIARY ACCOUNTS
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

AGENCY FUNCTION	BEGINNING BALANCE JULY 1	RECEIPTS	DISBURSE- MENTS	ENDING BALANCE JUNE 30
Concord Fundraising Group(s)	\$ 8,457	\$ 21,343	\$ 20,090	\$ 9,710

CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A: REPORTING ENTITY

Public School Academies are a relatively new type of organization, formed pursuant to the Michigan School Code of 1976 as amended by Act Number 416 of the Public Acts of 1994; Act Number 416 became effective March 30, 1995. The Academy filed Articles of Incorporation as a non-profit corporation April 3, 1995.

On May 1, 2000, the Academy signed a contract to charter a Public School Academy with Lake Superior State University's Board of Trustees (LSSU). According to this contract, the Academy is to act exclusively as a governmental agency and is not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the Michigan State Constitution. Under this contract, LSSU provides certain services to the Academy including approval of the Academy's operating plan, monitoring compliance with provisions of the charter contract and the selection of members for the Board of Directors from a list of candidates provided by the Academy. LSSU is paid three percent of State Aid payments received by the Academy for such services.

In evaluating how to define the Academy, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, and the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Academy contain all the funds controlled by the Academy's Board of Directors as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Academy nor is the Academy a component unit of another entity.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Concord Academy are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Academy's financial activities.

The accounting policies of Concord Academy conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On July 1, 2003, Concord Academy adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Academy's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Academy as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Academy general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Academy has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Academy's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Academy reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the school. Revenues are derived primarily from the State Foundation grants.

Fiduciary Fund - The Fiduciary (Agency) fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund is to record the transactions of the Concord fundraising groups for school-related purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Academy are prepared in accordance with generally accepted accounting principles (GAAP). The Academy applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Academy does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Academy considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: state and federal grants, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to the authorizing agent, Lake Superior State University, which transmits the funds to the Academy. For the year ended June 30, 2011 the foundation allowance was based on the weighted average of pupil membership counts taken in February, 2010 and September, 2010.

The state foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October, 2010 – August, 2011. Thus, the unpaid portion at June 30 is reported as a receivable.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Academy's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Academy for these budgetary funds were adopted on an activity level. Budgets as adopted, and on June 30, of each year. There are no carryover budget items. During the year ended June 30, 2011, there were no overexpenditures.

CAPITAL ASSETS AND DEPRECIATION

The Academy's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Academy generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 50
Improvements, other than buildings	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10
Infrastructure	25 – 50

Land, construction in progress, and library books and periodicals are not depreciated.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note D.

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE C: CASH AND INVESTMENTS

The Academy's deposits as of June 30, 2011 includes an interest bearing checking account, a savings account, a certificate of deposit and amounts held through the trust department of a bank for the purpose of building construction and payment of debt service. The majority of the trust department funds are deposited in a U.S. Government money market fund which invests exclusively in short-term U.S. Treasury Obligations and repurchase agreements secured by U.S. Treasury Obligations.

The carrying amount of the Academy's deposits at June 30, 2011 was \$1,152,868 and the bank balance was \$1,171,855 of which \$604,967 was covered by federal depository insurance and \$566,888 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of the Academy, subject to minimal risk.

Funds are invested in the following as permitted by Michigan law:

Bonds and other obligations of the United States Government.
Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
Certain commercial paper.
United States Government repurchase agreements.
Banker's acceptances of United States Banks.
Certain mutual funds.

NOTE D: CAPITAL ASSETS

	CAPITAL ASSETS NOT DEPRECIATED		CAPITAL ASSETS DEPRECIATED	
	Land & Improv.	Buildings & Improv.	Furniture & Equipment	Totals
Governmental Activities				
Capital Assets				
Balance, July 1, 2010	\$ 126,250	\$2,406,509	\$ 305,389	\$ 2,838,148
Increases	-	52,552	-	52,552
Decreases	-	-	-	-
Balance, June 30, 2011	<u>126,250</u>	<u>2,459,061</u>	<u>305,389</u>	<u>2,890,700</u>
Accumulated Depreciation				
Balance, July 1, 2010	-	413,787	234,997	648,784
Increases	-	80,967	13,201	74,168
Decreases	-	-	-	-
Balance, June 30, 2011	<u>-</u>	<u>494,754</u>	<u>248,198</u>	<u>722,952</u>
Capital Assets, Net	<u>\$ 126,250</u>	<u>\$ 1,964,307</u>	<u>\$ 57,191</u>	<u>\$ 2,147,748</u>

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE E: LONG-TERM DEBT

The following is a summary of changes in the General Long-Term Debt:

	<u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/11</u>
Participation Notes Payable	\$3,330,000	\$ -	\$ 65,000	\$3,265,000

Long-term debt at June 30, 2011 is comprised of the following:

Participation Notes Payable (Series #2 - \$3,690,000) to MJSK Corporation, payable in increasing annual installments beginning in December, 2003, with semi-annual interest payments beginning in June, 2001 at rates from 7.25% to 8.375% through December, 2030. Secured by pledged state aid revenues and a first mortgage on the school building and the land it sits upon.

The total debt service requirements for the next five years and thereafter, as of June 30, 2011, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 75,000	\$ 264,131	\$ 339,131
2013	75,000	258,319	333,319
2014	85,000	252,119	337,119
2015	90,000	245,338	335,338
2016	95,000	238,169	333,169
2017-2021	605,000	1,062,194	1,667,194
2022-2030	2,240,000	1,062,788	3,302,788
Total	\$ 3,265,000	\$ 3,383,058	\$ 6,648,058

NOTE F: RESTRICTED FUND BALANCE/NET ASSETS

The Academy has restricted Net Assets/Fund Balance in the amount of \$556,917. This amount represents the "reserved" balances (\$451,950) in U.S. Bank to be used for future years debt service and \$104,967 that was donated and restricted for future construction of a performance center. These funds are not available for other operating costs.

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE G: EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

PLAN DESCRIPTION

The Academy contributed to the statewide Michigan Public School Employee's Retirement System (MPERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and currently operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by contacting the Michigan Public Schools Employees' Retirement System, P.O. Box 30171, Lansing, Michigan 48909.

FUNDING POLICY

Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

The Academy is required to contribute the full actuarial funding contribution amount to fund pension benefits. The rates for the year ended June 30, 2011 were 16.94% from July 1, 2010 through September 30, 2010 and 20.66% from October 1, 2010 through June 30, 2011. The contribution requirements of plan members and the Academy are established and may be amended by the MPERS Board of Trustees. The Academy's contributions to MPERS for the current and two preceding years were as follows:

<u>Year Ended June 30,</u>	<u>Compensation Covered</u>	<u>Employer Contribution</u>
2011	\$ 199,277	\$ 39,644
2010	302,094	50,161
2009	342,074	58,153

**CONCORD ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE G: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Academy carries commercial insurance for risks of loss, including employee health and accident insurance.

NOTE H: PURCHASED SERVICES

The Academy contracted with Lakeshore Educational Management, Inc. to provide teaching and administrative services. The payments to this company covered the following expenses associated with the teachers and administrative personnel: wages, payroll taxes, retirement and health insurance.

**CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES:				
Local Sources:				
Rural Grant	32,280	37,381	34,135	(3,246)
LSSU Grant	3,100	3,090	3,090	-
Interest Income	698	1,226	1,492	266
Miscellaneous	14,096	13,767	19,999	6,232
Total Local Sources	50,172	55,464	58,716	3,252
State Sources:				
State Foundation Grant	2,181,035	2,182,530	2,219,327	56,797
Intermediate School District	39,593	59,500	59,493	(7)
Total State Sources	2,200,628	2,222,030	2,278,820	56,790
Federal Sources:				
Title I	29,317	44,720	35,865	(8,855)
Title II	5,143	6,086	4,962	(1,124)
Federal Stimulus	-	37,368	37,368	-
Edujobs Grant	-	71,225	71,225	-
Total Federal Sources	34,460	159,399	149,420	(9,979)
TOTAL REVENUES	2,285,260	2,436,893	2,486,956	50,063
EXPENDITURES:				
Instruction:				
Basic Programs:				
Elementary:				
Purchased Services	342,340	387,050	381,888	5,162
Wages	144,798	143,070	143,070	-
Fringes	37,091	41,118	40,170	948
Supplies, Materials and Other Expenses	14,193	31,751	30,487	1,264
Textbooks	5,600	4,381	4,381	-
Capital Outlay	400	396	396	-
Total Elementary	\$ 544,422	\$ 607,766	\$ 600,392	\$ 7,374

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Middle School:				
Purchased Services	\$ 285,308	\$ 318,849	\$ 315,704	\$ 3,145
Wages	25,786	25,499	29,068	(3,569)
Fringes	6,900	7,248	7,336	(88)
Supplies, Materials and Other Expenses	11,319	10,721	10,718	3
Textbooks	2,300	1,650	1,649	1
Capital Outlay	225	288	287	1
Total Middle School	331,838	364,255	364,762	(507)
High School:				
Purchased Services	271,176	261,243	271,780	(10,537)
Wages	25,786	25,499	21,929	3,570
Fringes	6,900	7,556	8,238	(682)
Supplies, Materials and Other Expenses	17,214	20,633	19,314	1,319
Textbooks	5,550	3,800	3,799	1
Capital Outlay	-	78	78	-
Total High School	326,626	318,609	325,138	(6,329)
Special Education:				
Purchased Services	143,265	186,473	180,681	5,792
Supplies, Other Expenses	650	775	911	(136)
Total Special Education	143,915	187,248	181,592	5,656
Total Instruction	1,346,801	1,478,078	1,471,884	6,194
Supporting Services:				
Administration:				
Purchased Services	278,886	312,451	301,062	11,389
Wages	62,522	5,210	5,210	-
Fringes	16,919	2,243	2,243	-
Supplies, Materials and Other Expenses	66,350	89,551	99,661	(10,110)
LSSU Oversight Fee	63,854	64,650	68,206	(3,356)
Professional Fees	8,500	9,200	9,200	-
Capital Outlay - Admin	-	254	254	-
Total Administration	\$ 497,031	\$ 483,759	\$ 485,836	\$ (2,077)

CONCORD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Operation and Maintenance of Plant:				
Purchased Services	\$ 46,925	\$ 32,678	\$ 30,888	\$ 1,790
Utilities	42,300	34,729	35,256	(527)
Repair and Maintenance	14,400	69,405	69,384	21
Insurance	9,300	17,315	18,117	1,198
Supplies	8,009	9,400	9,419	(19)
Telephone	2,800	2,549	2,581	(32)
Internet	1,800	1,560	1,560	-
Capital Outlay	1,500	5,920	5,919	1
Total Operation and Maintenance	127,034	173,556	171,124	2,432
Total Supporting Services	624,065	657,315	656,960	355
Debt Service:				
Interest - Long Term Debt	249,394	269,394	269,394	-
Principal - Long Term Debt	65,000	65,000	65,000	-
Total Debt Service	314,394	334,394	334,394	-
Total Expenditures	2,285,260	2,469,787	2,463,238	6,549
Excess (Deficiency) of Revenues Over Expenditures	-	(32,894)	23,718	56,612
Fund Balance - Beginning of Year	1,294,077	1,294,077	1,294,077	-
Fund Balance - End of Year	\$ 1,294,077	1,261,183	1,317,795	\$ 56,612



**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**

August 16, 2011

Board of Directors
Concord Academy Petoskey

I have audited the financial statements of the governmental activities and the major fund, of Concord Academy Petoskey, as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued my report thereon dated August 16, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control over financial reporting. Please

see items 2011-1 and 2011-2. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2.

I noted certain matters that I reported to management of the Academy, in a separate letter dated August 16, 2011.

The Academy's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Academy's response and, accordingly, I express no opinion on it.

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

Daniel S. Smith, CPA

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION II – Financial Statement Findings

2011-1

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy that management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Academy's internal controls over financial reporting.

Recommendation

The Academy should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not feel the auditor intervention with the annual financial reporting is detrimental to the overall internal controls of its fiscal management.

**CONCORD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION II – Financial Statement Findings (Continued)

2011-2

Criteria or Specific Requirement

Establishment and maintenance of separation of duties over the cash collections and cash disbursements process.

Condition

Due to limited staff size, two individuals are essentially involved with the issuance of billings, collection of cash, check signing, bank reconciliation, transfers between bank accounts and responsibility for general ledger postings.

Criteria

Internal controls should be in place to provide reasonable assurance to the Academy Board that the management is correctly recording cash collections and cash disbursements.

Effect

The effect of this condition is that a misstatement would not be detected timely by management or the Academy Board.

Recommendation

The Academy should review and implement the necessary separation of duties and board oversight to lessen the effects of the lack of separation of duties.

Views of the Responsible Officials and Planned Corrective Action

Currently the Academy does not have the funding to hire additional staff in order to have separation of duties. The Academy Board has become more active in the oversight in the cash collections and cash disbursements as a compensating control for management.

APPENDIX C

SUMMARY OF CERTAIN MICHIGAN
STATUTORY PROVISIONS PERTAINING
TO SCHOOLS OF EXCELLENCE
UNDER PART 6E OF THE
REVISED SCHOOL CODE

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**SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS
PERTAINING TO SCHOOLS OF EXCELLENCE UNDER PART 6E
OF THE REVISED SCHOOL CODE**

Definition of School of Excellence (M.C.L. § 380.551(1))

Pursuant to Part 6E of the Revised School Code, Act 451, Public Acts of Michigan, 1976, as amended, M.C.L. § 380.551 et seq., a school of excellence is a State-supported public school that is considered both a body corporate and a governmental agency and must be organized as a non-profit corporation under Michigan's Non-Profit Corporation Act, Act 327 of Public Acts of Michigan, 1931, as amended, M.C.L. §§ 450.2101 to 450.3192, but is not required to comply with M.C.L. §§ 450.170 to 450.177. A school of excellence is also considered a school district for purposes of Section 11 of Article IX of the State Constitution of 1963 and is subject to M.C.L. §§ 380.1225 and 280.1351a with respect to borrowing money and issuing notes and bonds and is subject to the leadership and general supervision of the State Board of Public Education. The powers granted to a school of excellence constitute the performance of essential public purposes and governmental functions of the State.

Authorizing Bodies of and Applicants for Schools of Excellence (M.C.L. § 380.552)

Charter contracts to organize and operate a school of excellence may be issued by any one of the following authorizing bodies: (a) the board of a school district that operates grades K to 12, (b) an intermediate school board, (c) the board of a community college, (d) the governing board of a state public university, or (e) two or more of the entities described in (a) through (d) above pursuant to an interlocal agreement. A combined total of 2 contracts may be issued by all authorized bodies for schools of excellence that are cyber schools and meet the various requirements set forth in Part 6E of the Revised School Code; however, pending legislation could increase or eliminate this cap.

The issuance of a contract for a school of excellence must be approved by the Superintendent of the State Board of Public Education. The Superintendent shall approve the issuance of a contract if he/she determines that the proposed school of excellence is modeled after a high-performing school or program. A public school academy operating under Part 6A of the Revised School Code may be converted to a school of excellence if its authorizing body approves the conversion and the academy meets certain test score proficiency criteria.

Method of Establishment and Oversight of Schools of Excellence (M.C.L. § 380.552(7))

When a person applies for a contract to operate a school of excellence, the application must:

- (1) identify the applicant;
- (2) list the proposed members of the board of directors of the school of excellence and describe the qualifications and method for appointment or election of the board of directors;
- (3) provide a copy of the proposed articles of incorporation for the school of excellence, including (i) the name of the proposed school of excellence, (ii) the purposes of the school of excellence, (iii) the name of the authorizing body, (iv) the proposed time when the articles of incorporation will be effective, and (v) other matters as necessary;
- (4) provide a copy of the proposed bylaws of the school of excellence;
- (5) provide documentation meeting the requirements of the authorizing body, including (i) the governance structure of the school of excellence, (ii) a copy of the educational goals of the school of excellence, the curricula to be offered, and the methods of pupil assessment, (iii) the admission policy and criteria to be maintained by the school of excellence, (iv) except for a school of excellence that is a cyber school, the school calendar and school day schedule, (v) the age or grade range of pupils to be enrolled;
- (6) describe staff responsibilities and the governance structure;
- (7) for an application to a local or intermediate school district or a community college, identify the local and intermediate school districts in

which the school of excellence will be located; (8) agree that the school of excellence will comply with all applicable State and federal laws; and (9) describe and identify the address where the school of excellence will be located.

An authorizing body that issues a contract for a school of excellence must oversee, or shall contract with an intermediate school district, community college or state public university to oversee, the school of excellence to ensure that the school of excellence is in compliance with federal and State laws and the rules and terms of the contract. If an authorizing body grants a charter contract, it may charge a fee that does not exceed 3% of the total State School Aid received by the school of excellence in the school year in which the fees and expenses are charged. An authorizing body may contract with a school of excellence for other services aside from the oversight services.

Legal Status of School of Excellence (M.C.L. § 380.551, § 380.555(1), (2))

If a school of excellence enters into an agreement, mortgage, loan, or other instrument of indebtedness with a third party, such arrangement does not constitute an obligation, either general, special, or moral of the State or the authorizing body. The State or an authorizing body is not liable under Part 6E of the Revised School Code for any debt incurred by a school of excellence.

School of Excellence Funding (M.C.L. § 388.1601 et seq.; § 141.2101 et seq.)

A school of excellence receives funding through the per pupil base foundation, as calculated in the State School Aid Act. The School Aid Act currently provides that pupil membership is based upon a blended count of 90% of the current October count plus 10% of the prior February supplemental count, all as determined by the Michigan Department of Education (the “Department”). For school districts, including schools of excellence, which have pupils enrolled in a grade level that was not offered the prior year, pupil membership counts for that grade level are based on an average of the current October count and the following February supplemental count, all as determined by the Michigan Department of Education. A school of excellence’s State School Aid is sent directly to the school’s authorizing body, which takes its oversight fee and then forwards the remainder of the State School Aid payments to the school of excellence. Pursuant to the State School Aid Act, a school district receives its annual State School Aid entitlement in eleven equal installments on dates in October through August, subject to certain statutory adjustments. By law, a school of excellence’s State School Aid payment must not exceed the per-pupil base foundation received by the local school district in which the school of excellence is located.

A school of excellence may not charge tuition and may not levy taxes. A school of excellence may borrow money and may issue bonds in accordance with Section 1351a of the Revised School Code, M.C.L. § 380.1351a, and the Revised Municipal Finance Act, Act 34 of Public Acts of Michigan, 2001, as amended, M.C.L. §§ 141.2101 to 141.2821.

Authorizing Body’s Duties With Respect to State School Aid Payments (M.C.L. § 380.552(10), M.C.L. § 380.561(3))

The authorizing body for a school of excellence is the fiscal agent for the school of excellence; therefore, it receives State School Aid payments on behalf of the school of excellence and then forwards such payments to the school of excellence (less a fee that it may charge which does not exceed 3% of the total State School Aid received by the school of excellence in the school year in which the fees and expenses are charged).

Withholding Payment; Plan for Financing Outstanding Obligation Defaulted Upon by a School of Excellence (M.C.L. § 388.1617a(1) and a(3))

The Michigan Department of Education may withhold all or part of any payment of State School Aid that a school of excellence is entitled to receive to the extent the withholdings are a component part of a plan, developed and implemented pursuant to the Revised Municipal Finance Act, or other statutory authority, for financing an outstanding obligation upon which the school of excellence defaulted. Amounts withheld shall be used to pay, on behalf of the school of excellence, unpaid amounts or subsequently due amounts, or both, of principal and interest on the outstanding obligation upon which the school of excellence defaulted.

Under an agreement entered into by a school of excellence assigning all or a portion of the payment of State School Aid that it is eligible to receive to a trustee of a pooled arrangement, such as the Michigan Finance Authority (the “Authority”), or pledging the amount for payment of an obligation it incurred with a trustee of a pooled arrangement, the State treasurer shall transmit to the Authority or the trustee of a pooled arrangement the amount of the payment of the State School Aid that is assigned or pledged under such agreement. Notwithstanding the payment dates prescribed by the State School Aid Act for distributions under the State School Aid Act, the State Treasurer may advance all or part of a payment that is dedicated for distribution or for which the appropriation authorizing the payment has been made if and to the extent, under the terms of an agreement entered into by a public school (including a school of excellence and the Authority, the payment that the public school (including a school of excellence) is eligible to receive has been assigned to or pledged for payment of an obligation it incurred with the Authority. The above does not require the State to make an appropriation to any school of excellence and shall not be construed as creating an indebtedness of the State, and any agreement made pursuant to the above shall contain a statement to that effect.

Deficit Budget or Operating Deficit (M.C.L. § 388.1702)

Michigan law provides that a school of excellence receiving State School Aid shall not adopt or operate under a deficit budget, or incur an operating deficit in any fund, during a school fiscal year. If a school of excellence has an existing deficit or incurs a deficit fund balance, such school of excellence shall not receive payments under the State School Aid Act until it submits to the Michigan Department of Education (“Department”) a budget for the current school fiscal year and a plan for the elimination of the deficit not later than the end of the second school fiscal year after the deficit was incurred. In addition, a school of excellence with an existing deficit or which incurs a deficit shall submit to the Department a monthly monitoring report on revenue and expenditures in a form prescribed by the Department. Any State School Aid funds that have been withheld from a school of excellence due to a deficit will be released to the school of excellence after the Department approves the deficit reduction plan.

Application of Money Received Under State School Aid Act (M.C.L. § 388.1618(1))

Section 18 of the State School Aid Act provides that not more than 20% of the total amount of State School Aid payments received by a school of excellence for a given school year may be transferred to either a “capital projects fund” or a “debt retirement fund” for debt service.

The Department determines the reasonableness of expenditures and may withhold State School Aid from a public school (including a school of excellence) otherwise due for the fiscal year following the discovery by the Department of a violation by the public school.

Property of a School of Excellence to Revert to the State (M.C.L. § 380.561(10))

If a school of excellence's contract terminates or is revoked, title to all real and personal property, interest in real or personal property, and other assets owned by the school of excellence shall revert to the State. This property shall be distributed in accordance with the following:

- (a) Within 30 days following the termination or revocation, the board of directors of a school of excellence shall hold a public meeting to adopt a plan of distribution of assets and to approve the dissolution of the school of excellence corporation, all in accordance with Chapter 8 of the Non-Profit Corporation Act, M.C.L. §§ 450.2801 to 450.2864;
- (b) The school of excellence shall file a certificate of dissolution with the Bureau of Commercial Services within 10 business days following board approval;
- (c) Simultaneously with the filing of the certificate of dissolution, the school of excellence board of directors shall provide a copy of the plan of distribution of assets to the State Treasurer for approval. Within 30 days, the State Treasurer shall review and approve the plan of distribution of assets. If the proposed plan of distribution of assets is not approved within 30 days, the State Treasurer shall provide the board of directors with an acceptable plan of distribution of assets;
- (d) The State Treasurer shall monitor the school of excellence's winding up of the dissolved corporation in accordance with the approved plan;
- (e) As part of the plan of distribution of assets, the board of directors shall designate the director of the State Department of Technology, Management and Budget to dispose of all real property of the school of excellence corporation in accordance with the directives developed for disposition of surplus land and facilities;
- (f) If the board of directors of a school of excellence fails to take any necessary action under this section, the State Treasurer may suspend the school of excellence board of directors and appoint a trustee to carry out the board's plan of distribution of assets. Upon appointment, the trustee shall have all of the rights, powers and privileges under law that the school of excellence board of directors had before being suspended; and
- (g) Following the sale of the real or personal property and after payment of any school of excellence debt secured by the property, the school of excellence board of directors, or a trustee appointed under this section shall forward any remaining money to the State Treasurer for deposit into the State School Aid Fund.

Revocation of Charter (M.C.L. § 380.561)

A charter contract may be revoked by the authorizing body for one or more of the following reasons: (1) failure of the school of excellence to demonstrate improved pupil academic achievement for all groups of pupils or meet the educational goals set forth in the contract, (2) failure of the school of excellence to comply with all applicable law, (3) failure of the school of excellence to meet generally accepted public sector accounting principles and demonstrate sound fiscal stewardship, and (4) any other grounds for revocation as specified in the charter contract. The decision to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency.

Except for a school of excellence that is an alternative school serving a special student population, if the Superintendent of Public Instruction determines that a school of excellence site that has been operating for at least four years is among the lower achieving 5% of all public schools in the State, as defined for the purposes of the Federal Incentive Grant Program created under sections 14005 and 14006 of title XIV of the American Recovery and Reinvestment Act of 2001, Public Law 107-110, not to include the individualized education plan subgroup, and is not currently undergoing reconstitution permitted by the Charter School legislation., the Superintendent of Public Instruction shall notify the school of excellence's authorizing body. If an authorizing body receives such a notice from the Superintendent of Public Instruction, the authorizing body shall amend the school of excellence's contract to eliminate the school of excellence's authority to operate the existing age and grade levels at the site and the school of excellence shall cease operating the existing age and grade levels at the site, effective at the end of the current school years. If the school of excellence operates at only one site or is a cyber school, and the authorizing body receives such a notice from the Superintendent of Public Instruction, the authorizing body shall revoke the school of excellence's contract, effective at the end of the current school year.

Issuance of Contracts (M.C.L. § 380.553)

School of excellence contracts shall be issued on a competitive basis, while taking the following into consideration: (1) the resources available for the proposed school of excellence, (2) the population to be served by the school of excellence, (3) the educational goals to be achieved by the school of excellence, and (4) the applicant's track record, if any, in operating public school academies or other public schools. With respect to applications to a local school district, if the board of education of the local school district denies an application for a school of excellence contract, the person who applied for the contract may petition such board to place the question of the issuance of the contract on a ballot to be decided by the school electors of the school district. The petition must contain the same requirements that are to be included in an application for a charter contract and must be signed by at least 5% of the school electors in that school district.

Within 10 days of issuing a contract for a school of excellence, the authorizing body must submit to the superintendent of public instruction a copy of the contract. The authorizing body must also adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each school of excellence subject to its jurisdiction.

A school of excellence contract must at least include the following: (1) the educational goals of the school of excellence, which shall include demonstrated improved pupil academic achievement across all groups of pupils and methods by which it will be held accountable (at a minimum, the pupil performance must be assessed using a Michigan educational assessment program ("MEAP") test or the Michigan merit exam); (2) a description of the method to be used to monitor the school of excellence's compliance with applicable laws and its performance in meeting its educational objectives; (3) a description of the process for amending the contract during the term of the contract; (4) all the matters required to be included in the application to an authorizing body for a charter contract; (5) procedures and grounds for revoking the contract; (6) a description and address of the physical plant in which the school of excellence will be located; (7) requirements and procedures for financial audits, which are to be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles; (8) a certificate signed by an authorized member of the school of excellence board of directors that the school of excellence will comply with the contract and all applicable law; (9) a requirement that the board of directors shall ensure compliance with the requirements of 1968 PA 317, M.C.L. §§ 15.321 to 15.330; (10) a requirement that the board of directors shall prohibit specifically identified family relationships between members of the board of directors, individuals who

have an ownership interest in or who are officers or employees of an educational management organization involved in the operation of the school of excellence and employees of the school of excellence; (11) a requirement that the board of directors of a school of excellence shall make information concerning its operation and management available to the public and to the authorizing body in the same manner as is required by state law for school districts; (12) a requirement that the board of directors of a school of excellence collect, maintain, and make available to the public and authorizing body, in accordance with applicable law and the contract, at least all of the following information: (i) a copy of the contract; (ii) a list of currently serving members of the board of directors, including name, address and term of office, copies of policies approved by the board of directors, board meeting agendas and minutes, copy of any budget approved by the board of directors and of any amendments thereto, and copies of bills paid for amounts of \$10,000 or more as they were submitted to the board of directors; (iii) quarterly financial reports submitted to the authorizing body; (iv) a current list of teachers and school administrators that includes their individual salaries, copies of teaching or school administration certificates or permits, and evidence of compliance with the criminal background and records check and unprofessional conduct check required under State law for all teachers and administrators; (v) curriculum documents and materials given to the authorizing body; (vi) proof of insurance as required by the contract; (vii) copies of facilities leases or deeds and equipment leases; (viii) copies of any management or service contracts approved by the board of directors; (ix) all health and safety reports and certificates; (x) any management letters issued as part of the annual financial audit; and (xi) any other information specifically required by the Revised School Code; (13) a requirement that the authorizing body must review and may disapprove any agreement between the board of directors and any educational management organization before the agreement is final and binding; (14) a requirement that the board of directors shall demonstrate all of the following to the satisfaction of the authorizing body with regard to its pupil admission process: (i) that the school of excellence has made a reasonable effort to advertise its enrollment openings; (ii) that the school of excellence has made the following additional efforts to recruit pupils who are eligible for special education programs and services or English as a second language services to apply for admission: (a) reasonable efforts to advertise all enrollment openings to organizations and media that regularly serve and advocate for individuals with disabilities or children with limited English-speaking ability within the boundaries of the intermediate school district in which the school of excellence is located, (b) inclusion in all pupil recruitment materials of a statement that appropriate special education services and English as a second language services will be made available to pupils attending the school as required by law; (iii) that the open enrollment period is for a duration of at least 2 weeks and that enrollment times include some evening and weekend times; (15) a requirement that the board of directors shall prohibit any individual from being employed by the school in more than one full-time position and simultaneously being compensated at a full-time rate for each of those positions; and (16) a requirement that, if requested, the board of directors shall report to the authorizing body the total compensation for each individual working at the school of excellence.

Among the laws with which schools of excellence must comply are the Revised School Code, the State School Aid Act, the Open Meetings Act, the Freedom of Information Act, the Uniform Budgeting and Accounting Act, the Revised Municipal Finance Act and other State and federal laws applicable to schools of excellence.

Schools of excellence and their board members, officers and staff have governmental immunity. Schools of excellence may acquire, hold, and own in their own name buildings and other property for school purposes and may condemn property if certain conditions are met. Schools of excellence are exempt from all taxation on their earnings and property. They may not levy ad valorem property taxes or any other taxes for any purpose.

Tuition and Admission at Schools of Excellence (M.C.L. § 380.556)

A school of excellence may not charge tuition and may not discriminate in its pupil admissions policies or practices based on race, disability, religion, gender, test scores, intellectual or athletic ability, measures of achievement or aptitude, status as a student with disability or any other basis prohibited by law. However, a school of excellence may predetermine the ages, grades, and number of students it will serve. If the number of applications to enroll in the school of excellence exceeds the school's enrollment capacity, the school of excellence shall use a random selection process for selecting pupils. Schools of excellence may operate any grades from kindergarten through grade 12 and may also operate early childhood education programs, an adult basic education program, adult high school completion program, or general educational development testing preparation program if specified in its contract.

Additional Powers of Schools of Excellence (M.C.L. §§ 380.557, 380.560)

In addition to other powers, a school of excellence may take action to carry out its educational mission. For that purpose, a school of excellence has the power to: (i) sue and be sued, (ii) acquire, hold, and own in its own name real and personal property for educational purposes, and sell or convey the property, (iii) receive, disburse, and pledge funds for lawful purposes, (iv) enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the school of excellence, (v) incur temporary indebtedness as authorized by State statutes, (vi) solicit and accept grants or gifts for educational purposes and establish non-profit corporations for the purpose of assisting the school of excellence in furtherance of its public purposes, and (vii) borrow money and issue bonds in accordance with relevant State statutes.

Bonds issued by a school of excellence are full faith and credit obligations of the school of excellence, pledging the general funds or any other money available for such a purpose. Bonds issued by a school of excellence are subject to the Revised Municipal Finance Act.

Schools of excellence, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the school of excellence, prescribe their duties, and fix their compensation.

Teachers and Noncertified Individuals (M.C.L. § 380.559)

Teachers in schools of excellence are subject to the same certification requirements as traditional public schools, with two exceptions. First, schools of excellence authorized by a State university may use as a classroom teacher a faculty member who is employed full-time by the university and has institutional tenure or is designated as being on tenure track. Second, schools of excellence authorized by a community college may use as a classroom teacher a full-time faculty member who has at least five years' experience in teaching the subject matter he or she is teaching at the school of excellence. Schools of excellence may develop and implement new teaching techniques or make significant revisions to known techniques. Schools of excellence must report these practices to the authorizing body and the State Board of Education.

THE LAWS GOVERNING A SCHOOL OF EXCELLENCE, INCLUDING THE REVISED SCHOOL CODE AND THE SCHOOL AID ACT, ARE SUBJECT TO MODIFICATION BY THE MICHIGAN LEGISLATURE. THE AMOUNT, TIMING AND METHODOLOGY FOR CALCULATION OF STATE SCHOOL AID HAS CHANGED SIGNIFICANTLY IN RECENT YEARS, AND IS SUBJECT TO FUTURE LEGISLATIVE CHANGES.

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APPENDIX D

FORMS OF THE INDENTURE AND
THE FINANCING AGREEMENT

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TRUST INDENTURE**BETWEEN****MICHIGAN FINANCE AUTHORITY****AND****U.S. BANK NATIONAL ASSOCIATION****as Trustee****RELATING TO:****\$3,040,000**

**MICHIGAN FINANCE AUTHORITY
PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION REVENUE
REFUNDING BONDS (CONCORD ACADEMY – PETOSKEY PROJECT), SERIES 2012**

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TRUST INDENTURE

Concord Academy - Petoskey Project, Series 2012

TRUST INDENTURE

THIS TRUST INDENTURE (“Indenture”), dated as of April 1, 2012, between the **MICHIGAN FINANCE AUTHORITY**, a public body corporate (the “Authority”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, as trustee, and its successor in trust and its assignees (the “Trustee”).

WHEREAS, the Authority has been created pursuant to the Enabling Legislation for, among other purposes, the purpose of lending money to Michigan public school academies, including public school academies and schools of excellence; and

WHEREAS, the Authority is authorized to carry out the public purposes described in and contemplated by the Enabling Legislation by purchasing municipal obligations from Michigan schools of excellence and obtaining funds to make loans by issuing revenue bonds; and

WHEREAS, the Authority has determined that to purchase the Academy’s Municipal Obligation will further the purposes of the Enabling Legislation, will benefit the people of the State, will assist the Academy in fulfilling its needs, will provide for the orderly marketing or placement of the Municipal Obligation and will reduce the costs of borrowing to the Academy; and

WHEREAS, the Revised School Code, Act 451, Public Acts of Michigan, 1976, as amended (the “School Code”) authorizes schools of excellence to issue refunding bonds in accordance with Article VI of the Revised Municipal Finance Act, Act 34, Public Acts of Michigan, 2002, as amended; and

WHEREAS, Concord Academy - Petoskey (the “Academy”) previously issued its Full Term Certificates of Participation, Series 2000, dated as of December 1, 2000 (the “Prior Obligations”), the proceeds of which were used by the Academy to acquire land and construct a school building and improvements thereon that comprise the Academy’s current Property; and

WHEREAS, the Prior Obligations provide the Academy the option to redeem all or a portion of the Prior Obligations; and

WHEREAS, the Academy has requested the Authority to issue the Bonds for the purpose of: (i) financing the Academy’s redemption of the Prior Obligations (the “Academy Refunding”); and (ii) paying certain expenses incidental to the issuance of the Bonds and the Municipal Obligation; and

WHEREAS, the Authority wishes to provide for the issuance of the Bonds for the purpose of providing funds to assist in implementing the Academy Refunding and to pay certain expenses incidental to the issuance of the Bonds and the Municipal Obligation; and

WHEREAS, the Authority has determined and declares that payment of the amounts required to accomplish the Academy Refunding as contemplated by the Financing Agreement and this Indenture, is necessary in order to realize the objectives and purposes of the Enabling Legislation and fulfills a valid public purpose; and

WHEREAS, as security for the payment of the Bonds issued pursuant to this Indenture, the Authority has agreed to assign and pledge to the Trustee, the Security (as hereinafter defined); and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued and delivered as provided in this Indenture, the legal, valid, binding and enforceable limited obligations of the Authority, according to the import thereof, and to create a valid assignment and pledge of the Security to the payment of the Bonds have been done and performed, and the execution and delivery of this Indenture and the execution, issuance and delivery of the Bonds, subject to the terms hereof, have in all respects been authorized.

NOW, THEREFORE, in consideration of the premises and of the covenants and undertakings herein expressed, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All terms used herein which are not defined herein but are defined in the Financing Agreement identified below shall have the meanings therein set forth, which definitions are by this reference incorporated herein and made a part hereof. In addition to terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture and the preambles hereto shall have the following meanings unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined:

“**Academy**” means the Concord Academy - Petoskey, a school of excellence, organized and existing under the laws of the State of Michigan, and its successors and assigns.

“**Academy Refunding**” means the Academy’s redemption of the Prior Obligations.

“**Academy Repayments**” means all amounts required to be paid by the Academy to the Authority (and the Trustee as the assignee of the Authority) pursuant to the Financing Agreement and the Municipal Obligation.

“**Additional Bonds**” means the additional bonds which are authorized to be issued in one or more series from time to time under Section 2.16 hereof.

“**Appropriated Funds**” means such portion of the funds appropriated, accepted and obligated under Section 16 of the Shared Credit Rating Act 227, Public Acts of Michigan, 1985, as amended, which the Authority may determine to use to fund an initial deposit to the Reserve Fund with respect to a series of Bonds, up to a maximum amount authorized by then applicable Authority policy.

“**Authority**” means the Michigan Finance Authority, created pursuant to the Enabling Legislation, or any successor to its rights and obligations under the Financing Agreement and this Indenture.

“Authority Contribution” means an amount equal to the initial amount of the Appropriated Funds.

“Authorized Denominations” means denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

“Authorizing Body” means the Lake Superior State University Board of Trustees, or any subsequent or successor authorizing body.

“Beneficial Owner” means, when the Bonds are held in a book-entry only system, the owner of a Bond or portion thereof for federal income tax purposes.

“Bond” or **“Bonds”** means the Series 2012 Bonds and any Additional Bonds authorized to be issued hereunder.

“Bond Counsel” means a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

“Bond Fund” means the fund created by Section 4.01 of this Indenture.

“Bond Payment Date” means any of the dates specified in the Indenture for payment of principal of and interest on the Bonds, i.e., the first day of June and December of each year with respect to interest, commencing December 1, 2012, and the first day of December with respect to principal, commencing December 1, 2012, all in the years shown in Exhibit B until the respective Bonds are paid in accordance with their terms.

“Bond Placement Agreement” means the Bond Placement Agreement relating to the initial purchase of the Bonds among the Placement Agent, the Authority, the Academy and Hamlin Capital Management, LLC.

“Bond Register” means the books of the Authority kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

“Bond Resolution” means the resolution adopted by the Authority on April 19, 2012, authorizing and approving the issuance and sale of the Bonds pursuant to this Indenture.

“Bond Year” means any twelve month period beginning December 1.

“Bondholder” or **“Holder”** means the Registered Owner or Beneficial Owner of any Bond.

“Business Day” means any day other than: (a) a Saturday; (b) a Sunday; (c) a day on which banking institutions in the city in which the designated corporate trust office of the Trustee (or its bond registrar, paying agent or tender agent offices) is located are closed; or (d) a day on which the New York Stock Exchange is closed or the payment system of the Federal Reserve is not operational.

“Code” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed) promulgated thereunder and under the Internal Revenue Code of 1954, as amended.

“Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds in book entry form, the use of which will not impair the federal tax exemption of interest on the Bonds, and includes and means initially The Depository Trust Company (“DTC”) (a limited purpose trust company), New York, New York.

“Determination of Taxability” means a determination that the interest income on any of the Bonds is included in gross income for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the day on which the Academy or the Authority is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that, based upon any filings of the Academy or the Authority, or upon any review or audit of the Academy or the Authority, or upon any other grounds whatsoever, the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former Bondholder thereof;

(b) the day on which the Academy receives notice from the Trustee in writing that the Trustee has been advised in writing by any current or former Bondholder of a Bond that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such current or former Bondholder which asserts in effect that the interest on the Bonds received by such current or former Bondholder is includable for federal income tax purposes in the gross income of such current or former Bondholder;

(c) the day on which the Academy or the Authority is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former Bondholder of a Bond;

(d) the day on which the Academy or the Authority is advised in writing that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Academy has been given written notice and an opportunity to participate and defend that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former Bondholder of a Bond; or

(e) the date specified in a written opinion to the Academy from Bond Counsel as the day on which interest on the Bonds first became or will become includable for federal income tax purposes in the gross income of any current or former Bondholder of a Bond;

provided, however, no Determination of Taxability shall occur under subparagraph (a), (b) or (c) of this paragraph unless the Academy has been afforded the opportunity, at its expense, to contest any such conclusion and/or assessment after furnishing the Trustee and the Authority, within 30 days after the occurrence of an event described in subparagraph (a), (b) or (c) of this paragraph, with an opinion of Bond Counsel to the effect that there is a reasonable likelihood that the Academy will prevail in such contest, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined. The Academy shall promptly notify the Trustee and the Authority of any event described in subparagraph (a), (c), (d) or (e) of this paragraph and shall further promptly notify the Trustee and the Authority of any final determination if the Academy has contested under subparagraph (a), (b) or (c) of this paragraph. The Academy shall be deemed to have been afforded the opportunity to contest the occurrence of a Determination of Taxability if it shall have been permitted to commence and maintain any action in the name of any current or former Bondholder of a Bond to judgment and through any appeals therefrom or other proceedings related thereto.

“Earnings” shall mean investment income consisting only of such interest and dividends derived from investment of moneys deposited in the Reserve Fund.

“Eligible Investments” shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

- (a) With respect to all funds and accounts other than the Reserve Fund:
 - (i) Government Obligations;
 - (ii) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which: (A) are rated at the time of purchase in the highest rating category by Standard & Poor’s Ratings Services based on an escrow; (B) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions; and (C) are secured by cash and/or Government Obligations;
 - (iii) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by Standard & Poor’s Ratings Services;

(iv) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by Standard & Poor’s Ratings Services;

(v) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that: (A) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under Section 7.04 of this Indenture; (B) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (C) the underlying Government Obligations are held in a special account separate from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(vi) Certificates of deposit, whether negotiable or nonnegotiable, and banker’s acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker’s acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000) provided further that such certificate of deposit or banker’s acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker’s acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker’s acceptance is rated at least A-1+ by Standard & Poor’s Ratings Services at the time of purchase and has a maturity of not more than 365 days;

(vii) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase, provided such investments are permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Trustee may conclusively rely upon the Authority’s instructions as to compliance with such act;

(viii) Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by Standard & Poor’s Ratings Services;

(ix) To the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal

Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such Associations) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, and

(x) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 to 80a-64 (including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise), so long as the portfolio of the investment company or investment trust is limited to (i) United States Government Obligations and repurchase agreements fully collateralized by United States Government Obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an investment company or investment trust which meets the foregoing requirements, and is rated at least AAAM or AAAM-G by Standard & Poor's Ratings Services.

(b) With respect to the Reserve Fund:

(i) Obligations issued or guaranteed by the United States Government so long as the maturity of such obligations does not exceed three (3) years;

(ii) Obligations of instrumentalities or agencies of the United States or government-sponsored enterprises so long as the maturity of such obligations does not exceed three (3) years;

(iii) Obligations issued by or guaranteed by any state, provided such obligations are rated in the two highest rating categories of a Rating Agency so long as the maturity of such obligations does not exceed three (3) years;

(iv) Commercial paper, repurchase agreements, guaranteed investment contracts or other similar instruments issued by corporations that are organized and operating within the United States having assets in excess of \$500 million and having a short-term rating in the highest rating category of a Rating Agency and a long-term rating in one of the two highest rating categories;

(v) Money market funds that invest solely in United States Government securities or in the United States agency securities from issuers under categories (a) through (d) of this section; and

(vi) Certificates of deposit (with no more than \$100,000 purchased from a single financial institution) that are fully insured by the Federal Deposit

Insurance Corporation, including certificates of deposit acquired through the Certificate of Deposit Account Registry Service that meet these criteria.

Ratings of Eligible Investments referred to herein shall be determined at the time of purchase of such Eligible Investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of Eligible Investments after the initial purchase of such Eligible Investments.

"Enabling Legislation" shall mean Executive Order No. 2010-2, compiled at §12.194 of the Michigan Compiled Laws; Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws; Executive Order No. 2002-12, compiled at §12.193 of the Michigan Compiled Laws, and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended.

"Environmental Indemnification Agreement" means the Environmental Indemnification Agreement, dated as of April 1, 2012, entered into by the Academy in favor of the Trustee.

"Escrow Agreement" means the Escrow Agreement, dated April 30, 2012, between the Academy and U.S. Bank National Association, relating to the Academy Refunding and the payment of the cost of issuance relating to the Series 2012 Bonds and the Municipal Obligation.

"Escrow Fund" means the fund established pursuant to the Escrow Agreement.

"Event of Default" means any of the events specified in Section 6.01 hereof.

"Financing Agreement" means the Financing Agreement dated as of April 1, 2012, between the Authority and the Academy, as the same may be amended or supplemented from time to time as permitted thereby.

"Fiscal Year" means the Academy's fiscal year which is the period commencing on the first day of July and ending on the last day of June of each year or such other twelve month period as may be designated by the Academy as the fiscal year of the Academy.

"Government Obligations" means: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form); (b) obligations and timely payment of and interest on which are fully guaranteed by the United States of America; (c) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (a) and (b) provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a special account separate from the general assets of such custodian, and (d) municipal obligations the timely payment of the principal and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (a), (b) or (c); provided such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government

Obligations shall not include any investment which is prohibited or not permitted by the Enabling Legislation.

“Indenture” means this Trust Indenture, as amended or supplemented from time to time as permitted hereby.

“Interest Payment Date” means each June 1, and December 1 commencing December 1, 2012.

“Investment Agreement” means any agreement for the investment of funds held under the terms of this Indenture which is authorized by law, which has been approved by an authorized officer of the Authority.

“Investment Income” means the earnings and profits derived from the investment of moneys in the Bond Fund pursuant to this Indenture.

“Issue Date” means April 30, 2012, the date the Bonds are issued.

“Letter of Representations” means the blanket agreement of the Authority to comply with the operational arrangements of The Depository Trust Company and any similar agreements with respect to a successor Depository.

“Mortgage” means the Mortgage, dated as of April 1, 2012, from the Academy in favor of the Trustee with respect to the Property.

“Municipal Obligation” means the Refunding Bond, Series 2012, of the Academy, dated April 30, 2012.

“Outstanding”, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, means all Bonds which have been authenticated and delivered by the Trustee hereunder, except:

- (a) Bonds canceled or delivered for cancellation at or prior to such date;
- (b) Bonds, or portions thereof, for the payment or prepayment of which funds shall have been deposited with the Trustee (whether on or prior to the maturity or prepayment date of any such Bonds); provided, however that if such Bonds are to be redeemed prior to maturity thereof, notice of such prepayment shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to ARTICLE II hereof; and
- (d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the Authority or

the Academy, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being Outstanding only Bonds of which the Trustee has actual notice to be so held.

“Participant” or **“Participants”** means securities brokers and dealers, banks, trust companies and clearing corporations which participate in the Depository with respect to the Bonds.

“Person” means any natural person, firm, partnership, association, limited liability company, corporation, or public body.

“Placement Agent” means Fifth Third Securities, Inc.

“Prior Obligations” means the Academy’s Full Term Certificates of Participation, Series 2000, dated as of December 1, 2000.

“Property” means the land and improvements thereon, including the Academy’s Facility as more fully described in the Financing Agreement.

“Rating Agency” means Moody’s Investors Service, Fitch Ratings and/or Standard & Poor’s Ratings Services or their successors and assigns, according to which of such rating agencies then rates the Bonds; and provided that if neither of such rating agencies then rates the Bonds, the term “Rating Agency” shall be deemed to refer to any nationally recognized securities rating agency.

“Record Date” means with respect to each Interest Payment Date, the Trustee’s close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date, regardless whether such day is a Business Day.

“Registered Owner” means the person or persons in whose name or names a Bond is registered on the registration books of the Authority maintained by the Trustee for that purpose in accordance with the terms of this Indenture.

“Repair and Replacement Fund” means the fund by that name established pursuant to Section 4.04 of this Indenture and which shall be entitled “Michigan Finance Authority Repair and Replacement Fund 2012 Concord Academy - Petoskey Project”.

“Repair and Replacement Fund Requirement” means the amount of \$75,000, subject to the payment requirement limitations set forth in Section 4.12 of the Financing Agreement and distribution limitations set forth in Section 4.01(d) of this Indenture.

“Reserve Fund” means the fund established pursuant to Section 4.02 of this Indenture and which shall be entitled “Michigan Finance Authority Debt Service Reserve Fund 2012 Concord Academy - Petoskey Project”, to be funded by Appropriated Funds or other funds of the Authority authorized to be used for such purposes by the Executive Director or other authorized officer of the Authority.

“Reserve Fund Payments” means all payments required of the Academy to replenish any deficiency in the Reserve Fund.

“Reserve Fund Requirement” means an amount equal to the least of: (a) the maximum annual principal and interest requirements on the Series 2012 Bonds and any Additional Bonds for the then-current or any succeeding Bond Year; (b) 125% of the average annual principal and interest requirements on the Series 2012 Bonds and any Additional Bonds; or (c) 10% of the original principal amount of the Series 2012 Bonds and any Additional Bonds (net of original issue discount), determined at the time of initial issuance of the Series 2012 Bonds and any Additional Bonds and on the first day of each Fiscal Year thereafter while any Series 2012 Bonds or Additional Bonds are Outstanding. The Reserve Fund Requirement for the Reserve Fund may be satisfied by delivery to the Trustee of a Reserve Fund Security Instrument.

“Reserve Fund Security Instrument” means a letter a credit, line of credit, policy of insurance, surety bond or similar instrument which will provide for the payment of all or part of the amounts required to be disbursed from the Reserve Fund; provided that the Reserve Fund Security Instrument shall not result in a reduction of any rating on the Bonds.

“Revenue Account” means the account by that name established within the Bond Fund pursuant to Section 4.01 of this Indenture.

“Security” means the revenues (including Academy Repayments), funds, rights and interests specified in Section 3.01 of this Indenture.

“Series 2012 Bonds” means the \$3,040,000 Michigan Finance Authority Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy - Petoskey Project), Series 2012.

“State” means the State of Michigan.

“State Aid Agreement” means the State Aid Agreement, dated as of April 1, 2012, among the Authority, the Michigan State Treasurer, the Lake Superior State University Board of Trustees, the Academy and the Trustee.

“State Aid Intercept Account” means the account by that name established within the Bond Fund pursuant to Section 4.01 of this Indenture.

“Trustee” means U.S. Bank National Association, a national banking association, acting in its capacity as the trustee under this Indenture, and any permitted successor trustee under ARTICLE VII of this Indenture.

“Unassigned Rights” means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under this Agreement and to enforce in its name and for its own benefit the provisions of Sections 407, 502 and 903 of the Financing Agreement with respect to the Authority fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

ARTICLE II

THE BONDS

Section 2.01. Authorized Amount of Bonds.

No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. Pursuant to the Bond Resolution, the total principal amount of Series 2012 Bonds that may be issued and outstanding hereunder is expressly limited to \$3,040,000, subject to the provisions of Section 2.16 hereof. The Bonds are issued for the purpose of enabling the Authority to purchase the Academy’s Municipal Obligation. The Municipal Obligation shall be in fully marketable form (as defined in the Enabling Legislation) and otherwise satisfactory to the Authority. The proceeds of the Authority’s purchase of the Municipal Obligation shall be used to make a deposit to the Escrow Fund pursuant to the Escrow Agreement to accomplish the Academy Refunding and to pay the costs of issuing the Series 2012 Bonds and the Municipal Obligation. The Authority shall deposit into the Reserve Fund an amount equal to the Authority Contribution.

Section 2.02. Issuance of Bonds. The Series 2012 Bonds: (a) shall be designated the “Michigan Finance Authority Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy - Petoskey Project), Series 2012”; (b) shall be dated the Issue Date; (c) shall bear interest from the Issue Date at the rates provided in Exhibit B hereto until the Authority’s obligation with respect to payment of the principal is discharged, computed on a 360-day year of twelve 30-day months; and (d) shall mature at the times and in the principal amounts provided in Exhibit B hereto.

The Series 2012 Bonds shall be issued as registered bonds without coupons and shall be issued in Authorized Denominations. The Series 2012 Bonds shall be numbered consecutively from R-1 upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Trustee.

The principal of and the redemption premium, if any, and the interest on the Bonds shall be payable in lawful money of the United States of America. The principal of and redemption premium, if any, on the Series 2012 Bonds shall be payable at the principal corporate trust office or other designated office of the Trustee. The interest on the Series 2012 Bonds shall be paid by check or draft of the Trustee mailed to the Persons in whose names the Series 2012 Bonds are registered on the Bond Register at the close of business on the Record Date next preceding each Interest Payment Date; provided, however, any registered holder of Series 2012 Bonds in the aggregate principal amount of \$1,000,000 or more as of the close of business on the Record Date preceding any Interest Payment Date may, by prior written instructions filed with the Trustee on or before the second Business Day preceding such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to any bank located in the continental United States.

If any payment of interest or principal or redemption premium on the Series 2012 Bonds is due on a date not a Business Day, payment shall be made on the next succeeding Business Day

with the same force and effect as if made on the date which is fixed for such payment, and no interest shall accrue on such amount for the period after such due date.

THE PROVISIONS OF THE SERIES 2012 BONDS SHALL CONTROL TO THE EXTENT OF ANY CONFLICT WITH THE PROVISIONS HEREOF.

Section 2.03. Execution; Limited Obligation. The Series 2012 Bonds shall be executed on behalf of the Authority with the manual or facsimile signature of one of its members or one of its authorized officers. All authorized facsimile signatures shall have the same force and effect as if manually signed. In case any official of the Authority whose signature or facsimile signature shall appear on the Series 2012 Bonds shall cease to be such official before the delivery of such Series 2012 Bonds, such signature or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such official had remained in office until delivery. The Series 2012 Bonds may be signed on behalf of the Authority by such persons who, at the time of the execution of such Series 2012 Bonds, are duly authorized or hold the appropriate office of the Authority, although on the date of the Series 2012 Bonds such persons were not so authorized or did not hold such offices.

The Bonds, together with interest thereon and redemption premium with respect thereto, are limited obligations of the Authority secured by the Security, shall always be payable solely from the revenues and income derived therefrom, and shall always be a valid claim of the holders thereof only against the revenues and income derived from the Security and from other instruments assigned to or held by the Trustee, which revenues and income shall be used for no other purpose than to pay the principal installments of, redemption premium, if any, and interest on the Bonds, except as may be expressly authorized otherwise in this Indenture or the Financing Agreement. The Bonds and the obligation to pay interest thereon and redemption premiums with respect thereto do not now and shall never constitute an indebtedness or an obligation of the Authority or the State of Michigan, within the purview of any constitutional limitation or provision, or a charge against the general credit or taxing powers, if any, of either of them, but shall be secured by the Security, and shall be payable solely from the revenues and income derived therefrom. No owner of the Bonds shall have the right to compel the exercise of the taxing power, if any, of the State of Michigan to pay any principal installment of, premium, if any, or interest on the Bonds. The Authority and the Academy have no taxing power.

Section 2.04. Certificate of Authentication. No Series 2012 Bonds shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a certificate of authentication, substantially in the form of the Series 2012 Bond as set forth in the attached Exhibit A, executed by an authorized officer of the Trustee; and such certificate on any Series 2012 Bond issued by the Authority shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

Section 2.05. Form of Bonds. The Series 2012 Bonds, the Trustee's certificate of authentication and the form of assignment shall be in substantially the form attached as Exhibit A with such changes as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the

Series 2012 Bonds may be listed or any usage or requirement of law or practice with respect thereto.

Section 2.06. Delivery of Series 2012 Bonds. Upon the execution and delivery hereof, the Authority shall execute the Series 2012 Bonds and deliver them to the Trustee, and the Trustee shall authenticate the Series 2012 Bonds and deliver them to such purchaser or purchasers as shall be directed by the Authority as hereinafter in this Section provided.

Prior to or simultaneously with the authentication and delivery of the Series 2012 Bonds by the Trustee, there shall be filed with or delivered to the Trustee the following:

(a) A copy, certified by an authorized officer of the Authority, of all resolutions adopted and proceedings had by the Authority authorizing the issuance and delivery of the Series 2012 Bonds, including the Bond Resolution;

(b) An original executed counterpart of this Indenture, the Financing Agreement, the Bond Placement Agreement, the Escrow Agreement, the Municipal Obligation, the State Aid Agreement and the Mortgage;

(c) An original executed counterpart of the nonarbitrage and tax compliance certificate of the Academy relating to the Series 2012 Bonds dated the Issue Date, in form and substance satisfactory to Bond Counsel and the Attorney General of the State of Michigan;

(d) Closing certificates of the Academy and the Authority in form and substance satisfactory to Bond Counsel and the Attorney General of the State of Michigan;

(e) A copy of completed IRS Form 8038-G to be filed by or on behalf of the Authority pursuant to Section 149(e) of the Code;

(f) An original executed counterpart of the nonarbitrage certificate of the Authority establishing its reasonable expectations to the effect that the Bonds will not be "arbitrage bonds" within the meaning of Section 148(a) of the Code;

(g) An opinion of Bond Counsel addressed to the Authority and the Trustee and an opinion of the Attorney General of the State of Michigan addressed to the Authority to the effect that the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes (other than any interest which may be includable as a preference item or adjustment item in computing any minimum tax) and that this Indenture and the Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding agreements of the Authority;

(h) An opinion of Counsel for the Academy addressed to the Authority, the Trustee and the Placement Agent to the effect that the Financing Agreement, the Bond Placement Agreement, the Municipal Obligation, the State Aid Agreement and the Mortgage have been duly authorized, executed and delivered by the Academy and are legal, valid and binding agreements of the Academy, together with such additional matters as may be requested by Bond Counsel or the Attorney General of the State of Michigan;

(i) A request and authorization to the Trustee on behalf of the Authority and signed by an authorized officer of the Authority directing the Trustee to authenticate and deliver the Bonds in such specified denominations as permitted herein to the Placement Agent upon payment to the Trustee, but for the account of the Authority, of the aggregate principal amount of the Bonds, plus accrued interest, if any;

(j) Evidence satisfactory to the Trustee that the Authority has delivered an executed Letter of Representations to the Depository;

(k) Evidence satisfactory to the Trustee that there has been paid into the Reserve Fund any amounts required by this Indenture; and

(l) Such other documents, opinions of Counsel and certificates as the Trustee, the Attorney General or Bond Counsel may require or as may be required by the Bond Placement Agreement.

Upon receipt of the foregoing, the Trustee shall authenticate and deliver the Bonds as provided above.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate and deliver a new Bond of the same maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Authority and the Trustee evidence satisfactory to each of them of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Trustee and the Authority and compliance with such other reasonable requirements as the Authority and Trustee may prescribe. The replacement of any Bond under this Section shall be in accordance with Michigan Compiled Laws Annotated Section 129.131 et. seq. If any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond the Authority may pay the same without surrender thereof. The Authority and the Trustee may charge the holder of such Bond with their reasonable fees and expenses in this connection.

Section 2.08. Exchangeability and Transfer of Bonds; Persons Treated as Owners.

The Authority shall cause the Bond Register to be kept by the Trustee, which is hereby constituted and appointed the bond registrar for the Bonds.

Any holder of a Bond, in person or by his duly authorized attorney, may transfer title to his Bond on the Bond Register, upon surrender thereof at the designated corporate trust office of the Trustee, together with a written instrument of transfer (in substantially the form of assignment attached to the Bond) executed by the holder or his duly authorized attorney, provided that THE SERIES 2012 BOND MAY NOT BE TRANSFERRED TO OR HELD BY ANYONE OTHER THAN (AND THE TRUSTEE SHALL NOT REGISTER THE TRANSFER OF THIS BOND TO ANYONE OTHER THAN) AN "ACCREDITED INVESTOR" AS

DEFINED IN SECURITIES AND EXCHANGE COMMISSION RULE 501(a) OR A "QUALIFIED INSTITUTIONAL BUYER" AS THAT TERM IS DEFINED UNDER RULE 144A OF THE SECURITIES AND EXCHANGE COMMISSION. Upon surrender for registration of transfer of any Bond, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same aggregate principal amount and tenor as the Bond surrendered and of any Authorized Denomination.

Bonds may be exchanged upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Bondholder or his attorney duly authorized in writing, for an equal aggregate principal amount of Bonds of the same aggregate principal amount and tenor as the Bonds being exchanged and of any Authorized Denomination. The Authority shall execute and the Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfers or exchanges of Bonds shall be without charge to the holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration, transfer or exchange shall be paid by the Academy.

The Trustee shall not register any transfer of any Bond (or portion thereof) after notice calling such Bond (or portion thereof) for redemption or partial redemption has been given unless the holder delivers to the Trustee a written statement acknowledging that such Bond has been called for redemption and the date of such redemption.

The Person in whose name any Bond is registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, except that payment of or on account of either principal, premium, if any, or interest shall be made only to or upon the order of the holder of record as of the Record Date or its duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

So long as the Bonds are held in book-entry form, the Authority shall execute and the Trustee shall authenticate a Bond to be held by the Depository, which (a) shall be denominated in an amount equal to the aggregate principal amount of Bonds to be held by the Depository (provided that, unless such Bond is being issued on the Issue Date, the Trustee has received a like aggregate principal amount of Bonds for transfer in accordance with this Section 2.08), (b) shall be registered in the name of the Depository or its nominee in accordance with this Section 2.08, (c) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions, and (d) shall bear a legend substantially to the effect that unless the Bond is presented by an authorized representative of the Depository to the Authority or its agent for registration of transfer, exchange or payment, any transfer, exchange, pledge or other use for value or otherwise is wrongful.

All Bonds issued upon any transfer or exchange of Bonds shall be valid and binding limited obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

In executing any Bond upon any exchange or transfer provided for in this Section, the Authority may rely conclusively on a representation of the Trustee that such execution is required.

Section 2.09. Cancellation. Matured Bonds and Bonds redeemed prior to maturity (as provided in Section 2.11) delivered to the Trustee shall be canceled. The Trustee shall cremate or otherwise destroy canceled Bonds and shall not reissue such Bonds and shall deliver a certificate or other destruction to the Authority and the Academy. If the Trustee for its own account or the Academy shall acquire any of the Bonds, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are delivered to the Trustee for cancellation.

Section 2.10. Ratably Secured. All Bonds issued hereunder are and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds so that, subject as aforesaid, all Bonds at any time Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or some future date, except with respect to the Reserve Fund. The Reserve Fund secures the Series 2012 Bonds and any Additional Bonds issued hereunder.

Section 2.11. Redemption of Bonds.

(a) **Optional Redemption.** The Series 2012 Bonds are subject to optional redemption prior to maturity at the option of the Authority upon the direction of the Academy, all as provided in the form of Series 2012 Bonds set forth in Exhibit A upon notice as provided in the form of Series 2012 Bonds.

(b) **Mandatory Redemption of Term Bonds.** The Series 2012 Bonds which are term bonds shall be subject to mandatory redemption as provided in the form of Series 2012 Bonds, and shall be redeemed prior to maturity in accordance with the redemption requirements set forth in Exhibit A attached hereto.

(c) **Purchase in Lieu of Redemption.** The Series 2012 Bonds are subject to purchase in lieu of redemption by the Authority upon the direction of the Academy prior to their respective maturity dates at any time, in whole or in part, if the following conditions are satisfied:

(i) The Academy and the Bondholders negotiate and agree upon a purchase price that is communicated to the Trustee, provided that the purchase

price so negotiated, together with the expense of such purchase, may not exceed the redemption price of the Series 2012 Bonds to be purchased;

(ii) Upon written agreement as described in (i) above, the Authority upon direction of the Academy shall direct the Trustee to purchase certain Series 2012 Bonds and will provide funds to the Trustee for deposit in the Bond Fund in the amount necessary to pay the purchase price of the selected portion of the Series 2012 Bonds in excess of that required to fully satisfy the next scheduled interest and principal payments due on the Series 2012 Bonds, and provided there is deposited into the State Aid Intercept Account such amount as the Trustee may require to cover the accrued and anticipated fees and expenses;

(iii) The Trustee confirms that the amount provided for by the Academy pursuant to (ii) above is sufficient to warrant such purchase at the purchase price agreed to by the Academy and the Bondholders pursuant to (i) above; and

(iv) To the extent permitted by law, the Academy shall indemnify and hold harmless the Trustee, in a form and with such security as may be satisfactory to the Trustee, from and against any and all liabilities, claims, or losses arising out of, by virtue of, or in connection with, the tender of Series 2012 Bonds, up to the amount of the value of the Series 2012 Bonds tendered, except in the case of negligence, willful misconduct, or bad faith on the part of the Trustee.

As Series 2012 Bonds are purchased pursuant to this Indenture, such purchase of Series 2012 Bonds will be considered to have satisfied, in whole or in part, the redemption requirements as set forth in this Indenture in inverse order. Once purchased, such Series 2012 Bonds shall be delivered to the Trustee and cancelled.

(d) **Mandatory Redemption From Insurance and Condemnation Proceeds.** The Series 2012 Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Series 2012 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Series 2012 Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

(e) **Mandatory Redemption Upon Determination of Taxability.** The Series 2012 Bonds are subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date.

Section 2.12. Partial Redemption of Bonds. If less than all the Outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be

redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bonds selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the holder thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such holder, Bonds in any of the Authorized Denominations. In no event shall the redemption of the Series 2012 Bonds result in a Bond of a denomination of less than an Authorized Denomination.

Section 2.13. Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Registered Owner of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond, or portion thereof with respect to which no such failure or defect has occurred. In addition, the Trustee may give such other notice or notices as may be recommended in releases, letters, pronouncements or other writings of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. No defect in or delay or failure in giving any recommended notice described in the preceding sentence shall in any manner affect the notice of redemption described in the first sentence of this Section 2.13. Any notice mailed as provided in this Section 2.13 shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice.

All notices of redemption shall state:

- (a) the redemption date,
- (b) the redemption price,
- (c) the identification, including complete designation and issue date of the series of Bonds of which such Bonds are a part and the CUSIP number (and in the case of partial redemption, the respective principal amounts), interest rate and maturity date of the Bonds to be redeemed,
- (d) that on the redemption date the redemption price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after such date, and
- (e) The name and address of the Trustee for such Bonds, including the name and telephone number of a contact person and the place where such Bonds are to be surrendered for payment of the redemption price.

All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided moneys for their redemption have been duly deposited with the Trustee. Thereafter, the holders of such Bonds called for redemption shall have no rights in respect

thereof except to receive payment of the redemption price from the Trustee and a new Bond in an Authorized Denomination for any portion not redeemed.

Section 2.14. Book-Entry-Only Registration of the Bonds.

(a) Except as provided in subparagraph (c) of this Section 2.14, the Registered Owner of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of the Depository. Payment of interest on any Bond, as applicable, shall be made in accordance herewith for the account of Cede on each Interest Payment Date at the address indicated for Cede in the Bond Register.

(b) The Bonds shall be issued as fully registered bonds without coupons in Authorized Denominations in the total aggregate principal amount of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered on the Bond Register in the name of Cede, as nominee of the Depository. With respect to the Bonds so registered in the name of Cede, the Authority, the Academy and the Trustee, shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, Cede or any Participant or any nominee of a Beneficial Owner with respect to any beneficial ownership interest in the Bonds; (ii) the delivery to any Participant, Beneficial Owner or other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any Participant, Beneficial Owner or other person, other than Cede, as nominee of the Depository, of any amount with respect to the principal or redemption price of, or interest on, the Bonds. The Authority, the Academy and the Trustee may treat and deem Cede, as nominee of the Depository, as the absolute owner of each Bond for all purposes whatsoever, including (but not limited to) (i) payment of the principal or redemption price of, and interest on, each such Bond, (ii) giving notices of redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of Cede, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal redemption price and interest, to the extent of the sum or sums so paid. So long as the Bonds are book-entry-only, no person other than the Depository shall receive a Bond evidencing the obligation of the Authority to make payments of principal of and interest on, the Bonds pursuant to this Indenture. Upon delivery by the Depository to the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Indenture, the word "Cede" herein shall refer to such new nominee of the Depository; provided that, notwithstanding any provision of this Indenture to the contrary, until the termination of the book-entry-only system, the Bonds may be transferred in whole, but not in part, only to a nominee of the Depository, or by a nominee of the Depository to the Depository or any nominee thereof.

(c) (i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law.

(ii) The Authority, at the sole discretion and direction of the Academy and without the consent of any other person, may terminate the services of the Depository with

respect to the Bonds if the Academy determines that the continuation of the system of book-entry-only transfer through the Depository is not in the best interests of the Beneficial Owners of the Bonds or is burdensome to the Authority or the Academy.

(iii) Upon the termination of the services of the Depository with respect to the Bonds pursuant to subsection (c)(i) or (ii) hereof, the Bonds shall no longer be restricted to being registered on the Bond Register in the name of Cede as nominee of the Depository. In such event, the Authority shall issue and the Trustee shall transfer and exchange Bond certificates of like principal amount, in Authorized Denominations to the Participants or the identifiable Beneficial Owners (as identified by the Depository or the Participants) in replacement of such Beneficial Owners' beneficial interests in the Bonds. Notwithstanding the preceding sentence, if the Academy designates a successor Depository, the Authority shall issue and the Trustee shall transfer and exchange a Bond certificate, in such name as is directed by the successor Depository, in the amount of Bonds then Outstanding and the Trustee shall take such other action as is necessary so that the beneficial ownership interests of the Beneficial Owners are properly reflected on the records of the successor Depository and its Participants. In such event, references herein to "Cede" shall be deemed to refer to the successor Depository, or its nominee, as the context requires.

(d) The Authority and the Trustee may conclusively rely on: (i) a certificate of the Depository as to the identity of the Participants in the book-entry-only system; and (ii) a certificate of such Participants as to the identity of, and the respective principal amounts of Bonds beneficially owned by, the Beneficial Owners.

(e) Whenever, during the term of the Bonds, Beneficial Ownership thereof is determined by a book entry at the Depository, the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Depository as to registering or transferring the book entry to produce the same effect.

(f) Notwithstanding anything in this Indenture to the contrary, the Authority and the Trustee hereby agree as follows with respect to the Bonds, if and to the extent any Bond is registered in the name of Cede as nominee of the Depository: (i) the Trustee shall give the Depository all special notices required by the Letter of Representations at the times, in the forms and by the means required by the Letter of Representations; (ii) the Trustee shall make payments to Cede at the times and by the means specified in the Letter of Representations; (iii) Cede shall not be required to surrender Bonds which have been partially paid or prepaid to the extent permitted by the Letter of Representations; and (iv) the Trustee shall set a special record date (and shall notify the registered owners of the Bonds thereof in writing) prior to soliciting any Bondholder consent or vote, such notice to be given not less than 15 calendar days prior to such record date (any Bond transferred by a registered owner subsequent to the establishment of the special record date and prior to obtaining such consent or vote shall have attached to it a copy of the notice to Bondholders by the Trustee).

(g) NEITHER THE ISSUER, THE ACADEMY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE

BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO: (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THIS INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

Section 2.15. CUSIP Numbers. All payments of principal, premium and interest, whether by check or draft or wire transfer, shall be accompanied by the appropriate CUSIP number identification with appropriate dollar amounts for each CUSIP number.

Section 2.16. Additional Bonds. The Authority reserves the right to issue Additional Bonds, upon the request of the Academy with such approvals as required by the Enabling Legislation, without limit in one or more series for the acquisition, construction and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Financing Agreement. Additional Bonds shall be of the same priority as the Series 2012 Bonds and all Bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No Additional Bonds shall be issued unless the following terms and conditions have been met:

- (a) The Financing Agreement, the State Aid Agreement and the Mortgage shall be in effect and no "event of default," as such term is defined in the Financing Agreement and the Mortgage, shall exist thereunder; and
- (b) The Trustee shall have been furnished an opinion of an attorney or firm of attorneys nationally recognized as bond counsel to the effect that the issuance of such Additional Bonds shall not cause interest on the Bonds and any other Outstanding Bonds issued on a federally tax-exempt basis to be includable in gross income of the recipient for federal income tax purposes under the Code; and
- (c) There shall have been furnished to the Trustee a supplement to the Financing Agreement providing for additional Academy Payments or a new agreement providing for additional payments sufficient to pay the principal of and interest on the Additional Bonds when due and supplements or amendments to the Mortgage and State Aid Agreement, if required, providing for the security of the Additional Bonds on parity with the Outstanding Bonds; and
- (d) There shall have been furnished to the Trustee a certificate of an Authorized Officer of the Academy to the effect that the proceeds of the Additional Bonds,

together with any additional funds supplied or to be supplied from any source, will be sufficient to complete the cost of the project for which such Additional Bonds are issued; and

- (e) There shall be given to the Trustee evidence of compliance with the requirements of the Financing Agreement relating to the issuance of Additional Bonds, and such other certificates, affidavits, documents or opinions as the Trustee may reasonably request; and
- (f) Upon issuance of such Additional Bonds, there shall be deposited in the Reserve Fund an amount necessary to cause the amount therein to equal the Reserve Fund Requirement and the maximum additional amount permitted under the Code to be deposited therein with respect to such Additional Bonds; and
- (g) The proceeds of the Additional Bonds are to be used to finance the improvement of the Property or the acquisition or installation of equipment therein or the acquisition, construction and/or renovation of, an additional school facility of the Academy and/or the acquisition or installation of equipment thereon, and the Academy obtains: (i) a written report from an independent consultant satisfactory to the Trustee who is not within the regular employ of the Academy and has a reputation for skill and experience in such work, which report sets forth and states that the estimated Academy Repayments which will be available for deposit in the State Aid Intercept Account for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Additional Bonds are to be placed in service, will not be less than one hundred twenty-five percent (125%) of the maximum Principal and Interest (less investment proceeds reasonably expected to be available for payment of debt service) to become due on Bonds and the proposed Additional Bonds, as the case may be, in any fiscal year after which such improvements, additions, equipment or new facilities are expected to be placed in service and (ii) evidence satisfactory to Bond Counsel and the Trustee that the Academy has met the Cash on Hand Requirement under Section 717 of the Financing Agreement at the time of issuance of such Additional Bonds; and
- (h) The report of independent consultant obtained pursuant to clause (g) above also provides a statement of projected revenues and expenditures of the Academy for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Additional Bonds are to be placed in service, showing that projected revenues will exceed projected expenditures in each such fiscal year.

The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Academy shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in this Indenture.

ARTICLE III

SECURITY; COVENANTS AND AGREEMENTS OF ISSUER

Section 3.01. Security. The Bonds and the interest and any redemption premium thereon shall be a limited obligation of the Authority as provided in Section 2.03 hereof, and shall be secured by and payable only from the following:

- (a) all Academy Repayments received by the Authority under the Financing Agreement and the Municipal Obligation, which Academy Repayments are to be paid directly to the Trustee and deposited in the Bond Fund;
- (b) all moneys and securities in the Bond Fund and Reserve Fund, including the proceeds of the Bonds pending disbursement thereof;
- (c) all of the Authority's rights and interest in the Financing Agreement, except the Unassigned Rights;
- (d) the rights of the Trustee in and under the Mortgage and the Environmental Indemnity Agreement from the Academy in favor of the Trustee with respect to the Property; and
- (e) all of the proceeds of the foregoing, including without limitation, investments thereof and Investment Income;

The foregoing are collectively the "Security." In consideration of the purchase of the Series 2012 Bonds and to secure payment of the principal of, redemption premium, if any, and interest on the Series 2012 Bonds and any other cost or pecuniary liability of the Authority relating to the Series 2012 Bonds or any proceeding, document or certification incidental to the issuance of the Series 2012 Bonds, and to secure performance and observance of all covenants, terms and conditions upon which the Series 2012 Bonds are to be issued, including without limitation this Indenture, the Authority, without warranty, pursuant to law hereby conveys, assigns and pledges all of its right, title and interest in, and grants a security interest in, the Security to the Trustee, and its successors and assigns, in trust for the benefit of the Bondholders.

Section 3.02. Payment of Bonds and Performance of Covenants. The Authority shall promptly pay, but only out of the Security, the principal of, redemption premium, if any, and interest on the Bonds at the place, on the dates and in the manner provided in the Bonds. The Authority shall promptly perform and observe all covenants, undertakings and obligations set forth herein, in the Financing Agreement or the Bonds on its part to be performed or observed. The Authority agrees that the Trustee in its name or in the name of the Authority may enforce against the Academy or any Person any rights of the Authority under or arising from the Bonds or the Financing Agreement whether or not the Authority is in default hereunder or under the Financing Agreement, but the Trustee shall not be deemed to have hereby assumed the obligations of the Authority under the Financing Agreement, but rather shall have no obligations under the Financing Agreement except as specifically provided therein. The Authority shall

fully cooperate with the Trustee in the enforcement by the Trustee of any such rights. At the request of the Trustee, the Authority, upon being indemnified to its satisfaction, shall take such actions as the Trustee shall reasonably request to enforce the rights of the Authority or the Trustee under or arising from the Bonds or the Financing Agreement.

Section 3.03. Authority. The Authority represents and warrants that: (a) it is duly authorized under the Constitution and laws of the State to issue the Bonds, and to execute, deliver and perform the terms of this Indenture; (b) all action on its part for the issuance of the Bonds and this Indenture have been duly taken; (c) the Bonds upon issuance and authentication and this Indenture upon delivery, shall be valid and enforceable against the Authority in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights and by general principles of equity; (d) it has not heretofore conveyed, assigned, pledged, granted a security interest in or otherwise disposed of the Security; (e) it has not received any payments under the Financing Agreement and the entire principal balance remains outstanding; (f) it has no knowledge of any right of set-off, defense or counterclaim to payment or performance of the terms or conditions of the Financing Agreement, and (g) the execution, delivery and performance of this Indenture are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound.

Section 3.04. No Litigation. The Authority represents and warrants that: (a) no litigation or administrative action of any nature has been served upon the Authority for the purpose of restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery of this Indenture or the Financing Agreement or in any manner questioning the proceedings or authority under which they have occurred, or affecting their validity or its existence or authority of its present officers; (b) no authority or proceeding for the issuance of the Bonds or for the payment or security thereof has been repealed, revoked or rescinded; (c) no petition seeking to initiate any resolution or other measure affecting the same or the proceedings therefore has been filed and (d) to the best of the knowledge of the officers of the Authority executing this Indenture, none of the foregoing actions is threatened.

Section 3.05. Further Assurances. The Authority covenants that it will cooperate to the extent necessary with the Academy and the Trustee in defenses of the Security against the claims and demands of all Persons, and will do, execute, acknowledge and deliver or cause to be done, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging of the Security. The Authority shall not cause or permit to exist any amendment, modification, supplement, waiver or consent with respect to the Financing Agreement without the prior written consent of the Trustee, which consent shall be governed by ARTICLE VII of this Indenture.

Section 3.06. No Other Encumbrances. The Authority covenants that except as otherwise provided herein, it will not sell, convey, mortgage, encumber or otherwise dispose of any portion of the Security.

Section 3.07. No Recourse. No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any

obligation, covenant or agreement contained in this Indenture, the Financing Agreement or the Bond Placement Agreement, against any past, present or future member, official, officer, director or employee of the Authority, or any successor organization, as such, either directly or through the Authority or any successor organization, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, official, officer, director, agent or employee as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds.

Section 3.08. No Personal Liability. No director, member, officer or employee of the Authority, including any person executing this Indenture or the Bonds, shall be liable personally on the Bonds or subject to any personal liability for any reason relating to the issuance, sale or repayment of the Bonds.

ARTICLE IV

FUNDS

Section 4.01. Establishment and Use of Bond Fund. There is hereby created and established with the Trustee a special fund to be designated the "Michigan Finance Authority – Concord Academy - Petoskey 2012 Bond Fund" (the "Bond Fund"). Within the Bond Fund there shall be established separate trust accounts to be designated the "Revenue Account" and the "State Aid Intercept Account," provided, however, no such account is required to be established and opened by the Trustee until such time as the account is needed under the provisions of this Indenture. Any other amounts received for deposit in the Bond Fund shall be deposited in the Revenue Account of the Bond Fund and shall not be commingled with any other moneys held by the Trustee.

There shall be deposited in the Revenue Account of the Bond Fund: (a) any proceeds of the Series 2012 Bonds required to be deposited in the Bond Fund to pay capitalized interest, if any, on the Series 2012 Bonds; (b) all Academy Repayments under the Municipal Obligation and the Financing Agreement other than Scheduled Bond Payments, including all proceeds resulting from the enforcement of the Security or its realization as collateral; (c) Investment Income; and (d) all other moneys received by the Trustee under the Financing Agreement for deposit in the Revenue Account of the Bond Fund.

There shall be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Municipal Obligation and the Financing Agreement consisting of Scheduled Bond Payments and Additional Payments which are made pursuant to the State Aid Agreement.

Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(a) first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Scheduled Bond Payment (as defined in the Financing Agreement) required to be made by the Academy including any overdue Scheduled Bond Payments;

(b) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payments required to be made by the Academy;

(c) third, as specified in the Financing Agreement and/or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments (other than Reserve Fund Payments and Repair and Replacement Fund Requirement) required to be made by the Academy (the Trustee being permitted but not required to establish a subaccount for purposes of tracking Scheduled Fee Payment Component under the Financing Agreement); and

(d) fourth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Bond Payments, Additional Payments, Reserve Fund Payments and Repair and Replacement Fund payments, if any, then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Academy or as otherwise directed by the Authority with the requirements of Section 405 of the Financing Agreement; provided however, that for the administrative convenience of the Academy and consistent with the terms of Section 4.04 hereof, the Academy is permitted to send prior written notice to the Trustee that a portion of the funds otherwise to be remitted to the Academy pursuant to this subparagraph (d) for the benefit of the Academy shall instead be deposited into the Repair and Replacement Fund in satisfaction of the Academy's obligation under Section 412 of the Financing Agreement. Regardless of whether such funds are paid to the Academy or deposited at the direction of the Academy in the Repair and Replacement Fund, once paid under this subparagraph (d), they are no longer subject to the lien of this Indenture.

The Authority hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable.

The Authority and Trustee shall at the direction of the Academy use such moneys to redeem Bonds in the manner and amount as directed, subject to the provisions for redemption of Bonds in this Indenture.

After payment of all principal of, premium, if any, and interest on the Bonds then due as of each December 1 and satisfaction of any other Additional Payments or Reserve Fund Payments then due, the Trustee shall determine the amount of excess funds then held in the Bond Fund as a result of such Investment Income and credit such amount towards the Bond Payment to be paid from the Academy's State School Aid intercepted on the next Bond Payment Date.

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal of and interest on such Bonds shall have been made available to

the Trustee for the benefit of the Bondholders, all liability of the Authority and any and all liability of the Academy to the Bondholders, respecting payment of such Bonds shall forthwith cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Bondholders who shall thereafter be restricted exclusively to such funds for any claim under the Indenture or with respect to the Bonds or the interest thereon.

Section 4.02. Establishment, Use and Maintenance of Reserve Fund. The Reserve Fund shall be established with the Trustee. Any amounts received for deposit in the Reserve Fund shall not be commingled with any other moneys held by the Trustee. Neither the full faith and credit nor any implied guaranty of the State of Michigan or the United States of America shall apply to the Bonds by virtue of the deposit of the Appropriated Funds by the Authority in the Reserve Fund. From time to time the Reserve Fund may receive such additional moneys required to be deposited therein by the Academy pursuant to the Financing Agreement.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2012 Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2012 Bonds.

From time to time as the Trustee determines is necessary, and in any event on the first Business Day of each May and November, while amounts are required to be on deposit in the Reserve Fund, the Trustee shall determine the market value (including accrued but unpaid interest) of all Eligible Investments on deposit in the Reserve Fund, together with any cash then held in the Reserve Fund and any amounts that are available to be drawn under any letter of credit, surety bond or insurance policy then on deposit in the Reserve Fund. If the Trustee determines that the aggregate value of such amounts on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee shall immediately notify the Academy of the amount necessary to restore the Reserve Fund to the Reserve Fund Requirement and the Academy shall pay such amount to the Trustee for deposit into the Reserve Fund on or before the next Payment Date following such notification. Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund to replenish any deficiency in the Reserve Fund, after taking into consideration the priority of payments set forth in Section 4.01 hereof, then the Trustee shall transfer funds from the State Aid Intercept Account to the Reserve Fund to replenish such deficiency.

Earnings realized from Eligible Investments in the Reserve Fund shall be released to the Authority free and clear of the lien of this Indenture on the business day before each January 1 and July 1, without regard to whether the aggregate amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement and on the business day before payment or defeasance of all of the Bonds in accordance with Article V hereof.

Section 4.03. Reserved.

Section 4.04. Establishment, Payments into and Custody of the Repair and Replacement Fund; Disbursements from Repair and Replacement Fund. The Repair and Replacement Fund shall be established with the Trustee. There shall be deposited into the Repair and Replacement Fund as and when received: (a) all payments pursuant to the Financing Agreement; and (b) all other moneys deposited into the Repair and Replacement Fund pursuant to this Indenture. There shall also be retained in the Repair and Replacement Fund, interest and other income received on investment of moneys in the Repair and Replacement Fund to the extent provided in Section 4.07 hereof. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement shall be transferred by the Trustee to the Academy; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer shall not be less than the Repair and Replacement Fund Requirement. Bondholders shall have no rights in or claims to money held in the Repair and Replacement Fund.

The Repair and Replacement Fund shall be in the custody of the Trustee, but in the name of the Academy. Absent an Event of Default hereunder, the Academy hereby authorizes and directs the Trustee to make each disbursement authorized or required by the provisions of this Section and to issue its checks therefor. The Trustee shall keep and maintain adequate records pertaining to the Repair and Replacement Fund and all disbursements therefrom and shall annually file an accounting thereof with the Academy.

Until such time as the balance in the Repair and Replacement Fund is greater than \$50,000, payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of both: (i) a written requisition from an authorized representative of the Academy setting forth the amount and the payee for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Facility (as defined in the Financing Agreement) in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto; and (ii) written consent of at least of 66 2/3% of the Holders of Outstanding Bonds, such consent not to be unreasonably withheld or delayed. At any time the balance of the Repair and Replacement Fund is greater than \$50,000 and so long as a balance of \$50,000 remains after the requested payment, payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of only such items required in (i) above.

Section 4.05. Deposit of Bond Proceeds. The net proceeds from the sale of the Series 2012 Bonds, after provision is made for: (a) any payments to the Revenue Account of the Bond Fund under Section 4.01; (b) to the Escrow Fund pursuant to the Escrow Agreement to accomplish the Academy Refunding, including the payment of the costs of issuing the Series 2012 Bonds and the Municipal Obligation; and (c) payments to the Reserve Fund under Section 4.02, shall be deposited into the Bond Fund.

Section 4.06. Account Statements. The Trustee shall keep and maintain adequate account statements, including receipts and statements of disbursements, deposits and investments, pertaining to the Bond Fund, Repair and Replacement Fund and Reserve Fund. The

Trustee shall provide monthly transaction and asset statements pertaining to such Funds to the Academy and to the Authority. Although the Academy recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Academy hereby agrees that confirmations of Eligible Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 4.07. Investment of Fund Moneys. Moneys held as part of the Bond Fund and the Repair and Replacement Fund shall be invested and reinvested at the written direction of the Academy in Eligible Investments in accordance with the provisions of the Financing Agreement. Moneys held in the Reserve Fund shall be invested and reinvested at the written direction of the Authority in Eligible Investments in accordance with the provisions of the Financing Agreement. The Trustee may conclusively rely upon such instructions as to the suitability of the directed investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Any Eligible Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund and account which was used to purchase the same. All interest accruing thereon and any profit realized from Eligible Investments shall be credited to the respective fund or account and any loss resulting from Eligible Investments shall be similarly charged. The Trustee is authorized to cause to be sold and reduced to cash a sufficient amount of Eligible Investments whenever the cash balance is or will be insufficient to make a requested or required disbursement from the applicable Fund. The Trustee shall not be accountable for any depreciation in the value of any Eligible Investment or for any loss resulting from such sale.

Section 4.08. Arbitrage. The Authority recognizes that investment of the Bond proceeds will be at the written direction of the Academy, but agrees that it will commit no act that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. The Trustee covenants that, while recognizing that investment of Bond proceeds will be at the written direction of the Academy, should the Authority file with the Trustee, or should the Trustee otherwise receive, an opinion of Bond Counsel, to the effect that any proposed investment or other use of proceeds of the Bonds would cause the Bonds to become "arbitrage bonds", then the Trustee will comply with any instructions of the Authority or such Bond Counsel regarding such investment or use so as to prevent the Bonds from becoming "arbitrage bonds". The Trustee shall file a copy of any such opinion of Bond Counsel with the Authority and the Academy.

Section 4.09. Repayment to the Academy From the Funds. Any amounts remaining in the Bond Fund and the Repair and Replacement Fund after payment in full of the Bonds, the fees and expenses and other costs specified in ARTICLE V of the Financing Agreement, and all other amounts required to be paid under the Financing Agreement or this Indenture, shall be paid to the Academy upon full payment of the Financing Agreement.

Section 4.10. Repayment to the Authority from the Reserve Fund. Any amounts remaining in the Reserve Fund after payment in full of the Bonds, the fees and expenses and

other costs specified in ARTICLE V of the Financing Agreement, and all other amounts required to be paid under the Financing Agreement or this Indenture, shall be paid to the Authority upon discharge of this Indenture in accordance with ARTICLE V below.

ARTICLE V

DISCHARGE OF LIEN

Section 5.01. Discharge of Lien and Security Interest. Subject to the next paragraph, upon payment in full of the Bonds, the lien of this Indenture upon the Security shall cease, terminate and be void, and thereupon the Trustee, upon determining that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, and upon payment of the Trustee's fees, costs and expenses hereunder, shall: (a) cancel and discharge this Indenture and the security interests; (b) execute and deliver to the Authority and the Academy such instruments in writing as shall be required to cancel and discharge this Indenture and the security interests; (c) reconvey to the Authority all amounts in the Reserve Fund and reconvey such other Security, as applicable, to the Authority and the Academy; and (d) assign and deliver to the Authority all amounts in the Reserve Fund and assign and deliver to the Authority and the Academy so much of the Security as may be in its possession or subject to its control, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying Bonds; provided, however, such cancellation and discharge of this Indenture shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds; and provided, further, that the rights of the Authority and the Trustee to indemnity and payment of all reasonable fees and expenses shall survive.

If payment or provision therefor has been made with respect to all the Bonds, the interest of the Trustee in the Financing Agreement and the Municipal Obligation shall cease and the Trustee shall cancel the Financing Agreement and the Municipal Obligation and return the same to the Academy. Neither the obligations nor moneys deposited with the Trustee pursuant to this ARTICLE V shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust, for the payment of the principal, redemption premium, if any, and interest on the Bonds in accordance with the terms of this Indenture.

Section 5.02. Provision for Payment of Bonds. Bonds shall be deemed to have been paid within the meaning of Section 5.01 if:

(a) there have been irrevocably deposited in the Bond Fund either cash or noncallable Government Obligations, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (such earnings to be held in trust also), be sufficient, for the payment at their respective maturities or redemption dates prior to maturity, of the principal thereof and the redemption premium (if any) and interest to accrue thereon to such maturity or redemption dates, as the case may be;

(b) there have been paid all fees, costs and expenses of the Authority and the Trustee then due or to become due or there are sufficient moneys in the Bond Fund to make such payments;

(c) if any Bonds are to be redeemed on any date prior to their maturity, the Trustee has received in form satisfactory to it irrevocable instructions to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices; and

(d) the Trustee shall have received a written opinion of Bond Counsel to the effect that such deposit (and the payment of the Bonds therefrom) will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

In determining the sufficiency of the moneys and/or Government Obligations deposited pursuant to subsection (a) of this Section 5.02, the Trustee shall be entitled to receive, at the expense of the Academy, and may rely on a verification report of a firm of nationally recognized independent certified public accountants.

Limitations elsewhere specified herein regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the obligations described in the preceding subparagraph (a) for the purpose of defeasing the lien of this Indenture as to Bonds which have not yet become due and payable. In addition, all moneys so deposited with the Trustee as provided in this Section 5.02 may also be invested and reinvested, at the written direction of the Academy, in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 5.02 which is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited under this Section 5.02 shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund.

Section 5.03. Discharge of this Indenture. Notwithstanding the discharge and cancellation of the lien of this Indenture upon the Security under Section 5.01, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with such discharge and cancellation of the lien upon the Security, shall nevertheless continue and subsist after payment in full of the Bonds until the Trustee shall have returned to the Academy and/or the Authority all funds held by the Trustee in the Bond Fund and the Reserve Fund pursuant to Sections 4.09 and 4.10 of this Indenture.

Section 5.04. Unclaimed Moneys. Any moneys deposited with the Trustee in accordance with the terms and provisions of this Indenture, or any moneys held by any paying agent, in trust for the payment of the principal of and redemption premium, if any, or interest on the Bonds and remaining unclaimed by the Registered Owners of the Bonds for five years after the final maturity of all Bonds issued hereunder or the redemption date of all the Bonds, as the case may be, shall be applied by the Trustee in accordance with the Uniform Unclaimed Property

Act, Act. No. 29, Public Acts of Michigan, 1995, as amended from time to time. The Authority and the Trustee shall have no responsibility with respect to such moneys.

ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES

Section 6.01. Events of Default. Any one of the following shall constitute an Event of Default hereunder:

- (a) Default in the payment of any interest on any Bond when and as the same is due;
- (b) Default in the payment of the principal of or any premium on any Bond when and as the same is due, whether at the stated maturity or redemption date thereof or by acceleration;
- (c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Authority included in this Indenture or in the Bonds and the continuance thereof for a period of thirty (30) days after the Trustee or the holders of not less than 51% in principal amount of the Bonds gives written notice to the Authority and the Academy; provided, however, if such Default is such that it cannot be cured within such 30 day period, it shall not constitute an Event of Default if the Default is correctable and if corrective action is instituted within such 30 day period and diligently pursued until the Default is corrected, but in no event shall the period allowed for correction exceed one hundred twenty (120) days; or
- (d) The occurrence of an “Event of Default” as defined in the Financing Agreement or the Mortgage.

Section 6.02. Acceleration. Upon the occurrence of any Event of Default hereunder, the Trustee may and upon: (a) the written request of the Bondholders of not less than twenty-five percent in aggregate principal amount of Bonds then Outstanding, provided that such requesting Bondholders have offered indemnity to the Trustee, to its sole satisfaction, pursuant to Section 7.01 if this Indenture, and that the Trustee has received no conflicting direction from the majority of Bondholders pursuant to Sections 6.03 and 6.04 of this Indenture; or (b) the occurrence of an Event of Default under subsection (a) or (b) of Section 6.01 hereof, the Trustee shall immediately, by notice in writing sent to the Authority, declare the principal of and any premium on all Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon such declaration, such principal and premium, if any, and interest shall become and be immediately due and payable. Interest on the Bonds shall cease to accrue on the date of such declaration. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have under the Financing Agreement to declare all payments thereunder to be immediately due and payable, to the extent it has not already done so.

Immediately following any such declaration of acceleration, the Trustee shall mail notice of such declaration by first class mail to each holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

Section 6.03. Other Remedies; Rights of Bondholders. Upon the happening and continuance of an Event of Default hereunder the Trustee may, with or without taking action under Section 6.02 hereof, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of this Indenture or the Financing Agreement, the Mortgage or any other security provided by the Academy.

Subject to Section 6.02 hereof, upon the happening and continuance of an Event of Default, and if requested to do so by the holders of at least fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding and the Trustee is indemnified as provided in Section 7.01 hereof, the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 6.02 hereof as the Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

The Trustee, as the assignee of all right, title and interest of the Authority in and to the Financing Agreement (with the exception of the Unassigned Rights), shall be empowered to enforce each and every right granted to the Authority under the Financing Agreement (with the exception of the Unassigned Rights).

In addition to and without limitation of the foregoing, the Trustee shall not otherwise be obligated to acquire possession of or take any other action with respect to the property subject to the Mortgage (the “Mortgaged Property”), if as a result of any such action, the Trustee would be considered to hold title to, to be a “mortgagee-in-possession of”, or to be an “owner” or “operator” of the Mortgaged Property within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended from time to time, unless the trustee has previously determined, based on a report prepared by a person who regularly conducts environmental audits, that:

(a) the Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best interest of the owners of the Bonds to take such actions as are necessary for the Mortgaged Property to comply therewith; and

(b) there are not circumstances present at the Mortgaged Property relating to the use, management or disposal of any hazardous wastes for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the owners of the Bonds to take such actions with respect to the Mortgaged Property.

The environmental audit report contemplated hereby shall not be prepared by an employee or affiliate of the Trustee, but shall be prepared by a person who regularly conducts environmental audits for purchasers of commercial property, as determined (and, if applicable, selected) by the Trustee, and the cost hereof shall be borne by the Academy or the Bondholders but in no event by the Authority.

Notwithstanding anything contained herein or in the Mortgage to the contrary, before taking any action under this Section 6.03, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished to it for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, demands, damages, losses, penalties, fines, fees, costs, liabilities (including strict liability) and expenses which may result from such action.

Section 6.04. Right of Bondholders to Direct Proceedings. If a Default occurs of which the Trustee is by reason of Section 7.01(j) deemed to have notice, then the Trustee within forty-five days after the occurrence thereof (unless such Default shall have been cured or waived) shall give notice of such Default to the Registered holders of the Outstanding Bonds at the address then shown on the Bond Register. The holders of no less than 51% of the principal amount of Bonds then Outstanding may by written instrument filed with the Trustee (a) notify the Trustee, the Authority and the Academy of the existence of a Default or Event of Default, upon which notice the Trustee shall be conclusively presumed to have such notice, (b) request the Trustee to give written notice of a Default or Event of Default to the Academy and the Authority or give such notice themselves under the provisions of Section 6.01, (c) as to any Event of Default, request the Trustee to exercise any of the remedies under Section 6.02, upon which request, subject to right of indemnification, the Trustee shall exercise such remedy, (d) as to any Event of Default, direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy, (e) request the waiver of any Event of Default and rescission of the declaration of maturity of principal or termination of any proceedings in connection with the exercise of any remedies; provided, however that there shall be no such waiver, rescission or termination unless all arrears of principal and interest on the Bonds, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds and all fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, in connection with such Event of Default shall have been paid or provided for, and (f) request the Trustee to intervene in any judicial proceeding to which the Authority or the Academy is a party which may have substantial bearing on the interests of

holders of the Bonds, and subject to right of indemnification, the Trustee shall so intervene, subject to the approval of a court exercising jurisdiction.

Without limitation of the foregoing, any such proceedings referenced in clause (d) above may include forbearance or non-action on the part of the Trustee, the acceptance by the Trustee, as mortgagee under the Mortgage, of a deed in lieu of foreclosure, the sale of the property covered by the Mortgage free of the lien thereof for an amount less than the amounts due with respect to the Bonds and the cancellation of the Bonds in full on behalf of the holders thereof, and the waiver or release of claims or the granting of a covenant not to sue.

The Trustee is hereby authorized and directed, on behalf of the holders of the Bonds, to file a proof or proofs of claim in any bankruptcy, receivership or other insolvency proceeding involving the Academy.

In the event the holders of not less than 51% of the principal amount of Bonds then Outstanding shall direct the Trustee to exercise one or more of the foregoing rights or one or more of the remedies upon an Event of Default herein authorized and shall reasonably indemnify the Trustee for all costs and expenses in the exercise of said rights and remedies as provided in Section 7.01(h) and the Trustee shall fail to take such designated action as directed within 30 days after receiving written notice of the same and being so indemnified, such Bondholders shall have the right to exercise any and all of the rights and remedies herein authorized in the same manner as if the same had been instituted by the Trustee.

Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Bonds of the respective holders thereof at the respective due dates thereof, but only if the Trustee has not taken similar action.

No Bondholder shall have the right to institute any proceeding for the enforcement of this Indenture unless such Bondholder has given the Trustee and the Academy written notice of an Event of Default, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, and there shall have been offered to the Trustee indemnity and the Trustee shall have thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable time. Nothing in this Indenture shall affect or impair any right of enforcement conferred on any Bondholder hereof by the Enabling Legislation to enforce (i) the payment of the principal of and redemption premium (if any) and interest on Bonds at and after the maturity thereof, or (ii) the obligation of the Authority to pay the principal of and redemption premium (if any) and interest on Bonds to such Bondholder at the time, place, from the source and in the manner as provided in this Indenture.

Section 6.05. Discontinuance of Default Proceedings. In case the Trustee has proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Authority and the Trustee shall be restored to their former positions and rights hereunder and all rights, remedies and powers of

the Trustee shall continue as if no such proceedings had been taken subject to the limits of any adverse determination.

Section 6.06. Waiver. With the written consent of the holders of not less than 51% of the principal amount of the Bonds then Outstanding, the Trustee may waive any Default or Event of Default hereunder and its consequences and rescind any declaration of maturity of principal provided there shall have been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the occurrence of such Event of Default and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor or otherwise waived by such Bondholders. In case of any such waiver or rescission, the Authority, the Academy, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other Default or Event of Default, or impair any right consequent thereon.

No delay or omission to exercise any power accruing upon Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 6.07. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this ARTICLE VI shall be deposited in the Bond Fund. After payment of (a) the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee and the creation of a reserve for anticipated fees, costs and expenses, including reasonable attorneys' fees, and all other current outstanding fees and expenses of the Trustee, and (b) any sums due to the Authority under the Financing Agreement (other than Academy Repayments), such moneys shall be applied in the order set forth below:

(i) Unless the principal on all Bonds shall have become or been declared due and payable, all such money shall be applied:

First – To the payment of all installments of interest then due on the Bonds in order of maturity of such installments of interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment,

Second – To the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due (at the rate borne by the

Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the ratable payment of the amounts due on such date; and

Third – To the payment of any bond servicing costs as the Trustee may be directed in writing by an authorized officer of the Authority.

(ii) If principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the interest and principal then due and unpaid upon the Bonds, with preference and priority to interest before principal according to amounts due for interest and principal to the persons entitled thereto.

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

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the trustee by this Indenture. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment. The Trustee is hereby appointed and does hereby agree to act in such capacity, and to perform the express duties of the Trustee under this Indenture, but only upon and subject to the following express terms and conditions (and no implied covenants or other obligations shall be read into this Indenture against the Trustee):

(a) The Trustee may execute any of its trusts or powers and perform any of its duties herein by or through attorneys, agents, receivers or employees, and shall be entitled to rely on advice of Counsel and other professionals concerning all matters of such trusts, powers and duties. The Trustee shall not be answerable for the default or misconduct of any attorney, agent, receiver or employee selected by it with reasonable care, and may in all cases pay such Persons reasonable compensation. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatsoever in connection with its trusts, powers and duties herein, except only for its gross negligence or willful misconduct.

(b) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for the validity of the execution by the Authority of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the Security for the Bonds. Except as otherwise provided in Section 6.02 hereof, the Trustee shall have no obligation to perform any of the duties of the Authority under the Financing Agreement, and the Trustee shall not be liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.07 hereof. The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to any Bondholder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder after such Bonds shall have been delivered in accordance with instructions of the Authority or for the use by the Academy of the proceeds of the Municipal Obligation. The Trustee may become the owner of Bonds with the same rights as any other Bondholder.

(d) The Trustee shall be protected in acting upon opinions of counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by an authorized representative of such Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of any Bond (such ownership to be established as provided in Section 2.08 hereof), shall be conclusive and binding upon all future owners or holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(e) The permissive right of the Trustee to do things enumerated in this Indenture or the Financing Agreement shall not be construed as duties. The Trustee shall only be responsible for the performance of the duties expressly set forth herein and shall not be answerable for other than its gross negligence or willful misconduct in the performance of those express duties.

(f) The Trustee shall not be personally liable for any debts contracted or for damages to Persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts, relating to the Property.

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

(h) Before taking any action requested hereunder, the Trustee may require that satisfactory security or indemnity be furnished to it for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own gross negligence or willful misconduct by reason of any action so taken.

(i) All moneys received by the Trustee, until used or applied or invested as herein provided, shall be held as special trust funds for the purposes specified in this Indenture and for the benefit and security of the holders of the Bonds as herein provided. Such moneys need not be segregated from other funds except to the extent required by law or herein provided, and the Trustee shall not otherwise be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(j) The Trustee shall not be bound to ascertain or inquire as to the performance of the obligations of the Academy under the Financing Agreement or the Authority under this Indenture, and shall not be deemed to have, or required to take, notice of a Determination of Taxability or an Event of Default under this Indenture, except (i) in the event the Academy fails to pay any Academy Repayment when due, (ii) in the event of an insufficient amount in the Bond Fund (or any account therein) to make a principal or interest payment on the Bonds, (iii) upon written notification actually received by the Trustee of a Determination of Taxability from the Academy, the Authority or the holder of any Bonds, or (iv) upon written notification actually received by the Trustee of a default or Event of Default from the Authority, the Academy or the holders of not less than 25% of the principal amount of Outstanding Bonds. In the absence of such notice, the Trustee may conclusively presume there is no Determination of Taxability and no Event of Default except as aforesaid. The Trustee may nevertheless require the Authority and the Academy to furnish information regarding performance of their obligations under the Financing Agreement and this Indenture, but is not obligated to do so.

(k) The Trustee shall, prior to any Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties of the Trustee as are specifically set forth in this Indenture and the Financing Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture and the Financing Agreement and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The foregoing shall not limit the Trustee's obligations under Section 6.02 hereof.

(l) In the event that the Trustee receives direction from Bondholders under any section of this Indenture which permits Bondholders to direct the actions of the Trustee, the Trustee shall only be required to act pursuant to the direction of the Bondholders which represent the largest percentage in aggregate principal amount of the Outstanding Bonds at the time such direction is issued to the Trustee (the "Majority Direction"). The Trustee may act pursuant to other directions of Bondholders to the extent that such direction is not inconsistent with the Majority Direction. The Trustee shall not be liable for a failure to act upon any direction except the Majority Direction when acting pursuant to this Section 7.01(l). Nothing in this Section 7.01(l) shall be construed to modify or amend any section hereof which requires a minimum number of Bondholders to direct the Trustee to take certain action before the taking of such action by the Trustee becomes mandatory.

(m) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event

relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(n) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that (a) the Academy, subsequent to such transmission of written instructions, shall provide the originally executed instructions or directions to the Trustee in a timely manner, (b) such originally executed instructions or directions shall be signed by a person as may be designated and authorized to sign for the Academy or in the name of the Academy, by an authorized representative of the Academy, and (c) the Academy shall provide to the Trustee an incumbency certificate listing such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Academy elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Academy agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 7.02. Fees, Expenses. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, counsel fees and other ordinary expenses reasonably made or incurred by the Trustee in connection with such ordinary services. If it becomes necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable extraordinary expenses in connection therewith; provided, that if such extraordinary services or extraordinary expenses are occasioned by the gross negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor.

The Trustee shall also be indemnified by the Academy as provided in the Financing Agreement. The Trustee recognizes that all fees, charges and other compensations to which it may be entitled under this Indenture are required to be paid by the Academy under the terms of the Financing Agreement or from funds derived from the proceeds of the Bonds. Accordingly, the Trustee agrees that except for moneys that the Authority may derive from the foregoing (excluding, however, the moneys for the issuance fee, administrative costs, taxes and other public service charges and indemnity under the Financing Agreement) the Authority shall not be liable for any such fees, charges and other compensation to which the Trustee may be entitled. Payment of all such amounts shall however, be secured by the Security as set forth herein.

As security for the payment of the Trustee's fees, costs and expenses and for the indemnity provided in this Section 7.02, the Trustee shall have a first lien on all moneys and property coming into its possession.

When the Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Authority or the Academy, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The Academy's payment obligations under this Section shall survive the discharge of this Indenture and the resignation or removal of the Trustee, and shall not be limited by any law affecting the compensation of a trustee of an express trust.

Section 7.03. Intervention in Litigation. In any judicial proceeding to which the Authority or the Academy is a party, and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the holders of the Outstanding Bonds, the Trustee may intervene on behalf of the Owners of the Bonds and shall do so if requested in writing by the holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, and when provided with sufficient indemnity pursuant to Section 7.01(h) hereof.

Section 7.04. Resignation; Appointment of Successor Trustee; Successor Trustee Upon Merger, Consolidation or Sale.

(a) The Trustee and any successor Trustee may resign only upon giving 30 days' prior written notice to the Authority, the Academy and the Bondholders. Such resignation shall take effect only upon the appointment of a successor Trustee as described in Section 7.04(b) below and the acceptance of such appointment by the successor Trustee. Upon appointment of a successor Trustee, the resigning Trustee shall, after payment of its fees, costs and expenses, assign all of its right, title and interest in the Security, and transfer and assign its right, title and interest in this Indenture to the successor Trustee. The successor Trustee shall meet the requirements of Section 7.04(b) below and shall accept in writing its duties and responsibilities hereunder and file such acceptance with the Authority and the Academy.

(b) In case the Trustee shall give notice of resignation or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public office or offices, or of a receiver appointed by a court, a successor may with the prior written consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), be appointed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their duly authorized attorneys in fact, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the Authority, the retiring Trustee, the successor Trustee and the Academy. In the absence of an appointment by the Bondholders, the Authority may, with the consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), appoint a successor Trustee, by an instrument in writing signed by an authorized officer of the Authority, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the retiring Trustee, the successor Trustee and the Academy. If the Registered Owners and the Authority fail to so appoint a successor Trustee, hereunder within sixty (60) days after the Trustee has given notice of its resignation, has been removed, has been dissolved, has otherwise become incapable of

acting hereunder or has been taken under control by a public officer or receiver, the Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor hereunder. Every such Trustee appointed pursuant to the provisions of this Section 7.04 shall (i) at all times be a bank having trust powers or a trust company; (ii) at all times be organized and doing business under the laws of the United States of America or of any state; (iii) have, or be owned by an entity having, a combined capital and surplus of at least \$50,000,000; (iv) be authorized under such laws to exercise corporate trust powers; and (v) be subject to supervision or examination by federal or state authority.

(c) Any corporation or association into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, provided such company shall be eligible under Section 7.04(b) hereof, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 7.05. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing (a) delivered to the Trustee, the Authority and the Academy and signed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, or (b) delivered to the Trustee and the Authority and signed by the Academy; provided that if an Event of Default has occurred and is continuing hereunder, the Trustee may not be removed without the consent of the holders of a majority in aggregate principal amount of the Bonds then Outstanding. No removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment in the manner provided in Section 7.04 hereof. Upon such removal and the payment of its fees, costs and expenses, the Trustee shall assign to the successor Trustee all of its right, title and interest in the Security in the same manner as provided in Section 7.04 hereof.

Section 7.06. Instruments of Bondholders. Any instrument required by this Indenture to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by an agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent shall be sufficient for any of the purposes of this Indenture if it is established by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof. Proof of the ownership of Bonds shall be established by the ownership records noted in the Bond Register.

The Trustee may rely on such an instrument of Bondholders unless and until the Trustee receives notice in the form specified above that the original such instrument is no longer trustworthy. In the event that the Trustee receives conflicting directions from two groups of Bondholders, each with combined holdings of not less than 25% of the principal amount of Outstanding Bonds, the directions given by the group of Bondholders which hold the largest

percentage of Bonds shall be controlling and the Trustee shall follow such directions as required in this Indenture.

Section 7.07. Appointment of Separate or Co-Trustee. It is the intent of the parties to this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the rights of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Financing Agreement, and in particular in the case of the enforcement of this Indenture on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee, or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section 7.07 are adapted to these ends.

If the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, duty, obligation, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee with respect thereto shall be exercisable by, vested in and conveyed to such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary for the exercise thereby by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully vesting in and confirming to them such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. If any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting or not be qualified to act, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate trustee or co-trustee.

ARTICLE VIII

AMENDMENTS, SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures. The Authority and the Trustee without the consent of or notice to any Bondholders, may enter into an indenture or indentures supplemental to this Indenture and not inconsistent herewith for one or more of the following purposes:

(a) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other

provisions in regard to matters or questions arising under this Indenture which do not materially adversely affect the interest of the Bondholders;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under this Indenture;

(d) To modify, amend or supplement this Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(e) To appoint a successor Trustee, separate trustees or co-trustees in the manner provided in ARTICLE VII;

(f) To comply with the provisions of this Indenture pertaining to supplemental indentures in connection with the issuance of Additional Bonds;

(g) To maintain the exclusion of interest on the Bonds from gross income for federal or State of Michigan income tax purposes;

(h) To make any other change which the Trustee and the Authority determine, in reliance on an opinion of Counsel, will not have a material adverse effect on Bondholders; or

To accomplish, implement, or give effect to any other action which is authorized or required by the Financing Agreement or this Indenture.

When requested by the Authority or the Academy, and upon receipt of an opinion of Bond Counsel to the effect that all conditions precedent under this Indenture have been met, the Trustee shall join the Authority in the execution of any such supplemental indenture. A copy of all such supplemental indentures shall be promptly furnished to the Academy.

Section 8.02. Amendments to Indenture; Consent of Bondholders and the Academy. Exclusive of supplemental indentures covered by Section 8.01 hereof and subject to the terms and provisions contained in this Section 8.02, and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental hereto shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee of such other indenture or indentures supplemental hereto as shall be consented to by the Authority, which consent shall not be unreasonably withheld, for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Article shall permit, or be construed as permitting (a) without the consent of the holders of 66 and 2/3% of the principal amount of the Bonds then Outstanding (i)

an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, or redemption provisions with respect to, any Bond, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) the creation of a lien prior to the lien of this Indenture, (v) a reduction in the aggregate principal amount of the Bonds required for consent to any supplemental indenture, or (b) a modification or change in the duties of the Trustee hereunder without the consent of the Trustee. The giving of notice to and consent of the Bondholders to any such proposed supplemental indenture shall be obtained pursuant to Section 8.06.

Anything herein to the contrary notwithstanding, a supplemental indenture, amendment or other document described under this ARTICLE VIII which affects any rights or obligations of the Academy shall not become effective unless and until the Academy consents to the execution of such supplemental indenture, amendment or other document.

Section 8.03. Amendments to Financing Agreement Not Requiring Consent of Bondholders. The Authority and the Academy may with the consent of the Trustee but without the consent of or notice to any of the Bondholders, enter into or permit any amendment of the Financing Agreement acceptable to the Academy as may be required (i) to cure any ambiguity or formal defect or omission which shall not adversely affect the interest of the Bondholders; (ii) to grant or pledge to the Authority or Trustee, for the benefit of the Bondholders, any additional security, acting in reliance on the opinion of counsel; or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not materially adverse to the Trustee or the Bondholders.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

Section 8.04. Amendments to Financing Agreement Requiring Consent of Bondholders. Except as provided in Section 8.03 hereof, the Authority shall not enter into, and the Trustee shall not consent to, any other modification or amendment of the Financing Agreement, nor shall any such modification or amendment become effective, without the consent of the Holders of 66 2/3% of the aggregate principal amount of the Bonds at the time Outstanding, such consent to be obtained in accordance with Section 8.06 hereof. No such amendment may, without the consent of the Holders of 66 2/3% of the Outstanding Bonds adversely affected, reduce the amounts or delay the times of payment of Academy Repayments under the Financing Agreement.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

Section 8.05. Amendments, Changes and Modifications to the Financing Agreement. The Trustee may, without the consent of the owners of the Bonds, consent to any amendment of the Financing Agreement as may be required for purposes of curing any ambiguity, formal defect or omission which, in the Trustee's judgment, acting in reliance upon an opinion of Counsel, does not prejudice in any material respects the interests of the

Bondholders. Except for such amendments, the Financing Agreement may be amended only in accordance with Sections 8.03 and 8.04 above.

Copies of any such amendments, changes or modifications to the Financing Agreement shall be filed with the Trustee.

Section 8.06. Notice to and Consent of Bondholders. If consent of the Bondholders is required under the terms of this Indenture for the amendment of this Indenture or the Financing Agreement for any other similar purpose, the Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first class mail to the last known holders of the Outstanding Bonds then shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice the holders of a majority or all, as the case may be, of the principal amount of the Bonds Outstanding by instruments filed with the Trustee shall have consented to the amendment, supplemental indenture or other proposed action, then the Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Bondholders shall thereby be conclusively presumed.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Bondholders and the Academy any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the parties hereto, the Bondholders and the Academy as herein provided.

Section 9.02. Severability. If any provision of this Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other part or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or Sections of this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

Section 9.03. Notices. Except as otherwise provided herein, all notices, certificates, or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, telecopy or other electronic means addressed as follows:

If to the Authority: Michigan Finance Authority
Richard H. Austin State Office Building, 1st Floor
430 W. Allegan
Lansing, MI 48922
Tel: (517) 335-0994
Fax: (517) 241-9509

If to the Academy: Concord Academy - Petoskey
2468 Atkins Road
Petoskey, Michigan 49770
Attn: President, Board of Directors
Tel: (231) 439-6800
Fax: (231) 439-6803

If to the Trustee: U.S. Bank National Association
ATTN: Corporate Trust
EP-MN-WS3C
60 Livingston Avenue
St. Paul MN 55107
Tel: (651) 495-3917
Fax: (651) 495-8097

A duplicate copy of each notice given hereunder by either party hereto shall be given to the Trustee, the Authority and the Academy. Any person or entity listed above may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. For purposes of this Section, "electronic means" shall mean electronic mail, telecopy or facsimile transmission or other similar electronic means of communication which produces evidence of transmission.

Section 9.04. Additional Notices to Rating Agencies. The Trustee hereby agrees that if at any time (a) there is a change in the Trustee; (b) there are any modifications, supplements or amendments to this Indenture, or the Financing Agreement of which the Trustee has notice; or (c) all of the Bonds are paid in full; then, in each case, the Trustee shall promptly give notice of any such event to each Rating Agency then maintaining a rating on the Bonds, if any, which notice in the case of an event described in clause (b) above shall include a copy of any such amendment, modification or supplement.

Section 9.05. Payments Due on Non-Business Days. In any case where the date of maturity of interest on or premium, if any, or principal of the Bonds or the date fixed for redemption of any Bonds shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

Section 9.06. Interest Computation. The interest on the Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months thereafter.

Section 9.07. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the Authority and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in this Indenture.

Section 9.08. Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

Section 9.09. Governing Law. This Indenture shall be governed by and interpreted in accordance with the laws of the State.

Section 9.10. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE X

REQUESTS FOR INFORMATION

Section 10.01. Periodic Academy Filings.

(a) The Trustee shall maintain a file (which may be in electronic form) of the Academy's quarterly filings of its unaudited statement of revenues, expenditures and changes in fund balances, together with its General Fund Budget and its end-of-year audited financial reports on the operations of the Academy during its just completed fiscal year, each to the extent made with the Trustee as required by the Financing Agreement.

(b) The Trustee shall maintain a file of any written requests for a copy of such reports, received by the Trustee from any Beneficial Owner of any Series 2012 Bond, which requests each must contain the Beneficial Owner's express representation and request to substantially this effect:

(i) The undersigned represents to the Trustee, the Authority and the Academy that the undersigned currently owns \$_____,000 aggregate principal amount of Michigan Finance Authority Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy - Petoskey Project), Series 2012 which the undersigned purchased from _____.

(ii) This is a continuing request to the Trustee to provide to the undersigned, at the address set forth below or such other address as we hereafter in writing provide the Trustee, a copy of each unaudited financial and budget report and end-of-year report of Concord Academy - Petoskey filed with the Trustee within the preceding 92 days and hereafter, until the

undersigned in writing terminates this request or none of the Bonds is any longer outstanding.

Address of the undersigned: _____

(c) The Trustee shall honor each written request that it receives, as described in subsection (b) above, in accordance with its terms.

(d) Nothing in this Section 10.01 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine any such report received from the Academy, or to provide a copy of any such report to anyone, who has not made a request therefor in the form, prescribed in subsection (b) above.

Section 10.02. Requests to the Academy.

(a) The Trustee agrees that for as long as the Financing Agreement is in effect, if anyone who represents that it is a Beneficial Owner of a Series 2012 Bond by delivering to the Trustee a signed statement substantially to the effect of paragraph (i) in Section 10.01(b) above (a "Requesting Bondholder") requests the Trustee to request from the Academy, for and on behalf of such beneficial owner, access to information and the opportunity to ask questions and receive answers concerning the legal status, financial condition, student count and any other relevant matters which the Requesting Bondholder in its discretion determines is necessary regarding the Academy, the Trustee accordingly will make such request to the Academy. The Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Academy in response to such request.

(b) Nothing in this Section 10.02 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine anything received from the Academy, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder. The Trustee reserves the right to provide such information it receives from the Academy or the Authorizing Body pursuant to this Indenture to a Requesting Bondholder via electronic mail or media. Requests for physical hard copies shall incur a reasonable fee to be paid by the Requesting Bondholder.

Section 10.03. Requests to Authorizing Body.

(a) The current authorizing body of the Academy is the Lake Superior State University Board of Trustees (which, or any subsequent authorizing body of the Academy, is below called the "Authorizing Body"). The Trustee agrees that for as long as the Financing Agreement is in effect:

(i) if pursuant to Section 10.02 above the Trustee has, on behalf of a Requesting Bondholder, requested but been unable to receive

such information from the Academy, then if the Requesting Bondholder further asks the Trustee to request such information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request; and

(ii) if a Requesting Bondholder asks the Trustee to request any of the below-listed information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request:

1. Quarterly or annual financial statements of the Academy;
2. The initiation of proceedings by the Authorizing Body, including the issuance of notice to show compliance, to revoke or suspend the Academy's charter;
3. Written notice received from the Academy regarding voluntary election to terminate its contract;
4. Enrollment data; and
5. Other monetary obligations of the Academy for which any of its state school aid payments are pledged.

(b) Nothing in this Section 10.03 imposes on the Authorizing Body any duty, express or implied, to furnish any requested data. Further, nothing in this Section 10.03 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Authorizing Body in response to any written request it receives from a Requesting Bondholder, or to examine anything received from the Authorizing Body, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder. The Trustee reserves the right to provide such information it receives from the Academy or the Authorizing Body to a Requesting Bondholder via electronic mail or media. Requests for physical hard copies shall incur a reasonable fee to be paid by the Requesting Bondholder.

IN WITNESS WHEREOF, the Authority has executed this Indenture by its Executive Director and the Trustee has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

MICHIGAN FINANCE AUTHORITY

By: _____
Joseph L. Fielek

Its: Executive Director

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Its: _____

EXHIBIT A

FORM OF SERIES 2012 BOND

R-___

UNITED STATES OF AMERICA
STATE OF MICHIGAN
MICHIGAN FINANCE AUTHORITY
PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION REVENUE
REFUNDING BONDS (CONCORD ACADEMY – PETOSKEY PROJECT), SERIES 2012

Registered Owner: Cede & Co.

Principal Amount: \$ _____

<u>Rate</u>	<u>Maturity Date</u>	<u>Date of Issuance</u>	<u>CUSIP</u>
___%	December 1, ___	April 30, 2012	594479 ___

FOR VALUE RECEIVED, the Michigan Finance Authority (the “Authority”) hereby promises to pay to the Registered Owner specified above, or registered assigns, upon surrender hereof, at the principal corporate trust or other designated office of the Trustee named below, on the Maturity Date specified above, unless redeemed prior thereto, the Principal Amount specified above, together with interest thereon at the interest rate specified above from the authentication date hereof or such later date to which interest has been paid, but only from the sources and in the manner hereinafter provided on each June 1 and December 1 (each an “Interest Payment Date”), commencing December 1, 2012, until the principal hereof is paid or duly provided for upon redemption or maturity. Payment of the principal of, redemption premium, if any, and interest on this Bond shall be made in lawful money of the United States of America which at the time of payment is legal tender for payment of public and private debts. Unless other arrangements are made pursuant to Section 2.02 of the Indenture (hereinafter defined), interest is payable by check or draft of the Trustee mailed when due to the registered holder hereof at the close of business on the 15th day of the month preceding any Interest Payment Date at the address of such holder as it appears on the Bond registration books of the Authority maintained by the Trustee (the “Bond Register”).

Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve months of thirty days each.

This Bond is one of an authorized series of bonds of the Authority designated “Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy - Petoskey Project), Series 2012” and issued in the aggregate principal amount of \$3,040,000 (the “Series 2012 Bonds”), for the purpose of acquiring an obligation (the “Municipal Obligation”) of

TRUST INDENTURE
Concord Academy - Petoskey Project, Series 2012
A-1

Concord Academy - Petoskey (the “Academy”) so as to enable the Academy to finance the cost of: (i) the Academy Refunding; and (ii) the payment of certain costs relating to the issuance of the Series 2012 Bonds and the Municipal Obligation.

The Series 2012 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Michigan, Executive Order No. 2010-2 compiled at §12.194 of the Michigan Compiled Laws, Executive Order No. 2002-3 compiled at §12.192 of the Michigan Compiled Laws, and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended, and pursuant to a resolution of the Authority adopted on April 19, 2012 (the “Resolution”) and a Trust Indenture (the “Indenture”) dated as of April 1, 2012, between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

THIS BOND AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF MICHIGAN OR THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MICHIGAN OR GENERAL FUNDS OR ASSETS OF THE ISSUER (INCLUDING FUNDS PERTAINING TO OTHER LOANS OR ACTIVITIES OF THE ISSUER), BUT SHALL BE A LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY THE “SECURITY,” ALL AS DEFINED AND PROVIDED AND SUBJECT TO LIMITATIONS SET FORTH IN THE RESOLUTION AND THE INDENTURE, WHICH RESOLUTION AND INDENTURE ARE HEREBY INCORPORATED HEREIN. THE SERIES 2012 BONDS AND INTEREST DUE THEREON ARE NOT A GENERAL OBLIGATION DEBT OR LIABILITY OF THE STATE OF MICHIGAN OR THE ISSUER AND DO NOT CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT ARE A LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY THE “SECURITY,” AS DEFINED IN THE INDENTURE, FOR THE EQUAL AND RATABLE BENEFIT OF THE HOLDERS, FROM TIME TO TIME, OF THE SERIES 2012 BONDS. THE ISSUER HAS NO TAXING POWER.

THE BONDHOLDER, BY THE ACCEPTANCE HEREOF, ASSENTS TO ALL PROVISIONS OF THE INDENTURE AND THE FINANCING AGREEMENT. THE ISSUER, AND ITS MEMBERS, OFFICERS, AND EMPLOYEES SHALL NOT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THIS BOND OR FOR ANY OTHER PECUNIARY LIABILITY IN ANY WAY RELATING THERETO, EXCEPT FROM THE SECURITY.

The Academy has executed and delivered to the Authority, and the Authority has assigned to the Trustee, the Academy’s Municipal Obligation pursuant to the terms of the Financing Agreement (the “Financing Agreement”), in the principal amount of the Series 2012 Bonds. Under the Municipal Obligation and the Financing Agreement, the Academy is obligated to repay the Municipal Obligation by making payments at such times and in such amounts (the

TRUST INDENTURE
Concord Academy - Petoskey Project, Series 2012
A-2

“Academy Repayments”) as shall be required to pay the principal of, premium, if any, and interest on the Series 2012 Bonds, as the same become due (the “Debt Service”). In the Indenture, the Authority has assigned to the Trustee, to provide for payment of Debt Service on the Series 2012 Bonds, the Authority’s right, title and interest in and to the Financing Agreement, except for the Authority’s Unassigned Rights, as defined in the Indenture. The Academy has caused additional security to be provided to the Trustee in the form of a mortgage on the Property.

The Security includes a security interest in the Financing Agreement (except for the Authority’s Unassigned Rights) and the Academy Repayments and in any other moneys held by the Trustee under the Indenture. The Debt Service on the Series 2012 Bonds is payable solely from the Security, and is an obligation of the Authority only to the extent of the Security. The Series 2012 Bonds are not secured by a pledge of the faith and credit of the Authority, the State of Michigan or any political subdivision thereof.

No recourse under or upon any obligation, covenant, acceptance or agreement contained in the Indenture, or in any of the Series 2012 Bonds, or under any judgment obtained against the Authority, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any employee or officer, as such, past present, or future, of the Authority or any receiver thereof, or for or to any Bondholder, or otherwise, of any sum that may be due and unpaid by the Authority upon any of the Series 2012 Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member or officer, as such to respond by reason of any act or omission on his or her part, or otherwise, for directly or indirectly, the payment for or to the Authority or any receiver thereof, or for or to the Bondholder, or otherwise, of any sum that may remain due and unpaid upon any of the Series 2012 Bonds, shall be deemed to be and is hereby expressly waived and released as a condition of and consideration for the execution and delivery of the Indenture and the issuance of the Series 2012 Bonds.

The Series 2012 Bonds are issuable as fully registered bonds in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof (the “Authorized Denominations”). This Bond, upon surrender hereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Bondholder hereof or his attorney duly authorized in writing, may, at the option of the Bondholder hereof, be exchanged for an equal aggregate principal amount of Series 2012 Bonds of any other Authorized Denomination. This Bond is transferable as provided in the Indenture, subject to certain limitations therein contained and set forth in this Series 2012 Bond, only upon the Bond Register and only upon surrender of this Bond for transfer to the Trustee duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Bondholder hereof or his attorney duly authorized in writing. Thereupon, one or more new Series 2012 Bonds of Authorized Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees.

THIS SERIES 2012 BOND MAY NOT BE TRANSFERRED TO OR HELD BY ANYONE OTHER THAN (AND THE TRUSTEE SHALL NOT REGISTER THE TRANSFER

OF THIS BOND TO ANYONE OTHER THAN) AN "ACCREDITED INVESTOR" AS DEFINED IN SECURITIES AND EXCHANGE COMMISSION RULE 501(a) OR A "QUALIFIED INSTITUTIONAL BUYER" AS THAT TERM IS DEFINED UNDER RULE 144A OF THE SECURITIES AND EXCHANGE COMMISSION.

The Authority has established a book-entry only system of registration for the Series 2012 Bonds. Except as specifically provided otherwise in the Indenture, a nominee of a securities depository will be the registered owner and will hold this Bond on behalf of the beneficial owners hereof. By acceptance of a confirmation of purchase, delivery or transfer, the beneficial owners of this Bond shall be deemed to have agreed to this arrangement. The nominee, as registered owner of this Bond, shall be treated as the owner hereof for all purposes.

REDEMPTION OF BONDS

The Series 2012 Bonds are not subject to redemption prior to maturity except as hereinafter provided.

Optional Redemption

The Series 2012 Bonds are subject to redemption at the option of the Authority, as directed in writing by the Academy, in whole or in part at any time on or after December 1, 2021 and if in part, in Authorized Denominations, and in such order of maturity as the Academy shall direct, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. No Series 2012 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination.

Mandatory Redemption of Term Bonds

The Series 2012 Bonds maturing December 1, 2020 are subject to mandatory redemption on December 1, 2012, and on each December 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

Term Bonds Maturing December 1, 2020	
Date	Principal Amount
December 1, 2012	\$ 75,000
December 1, 2013	100,000
December 1, 2014	100,000
December 1, 2015	105,000
December 1, 2016	115,000
December 1, 2017	115,000
December 1, 2018	125,000
December 1, 2019	135,000
December 1, 2020**	140,000

** Maturity

The Series 2012 Bonds maturing December 1, 2030 are subject to mandatory redemption on December 1, 2021, and on each December 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

**Term Bonds Maturing
December 1, 2030**

Date	Principal Amount
December 1, 2021	\$ 145,000
December 1, 2022	160,000
December 1, 2023	170,000
December 1, 2024	180,000
December 1, 2025	190,000
December 1, 2026	205,000
December 1, 2027	220,000
December 1, 2028	240,000
December 1, 2029	250,000
December 1, 2030**	270,000

** Maturity

Purchase in Lieu of Redemption

The Series 2012 Bonds are subject to purchase in lieu of redemption by the Authority upon the direction of the Academy prior to their respective maturity dates at any time, in whole or in part, as set forth in Section 2.11(c) of the Indenture.

Mandatory Redemption Upon Determination of Taxability

The Series 2012 Bonds shall be subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption from Insurance and Condemnation Proceeds.

Pursuant to the Indenture, the Series 2012 Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Series 2012 Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

Under the Financing Agreement, in the event (i) the Property is damaged or destroyed, or (ii) failure of title to all or part of the Property occurs or title to or temporary use of the Property is taken by condemnation or by the exercise of the power of eminent domain, the Academy is required to promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy must elect in writing whether to restore all or part of the Property or to prepay its obligations under the Financing Agreement. The Academy may only restore all or part of the Property if it demonstrates to the Trustee that (i) it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and (ii) such restoration will not cause interest on the Series 2012 Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Property has been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Property may not be reasonably restored within a period of 12 (or such longer period as is acceptable to the Trustee) consecutive months to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 months (or such longer period as is acceptable to the Trustee), or if the cost of restoring the Property is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Property, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2012 Bonds.

Partial Redemption

If less than all the outstanding Series 2012 Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Series 2012 Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bond selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the Bondholder thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such Bondholder, Series 2012 Bonds in any of the Authorized Denominations.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Bondholder of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond or a portion thereof with respect to which no such failure or defect has occurred. In addition, the Trustee may give such other notice or notices as may be recommended in releases, letters, pronouncements or other writings of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice. All Series 2012 Bonds so called for

redemption will cease to bear interest on the specified date set for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the Bondholders of such Series 2012 Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed in any of the Authorized Denominations.

CERTAIN OTHER PROVISIONS

If provision is made for the payment of principal of, premium, if any, and interest on this Bond in accordance with the Indenture, this Bond shall no longer be deemed outstanding under the Indenture, shall cease to be entitled to the benefits of the Indenture, and shall thereafter be payable solely from the funds provided for payment.

Under certain circumstances as described in the Indenture, the principal of all the Series 2012 Bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Immediately following any such declaration, the Trustee shall mail notice of such declaration by first class mail to each Bondholder of Series 2012 Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations, if any, of the Authority, the Academy and the Bondholders of the Series 2012 Bonds at any time with the consent of the Bondholders of a majority in aggregate principal amount of the Series 2012 Bonds at the time outstanding which are affected by such modifications. The Indenture also permits amendments and supplements to the Indenture and the Financing Agreement, without requiring the consent of any Bondholders in certain specifically described instances. The Indenture also contains provisions permitting Bondholders of a majority in aggregate principal amount of the Series 2012 Bonds at the time outstanding, on behalf of all the Bondholders of all Series 2012 Bonds, to waive compliance by the Authority and the Academy with certain provisions of the Indenture and their consequences. Any such consent or waiver by the Bondholder of this Bond shall be conclusive and binding upon such Bondholder and on all future Bondholders of this Bond and of any Bond issued in lieu hereof whether or not notation of such consent or waiver is made upon this Bond. Supplements and amendments to the Indenture or the Financing Agreement may be made only to the extent and in circumstances permitted by the Indenture.

The Bondholder of this Bond shall have no right to enforce the provisions of the Indenture or the Financing Agreement, or to institute action to enforce the covenants therein, or to take any action with respect to a default under the Indenture or the Financing Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided under certain limited circumstances described in the Indenture; provided, however, that nothing contained in the Indenture shall affect or impair any right of enforcement conferred on the Bondholder hereof by the Enabling Legislation to enforce (i) the payment of the principal of and premium, if any, and interest on this Bond at and after the maturity thereof, or (ii) the obligation of the Authority to pay the principal of and premium, if any, and interest on this Bond

to the Bondholder hereof at the time, place, from the source and in the manner as provided in the Indenture.

The Bondholder of this Bond, by acceptance hereof, consents to all of the terms and provisions of the Indenture, the Financing Agreement and the Mortgage.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that all acts, conditions and things required to exist, happen and be performed precedent to the execution and delivery of the Indenture and the issuance of this Bond and the issue of which it is a part, do exist, have happened and have been timely performed in regular form and manner as required by law, and the issuance of this Bond, together with all other obligations of the Authority, does not exceed or violate any constitutional or statutory limitation of the Authority.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature of one of its authorized signers, this Bond shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

[The remainder of this page is left blank intentionally]

IN WITNESS WHEREOF, the Michigan Finance Authority has executed this Bond by the manual or facsimile signature of its Executive Director as of the Date of Original Issue set forth above.

MICHIGAN FINANCE AUTHORITY

By: _____
Joseph L. Fielek

Its: Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2012 Bonds described in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____

Its: _____

Authentication Date: April ____, 2012

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

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto _____

(Name and Address of Assignee)

(Taxpayer I.D. No. _____)

the within Bond and does hereby irrevocably constitute and appoint _____, the within Bond and does hereby irrevocably constitute and appoint _____, attorney to transfer such Bond on the books kept for registration and transfer of the within Bond, with full power of substitution in the premises.

Dated: _____ [Signature]

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

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15) participating in a Securities Transfer Association recognized signature guarantee program.

EXHIBIT B

DESCRIPTION OF SERIES 2012 BONDS

Dated Date: April 30, 2012

MATURITY DATES, AMOUNTS AND INTEREST RATES

Term Bonds

\$1,010,000	Term Bonds due December 1, 2020	Interest Rate 5.500%	Yield 5.500%	CUSIP: 594479 BL0
\$2,030,000	Term Bonds due December 1, 2030	Interest Rate 6.875%	Yield 6.875%	CUSIP: 594479 BM8

MANDATORY REDEMPTION PROVISIONS

The Series 2012 Bonds maturing December 1, 2020 are subject to mandatory redemption on December 1, 2012, and on each December 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

Term Bonds Maturing

December 1, 2020

Date	Principal Amount
December 1, 2012	\$ 75,000
December 1, 2013	100,000
December 1, 2014	100,000
December 1, 2015	105,000
December 1, 2016	115,000
December 1, 2017	115,000
December 1, 2018	125,000
December 1, 2019	135,000
December 1, 2020**	140,000

** Maturity

The Series 2012 Bonds maturing December 1, 2030 are subject to mandatory redemption on December 1, 2021, and on each December 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

Term Bonds Maturing

December 1, 2030

Date	Principal Amount
December 1, 2021	\$ 145,000
December 1, 2022	160,000
December 1, 2023	170,000
December 1, 2024	180,000
December 1, 2025	190,000
December 1, 2026	205,000
December 1, 2027	220,000
December 1, 2028	240,000
December 1, 2029	250,000
December 1, 2030**	270,000

** Maturity

FINANCING AGREEMENT

BETWEEN

MICHIGAN FINANCE AUTHORITY

AND

CONCORD ACADEMY - PETOSKEY

RELATING TO:

\$3,040,000

MICHIGAN FINANCE AUTHORITY
PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION REVENUE
REFUNDING BONDS (CONCORD ACADEMY – PETOSKEY PROJECT), SERIES 2012

Dated as of April 1, 2012

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FINANCING AGREEMENT

Concord Academy - Petoskey Project, Series 2012

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Concord Academy - Petoskey Project, Series 2012

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FINANCING AGREEMENT

Concord Academy - Petoskey Project, Series 2012

FINANCING AGREEMENT

This Financing Agreement (hereinafter "Agreement") is made and entered into as of April 1, 2012 among the **MICHIGAN FINANCE AUTHORITY** (the "Authority"), and the **CONCORD ACADEMY - PETOSKEY** (the "Academy").

PREMISES

The Authority has been created by the Enabling Legislation for, among other purposes, the purpose of assisting governmental units, as defined in the Enabling Legislation, including public school academies, including public school academies that have been converted to schools of excellence, established under the Revised School Code, by purchasing municipal obligations in fully marketable form issued by governmental units and by lending money to: (a) governmental units including schools of excellence; and (b) other nonprofit entities for the benefit of schools of excellence.

The Revised School Code authorizes schools of excellence to issue refunding obligations in accordance with Article VI of the Revised Municipal Finance Act, Act 34, Public Acts of Michigan, 2002, as amended.

The Revised School Code also authorizes schools of excellence to enter into agreements and take actions in connection with the operation and maintenance of schools of excellence.

The Academy has determined that it has a need to implement the Academy Refunding (as defined herein) in furtherance of its educational objectives.

The Authority pursuant to this Agreement will acquire the obligation of the Academy to make certain payments.

In consideration of these Premises and their mutual agreements, the Authority and the Academy agree as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. Words and phrases capitalized herein and not defined below shall have the meanings ascribed to them in the Indenture and the Resolution adopted by the Authority on April 19, 2012, authorizing the Series 2012 Bonds. In addition, the following words and phrases as used throughout this Agreement shall have the following meanings unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined:

"**Academy Bonds**" means the bonds of the Academy issued pursuant to and permitted by Sections 304 of this Agreement.

FINANCING AGREEMENT
Concord Academy - Petoskey Project, Series 2012

"**Academy Documents**" means this Agreement, the Bond Placement Agreement, the Mortgage, the State Aid Agreement, the Continuing Disclosure Agreement, the Environmental Indemnification Agreement, the Escrow Agreement, and all other documents executed by the Academy in connection with this financing.

"**Academy Refunding**" means the Academy's redemption of all of the Prior Obligations.

"**Additional Indebtedness**" means the obligations of the Academy incurred pursuant to and permitted by Sections 304 and 707 of this Agreement.

"**Additional Payments**" means all payments required by the Academy under this Agreement (including but not limited to Fee Payments and Reserve Fund Payments) other than Bond Payments.

"**Agreement**" means this Financing Agreement as the same may be amended or supplemented in accordance with its terms and the terms of the Indenture.

"**Authorized Academy Representative**" means the Board President of the Academy or any other officer of the Academy authorized to act in such capacity by a resolution adopted by the Board of the Academy.

"**Authorizing Body**" means the Lake Superior State University Board of Trustees, or any successor authorizing body.

"**Bond Counsel**" means a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

"**Bond Documents**" means the Academy Documents, the Municipal Obligation and the Indenture.

"**Bond Payments**" means the amounts payable by the Academy under its Municipal Obligation allocable to the repayment of principal of, or interest or redemption under the Municipal Obligation which do not consist of Additional Payments.

"**Bond Payment Date**" means with respect to the Series 2012 Bonds, December 1, 2012 and each June 1 and December 1 thereafter with respect to interest, and each December 1, with respect to principal.

"**Bond Placement Agreement**" means the Bond Placement Agreement, dated April 24, 2012, among the Authority, the Academy, Fifth Third Securities, Inc. and Hamlin Capital Management, LLC.

"**Bondholder**" means the Registered Owner or Beneficial Owner of any Series 2012 Bond.

FINANCING AGREEMENT
Concord Academy - Petoskey Project, Series 2012

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions in the city in which the designated corporate trust office of the Trustee (or its bond registrar, paying agent or tender agent offices) is located are closed, or (d) a day on which the New York Stock Exchange is closed or the payment system of the Federal Reserve is not operational.

“Cash on Hand” means the sum of cash, cash equivalents, liquid investments and unrestricted marketable securities, not including the Reserve Fund (valued at the lower of cost or market) of the Academy less any net liability arising from a short-term borrowing in which the Academy has pledged its State School Aid. Net liability means the amount of the outstanding principal and interest of the short term borrowing in excess of amounts previously set aside for repayment of such borrowing, including for such purpose the amount of the revenues pledged by the Academy for such short-term borrowing.

“Cash on Hand Requirement” means the Cash on Hand required to be maintained by the Academy under Section 717 of this Agreement.

“Charter” means the Academy’s contract with its Authorizing Body, together with its Articles of Incorporation and Bylaws.

“Closing Date” means the date of the initial delivery of the Series 2012 Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations proposed and promulgated from time to time thereunder and under the predecessor code.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Academy and the Trustee, dated as of April 1, 2012.

“Costs of Issuance” has the meaning given in Section 202(y) of this Agreement.

“Days Cash on Hand” has the meaning given in Section 717 of this Agreement.

“Default” and **“Event of Default”** means those defaults and events of default, respectively, specified and defined in Section 901 of this Agreement.

“Enabling Legislation” shall mean Executive Order No. 2010-2, compiled at §12.194 of the Michigan Compiled Laws; Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws; Executive Order No. 2002-12, compiled at §12.193 of the Michigan Compiled Laws, and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended.

“Escrow Agreement” means the Escrow Agreement, dated April 30, 2012, between the Academy and U.S. Bank National Association, relating to the Academy Refunding.

“Escrow Fund” means the fund established pursuant to the Escrow Agreement.

“Facility” means the Academy’s school facilities located at 2468 Atkins Road, Petoskey, Michigan 49770.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is not prohibited by the laws of the State or the Bond Documents and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2012 Bonds.

“Fee Payments” mean the fee payments required by Section 407 of this Agreement.

“Fiscal Year” means the period commencing on the first day of July and ending on the last day of June of each year or such other twelve month period as may be designated by the Academy as the fiscal year of the Academy.

“Gross Revenues” means, regardless of the source, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of the Academy, to the extent permitted thereby and by law, including accounts receivables or other rights to receive such revenues, including, without limitation, State School Aid (whether received by the Academy, its Authorizer or the Trustee on behalf of the Academy), capitalized interest, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Academy; and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof and by law.

“Indebtedness” means all obligations for the payment of money incurred or assumed by the Academy which appear as liabilities on the balance sheet of the Academy as determined in accordance with generally accepted accounting principles of governmental entities in Michigan.

“Indenture” means the Trust Indenture between the Authority and U.S. Bank National Association, a national banking association, as trustee, dated as of April 1, 2012, as the same may be amended or supplemented in accordance with its terms.

“Interest Payment Date” means, with respect to the Series 2012 Bonds, each June 1 and December 1, commencing December 1, 2012.

“Long-Term Indebtedness” means all Indebtedness, the final maturity of which (taking into account any extensions available at the sole option of the Academy) is greater than one year after the initial incurrence thereof.

“Management Agreement” means an agreement between the Academy and a management company relating to the management of the Academy’s operations.

“Management Consultant” means a professional consulting firm, certified public accounting firm, or other Person selected by the Trustee, having the skill or experience in the business of Michigan public school academies necessary to render the report required by Sections 717, 718 and 719 of this Agreement and having a favorable reputation for such skill and

experience, which Person shall have no interest, direct or indirect, in the Academy and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of the Academy.

“**Mortgage**” means the Mortgage, dated as of April 1, 2012, from the Academy in favor of the Trustee with respect to the Property.

“**Municipal Obligation**” means the Refunding Bond, Series 2012 of the Academy, dated April 30, 2012.

“**Net Income Available for Debt Service**” means, for any period of determination thereof, the aggregate Gross Revenues of the Academy for such period, plus any unrestricted fund balance, minus Operating Expenses for such period but excluding (i) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles of governmental entities in Michigan, (ii) cancellation of Indebtedness, (iii) proceeds of the Series 2012 Bonds and any other Indebtedness permitted by this Agreement, and (iv) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of the Academy, the proceeds of any sale, transfer or other disposition of the Property, the Facility or any other of the Academy’s assets by the Academy, and any condemnation or any other damage award received by or owing to the Academy.

“**Net Proceeds**” means any insurance proceeds or condemnation award paid with respect to the Property remaining after payment therefrom for all expenses incurred in the collection thereof.

“**Non-Arbitrage Certificate**” means, collectively, the Non-Arbitrage and Tax Compliance Certificates delivered by the Authority and the Academy in connection with the initial delivery of the Series 2012 Bonds.

“**Operating Expenses**” means fees and expenses of the Academy incurred with respect to the operation of the Academy, including maintenance, repair expenses, utility expenses, real estate taxes, if any, insurance premiums, administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Academy, the cost of vehicles, equipment leases and service contracts, taxes, if any, upon the operations of the Academy not otherwise mentioned herein, 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 of governmental entities in Michigan, all in such amounts as reasonably determined by the Academy; provided, however, “Operating Expenses” shall not include (a) spending for items which could reasonably be accounted for as capital expenditures under generally accepted accounting principles of governmental entities in Michigan, (b) deposits into and expenditures from the Repair and Replacement Fund, or (c) replenishments of the Reserve Fund.

“**Payment Date**” has the meaning given in Section 405 of this Agreement.

“**Person**” means any natural person, firm, partnership, association, limited liability company, corporation, or public body.

“**Placement Agent**” means Fifth Third Securities, Inc. and any successor thereto.

“**Pledged State Aid**” has the meaning given in Section 405 of this Agreement.

“**Principal Amount**” means \$3,040,000 being the aggregate principal amount of the Series 2012 Bonds. The term “principal,” when used with reference to the principal of the Series 2012 Bonds, means principal of the Series 2012 Bonds and, where appropriate, any premium in addition to principal due upon redemption of the Series 2012 Bonds.

“**Principal and Interest Requirement on Long-Term Indebtedness**” means, for any Fiscal Year, and subject to the provisions of this Agreement, the amount required to pay the interest and principal for Long-Term Indebtedness in such Fiscal Year, excluding “funded interest” from the proceeds of Indebtedness and excluding interest earnings on the Reserve Fund at the then current interest rate per annum, to be determined on the assumption that all Series 2012 Bonds will be retired at their stated maturities except for those Series 2012 Bonds which are required by the Indenture to be redeemed prior to their stated maturities from sinking fund payments the Academy is required by this Agreement to make for such a purpose, which Series 2012 Bonds will be assumed to be retired on their respective scheduled mandatory redemption dates.

“**Prior Obligations**” means the Academy’s Full Term Certificates of Participation, Series 2000, dated as of December 1, 2000.

“**Property**” means the land and improvements thereon located at 2468 Atkins Road, Petoskey, Michigan 49770, including the Facility.

“**Repair and Replacement Fund**” means the fund by that name created pursuant to Section 4.04 of the Indenture.

“**Repair and Replacement Fund Requirement**” means the amount of \$75,000 subject to the payment requirements and limitations set forth in Section 412 herein and Section 4.01(d) of the Indenture.

“**Reserve Fund**” means the fund established pursuant to the Indenture.

“**Reserve Fund Payments**” has the meaning given in Section 401 of this Agreement.

“**Revised School Code**” means the Revised School Code, Act 451 Public Acts of Michigan, 1976, as amended, or any successor legislation in replacement thereof.

“**Scheduled Bond Payment**” means the scheduled amounts payable by the Academy as set forth on Exhibit A and under the State Aid Agreement, which consist of a Scheduled Principal Component, a Scheduled Interest Component, and a Scheduled Fee Payment Component.

“**Scheduled Fee Payment Component**” means the portion of the Scheduled Bond Payment to be intercepted and allocated to Fee Payments, as set forth on Exhibit A.

“**Scheduled Interest Component**” means the portion of the Scheduled Bond Payment to be intercepted and allocated to a payment of the interest on the Series 2012 Bonds and the Municipal Obligation, as set forth on Exhibit A.

“**Scheduled Principal Component**” means the portion of the Scheduled Bond Payment to be intercepted and allocated to repayment of the principal amount of the Series 2012 and the Municipal Obligation, as set forth on Exhibit A.

“**Series 2012 Bonds**” means the \$3,040,000 Michigan Finance Authority Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy - Petoskey Project), Series 2012.

“**Short-Term Debt**” means any indebtedness maturing in 13 months or less from issuance, evidenced by notes, commercial paper, a bank line of credit or any other instrument to finance operating or other costs of the Academy.

“**State Aid Agreement**” means the State Aid Agreement dated as of April 1, 2012 among the State Treasurer of the State of Michigan, the Authority, the Academy, the Trustee and the Lake Superior State University Board of Trustees.

“**State School Aid**” means the State School Aid payments payable to the Academy pursuant to the State School Aid Act.

“**State School Aid Act**” means the State School Aid Act, Michigan Public Act 94 of 1979, as amended, or any successor legislation in replacement thereof.

“**Unassigned Rights**” means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under this Agreement and to enforce in its name and for its own benefit the provisions of Section 407, Section 502 and Section 903 of this Agreement with respect to the Authority fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

ARTICLE II

REPRESENTATIONS

Section 201. Representations of the Authority. The Authority makes the following representations:

(a) The Authority is a body corporate and politic established and acting pursuant to the Enabling Legislation with full authority under the Enabling Legislation to issue the Series 2012 Bonds and execute and enter into this Agreement, the Indenture, the State Aid Agreement and the Bond Placement Agreement.

(b) All of the proceedings approving this Agreement, the Indenture, the State Aid Agreement and the Bond Placement Agreement were conducted by the Authority at meetings which complied with Act 267, Michigan Public Acts, 1976, as amended.

(c) No member of the Authority is directly or indirectly a party to or in any manner whatsoever interested in this Agreement, the Indenture, the Series 2012 Bonds or the proceedings related thereto.

Section 202. Representations of the Academy.

(a) The Academy is a school of excellence established in accordance with the provisions of the Revised School Code, and has, and on the Closing Date, will have, full legal right, power and authority: (i) to enter into the Academy Documents and to issue the Municipal Obligation; and (ii) to sell, pledge and assign to the Authority the State School Aid payments to be allocated and paid to the Academy as provided herein and the Academy has duly authorized and approved the execution and delivery of and the performance by the Academy of its obligations contained in the Academy Documents and the Municipal Obligation; and the Academy Documents and the Municipal Obligation have been duly authorized, executed and delivered by, and assuming due authorization by the other parties thereto, if any, are valid and binding obligations of the Academy.

(b) Neither the authorization, execution nor delivery of the Academy Documents and the Municipal Obligation, the consummation of the transactions contemplated by the Academy Documents and the Municipal Obligation nor the fulfillment of or compliance with the terms and conditions of the Academy Documents and the Municipal Obligation will require any consent or approval of the governing board of the Academy or its Authorizing Body which has not been obtained, or violate any provision of law, any order of any court or other agency of government, the Charter, or any indenture, agreement or other instrument to which the Academy is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under its Charter or any such indenture, agreement or other instrument, or, except as provided hereunder, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Academy.

(c) No litigation or governmental proceeding is pending or, to the knowledge of the officers of the Academy, threatened against the Academy which could have a material adverse effect on its financial condition or business, its power to make payments under this Agreement or the authority or incumbency of its officers or directors.

(d) The Academy intends to cause the Facility to be operated at all times during the term of this Agreement as a “public school academy” and “school of excellence” as that terms are defined in the Revised School Code. All property which is to be financed or refinanced with the net proceeds of the Series 2012 Bonds will be owned by the Academy.

(e) Moneys which will be made available from the Authority under this Agreement and other sources will be sufficient to accomplish the Academy Refunding and to pay the Costs of Issuance.

(f) The Academy reasonably believes that the revenues and income available or to become available to the Academy and payable to the Authority under this Agreement will be sufficient for allocation to and payment of the Series 2012 Bonds and interest thereon when due.

(g) Proceeds of the Series 2012 Bonds will not exceed the cost of accomplishing the Academy Refunding, incidental costs related thereto and to the issuance of the Series 2012 Bonds.

(h) The Academy is not in default in any material respect under any order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease or instrument. The Academy is not in default under any law, rule or regulation wherein such default could materially adversely affect the Academy or the ability of the Academy to perform its obligations under the Academy Documents.

(i) No more than 10 percent of the proceeds of the Series 2012 Bonds will be used directly or indirectly in a trade or business carried on by any person other than a governmental unit (a "private business use") that is related to the governmental purpose of the Academy. No more than 5 percent of the proceeds of the Series 2012 Bonds will be used for any private business use that is not related to governmental purposes of the Authority or the Academy or that, although related to governmental purposes of the Authority or the Academy, exceeds the amount of Series 2012 Bond proceeds used for governmental purposes of the Authority or the Academy other than a related private business use. No more than 5 percent of the proceeds of the Series 2012 Bonds will be used directly or indirectly to make or finance loans to persons other than governmental units or loans for purposes other than enabling a borrower to finance any governmental tax or assessment of general application for a specific essential governmental function.

(j) The weighted average maturity of the Series 2012 Bonds will not be greater than 120% of the average reasonably expected economic life of the Property being refinanced by the Series 2012 Bonds, as determined pursuant to Section 147(b) of the Code.

(k) There are no contracts or other arrangements providing for private business use or ownership of any property to be financed by proceeds of the Series 2012 Bonds, and the Academy covenants not to enter into any such contracts or arrangements during the term of this Agreement, including any contracts or arrangements for the provision of medical services, food services, management services, or any other types of services, except contracts and arrangements which satisfy the requirements of Rev. Proc. 97-13 or other applicable regulations under the Code.

(l) The Academy will comply with the provisions of Section 148 of the Code. The Academy covenants, for the benefit of itself, the Authority and the owners from

time to time of the Series 2012 Bonds, that it will not cause or permit any proceeds of the Series 2012 Bonds to be invested in a manner contrary to the provisions of Section 148 of the Code, and that it will assume compliance with such provisions on behalf of the Authority (including, without limitation, performing required calculations, the keeping of proper records and the timely payment to the Department of the Treasury of the United States, in the name of the Authority, of all amounts required to be so paid by Section 148 of the Code), and the Academy shall carry out all of the requirements to calculate and make rebate payments to the United States and preserve records thereof.

(m) Except as permitted by Code Section 149(b), the Series 2012 Bonds are not federally guaranteed. For this purpose, a bond is federally guaranteed if: (i) the payment of principal or interest is guaranteed (in whole or in part) by the United States or any agency or instrumentality thereof; (ii) 5% or more of the issue is to be: (A) used in making loans the principal or interest with respect to which is to be guaranteed (in whole or in part) by the United States (or an agency of instrumentality thereof); or (B) invested directly or indirectly in federally insured deposits or accounts; or (iii) the payment of principal or interest on such bond is otherwise indirectly guaranteed (in whole or in part) by the United States (or an agency or instrumentality thereof).

(n) There are no other obligations of the Academy that were sold or are to be sold within 15 days of the sale of the Series 2012 Bonds that: (i) were or are to be sold pursuant to the same plan of financing with the Series 2012 Bonds; and (ii) are reasonably expected to be paid from substantially the same source of funds as the Series 2012 Bonds, determined without regard to guaranties from unrelated parties.

(o) The Academy shall not enter into any contracts or other arrangements which do not comply with (i) and (k) above.

(p) The Academy will not enter into a transaction that reduces the arbitrage rebate to be paid to the United States because the transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Series 2012 Bonds not been relevant to either party.

(q) The Facility has been completed.

(r) The Facility has been constructed and equipped in such manner as to conform with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction of the Facility.

(s) To the best of the knowledge of the Academy, no authorizations, consents or approvals of governmental bodies or agencies are required in connection with the execution and delivery by the Academy of the Academy Documents or the Municipal Obligation, or in connection with the carrying out by the Academy of its obligations under the Academy Documents or the Municipal Obligation, which have not been obtained or, if not obtained on the date of this Agreement, are expected to be obtained in the normal course of

business at or prior to the time such authorizations, consents or approvals are required to be obtained.

(t) There are no actions or proceedings pending or, to the knowledge of the Academy, threatened before any court or administrative agency which will, in the reasonable judgment of the Academy, materially adversely affect the ability of the Academy to meet its obligations under the Academy Documents.

(u) No director or officer of the Authority has any interest of any kind in the Academy which would result, as a result of the issuance of the Series 2012 Bonds, in a substantial financial benefit to such persons other than as a member of the general public.

(v) The information furnished by the Academy and used by the Authority in preparing its Non-Arbitrage Certificate pursuant to the Code and the information statement pursuant to Section 149(e) of the Code (Form 8038-G) is true, accurate and complete as of the date of the issuance of the Series 2012 Bonds.

(w) The Academy has complied and intends to comply with its obligations, covenants and representations under the Bond Documents, to the extent such obligations affect the tax-exempt status of the Series 2012 Bonds.

(x) None of the proceeds of the Series 2012 Bonds will be used to finance the purchase, construction, lease, or renovation of property owned, directly or indirectly, by any officer, board member, or employee of the Academy.

(y) The Academy shall promptly pay the Costs of Issuance upon notification by the Authority. The term "Costs of Issuance" shall mean and include Placement Agent's fees, printing charges, letter of credit fees and related charges of a letter of credit, trustee fees, bond counsel fees, academy counsel fees, and other counsel fees, financial advisor fees, rating agency fees and issuance fees of the Authority.

(z) The Academy will utilize the Facility for public school purposes so long as Series 2012 Bonds remain outstanding under the Indenture and will use its best efforts to operate the academy in an efficient manner. The Academy will maintain its Charter in good standing. The Academy will not own, operate or utilize other public school facilities which may reduce the utilization or student population of the Facility while the Series 2012 Bonds remain outstanding.

ARTICLE III

THE SERIES 2012 BONDS AND THE PROCEEDS THEREOF

Section 301. Series 2012 Bonds. The Authority has authorized the issuance and sale of the Series 2012 Bonds in the Principal Amount. The Authority intends to deliver Series 2012 Bonds subject to the terms of the Bond Placement Agreement. The proceeds of the Series 2012 Bonds shall be deposited as provided in Section 302 hereof. The obligations of the Authority

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and the Academy under this Agreement are expressly conditioned upon delivery of the Series 2012 Bonds and receipt of the proceeds thereof.

Section 302. Purchase of Municipal Obligation. The Authority hereby agrees to purchase the Municipal Obligation for the Principal Amount of \$3,040,000.00, by depositing in the Escrow Fund, the amount of \$2,860,815.06 to accomplish the Academy Refunding and by depositing into the Cost of Issuance Fund established pursuant to the Escrow Agreement, the amount of \$179,184.94 to pay the costs of issuing the Series 2012 Bonds and the Municipal Obligation.

In addition to the amount of net proceeds of the Series 2012 Bonds deposited in the Escrow Fund provided above, the Academy agrees to deposit into the Escrow Fund the amount of \$344,681.00 from the Prior Obligations debt service reserve fund and \$115,000.00 from the Prior Obligations debt service fund.

The Authority agrees to deposit the Authority Contribution in the amount of \$292,250.00 into the Reserve Fund upon issuance of the Series 2012 Bonds.

Section 303. Reserved.

Section 304. Additional Bonds, Academy Bonds and Additional Indebtedness.

(a) The Authority may, but shall not be required to authorize the issuance of Additional Bonds, upon the request of the Academy, upon the terms and conditions provided in the Indenture. Failure by the Authority to issue Additional Bonds shall not release the Academy from any provisions of this Agreement, regardless of the reason for such failure.

(b) The Academy may issue additional bonds ("Academy Bonds"), in one or more series, for the acquisition, construction, expansion, equipping, furnishing and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of this Agreement. Such Academy Bonds may be ratably payable from and secured by the Pledged State Aid, but such Academy Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Academy. No such Academy Bonds shall be issued unless the following terms and conditions have been met:

(i) No "event of default," as such term is defined in this Agreement and the Mortgage, shall exist thereunder; and

(ii) The Academy shall have been furnished an opinion of an attorney or firm of attorneys nationally recognized as bond counsel to the effect that the issuance of such Academy Bonds shall not cause interest on the Series 2012 Bonds or any Additional Bonds issued on a federally tax-exempt basis to be includable in gross income of the recipient for federal income tax purposes under the Code; and

(iii) There shall have been furnished to the Academy an agreement providing for additional payments sufficient to pay the principal of and

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interest on such Academy Bonds when due and a mortgage and/or State School Aid Agreement, if required, providing for the Pledged State Aid as security of such Academy Bonds; and

(iv) There shall have been furnished a certificate of an Authorized Officer of the Academy to the effect that the proceeds of such Academy Bonds, together with any additional funds supplied or to be supplied from any source, will be sufficient to complete the cost of the project for which such Academy Bonds are issued; and

(v) The Academy shall provide written evidence of compliance with the requirements of this Agreement relating to the issuance of such Academy Bonds, and such other certificates, affidavits, documents or opinions as may be reasonably required; and

(vi) Upon issuance of such Academy Bonds, if required, there shall be deposited in a reserve fund an amount not to exceed the maximum amount permitted under the Code to be deposited therein with respect to such Academy Bonds; and

(vii) The proceeds of such Academy Bonds are to be used to finance the improvements to the Property or the acquisition or installation of equipment and furnishings therein or the acquisition, construction and/or renovation of, an additional school facility of the Academy and/or the acquisition or installation of equipment and furnishings therein, and the Academy obtains a written report from an independent consultant who is not within the regular employ of the Academy and has a reputation for skill and experience in such work, which report sets forth and states that the estimated repayments which will be available for debt service on the Series 2012 Bonds, any Additional Bonds and the proposed Academy Bonds for each of the three Fiscal Years following the Fiscal Year in which it is estimated the improvements, additions, equipment, furnishings or new facilities financed by such Academy Bonds are to be placed in service, will not be less than one hundred twenty-five percent (125%) of the maximum principal and interest (less investment proceeds reasonably expected to be available for payment of debt service) to become due on the Series 2012 Bonds, any Additional Bonds and the proposed Academy Bonds, as the case may be, in any Fiscal Year after which such improvements, additions, equipment, furnishing or new facilities are expected to be placed in service; and

(viii) The report of independent consultant obtained pursuant to clause (vii) above also provides a statement of projected Gross Revenues and projected Operating Expenditures of the Academy for each of the three Fiscal Years following the Fiscal Year in which it is estimated the improvements, additions, equipment, furnishing or new facilities financed by such Academy Bonds are to be placed in service, showing that projected Gross Revenues will exceed projected Operating Expenditures in each such Fiscal Year.

(c) The Academy may issue Additional Indebtedness subordinate to the Series 2012 Bond, Additional Bonds and/or Academy Bonds subject to the limitations set forth in Section 707.

Section 305. Investment of Funds and Accounts. Any moneys held as a part of any fund or account shall be invested, reinvested or applied by the Trustee in accordance with the provisions of the Indenture. Any moneys held in any fund shall, pending disbursement and upon written request of the Academy or oral or facsimile request of the Academy later confirmed in writing, be invested only in Eligible Investments in accordance with the provisions of Article IV of the Indenture, all at such maturities, rates of interest and other specifications as the Academy may indicate in its request to the Trustee. The investments shall mature not later than the respective dates estimated by the Academy when the moneys in such funds shall be needed for the purposes provided in this Agreement and the Indenture, but should the cash balance in a fund be insufficient for such purpose, the Trustee is authorized to sell the necessary portion of such investments to meet that purpose. Recognizing that such investments shall be made at the written direction of the Academy, the Authority agrees to cooperate with the Academy, and the Academy covenants that it will restrict the use of the proceeds of the Series 2012 Bonds (and any other funds or moneys which may be deemed to be proceeds of the Series 2012 Bonds pursuant to Section 148(a) of the Code), in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Series 2012 Bonds are issued, so that the Series 2012 Bonds will not constitute "arbitrage bonds" under Section 148(a) of the Code.

The Academy shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Series 2012 Bonds pursuant to the Code in such a manner as to cause the Series 2012 Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 306. Rebate Payments to United States. The Academy for itself and for the Authority agrees that it shall calculate and make all necessary payments of investment earnings required to be rebated to the United States pursuant to the terms of the Indenture and the Non-Arbitrage Certificate. The Academy hereby further agrees that it shall comply with the procedures outlined in the Academy's Non-Arbitrage and Tax Compliance Certificate and shall furnish to the Trustee and the Authority within fifteen (15) days following each Computation Date (as defined in the Code) the computations required thereby. The Trustee has no duty to confirm the accuracy of the computations made by the Academy and may assume that the computations are correct. The Academy shall provide to the Trustee and the Authority evidence of each payment of rebate, if any, within 30 days of each such payment.

ARTICLE IV

BOND PAYMENTS

Section 401. Obligations Related to Municipal Obligation. The Academy hereby agrees that it will not sell, assign title to, lease, or obtain further financing with respect to the Property except as permitted hereunder and with the written permission of the Trustee while Bond Payments or Additional Payments remain outstanding under the Municipal Obligation and

this Agreement. The Academy agrees that the Authority may pledge the Municipal Obligation and this Agreement to the Trustee as security for its obligations to pay Series 2012 Bonds and any Additional Bonds issued under the Indenture.

If on a Bond Payment Date the Academy's payment of its obligations hereunder have been deficient or if for any other reason the balance in the Bond Fund is insufficient to pay principal and interest on the Series 2012 Bonds then due, whether by maturity, redemption, or acceleration, the Academy shall forthwith pay the amount of any such deficiency to the Trustee without any notice or demand required by the Trustee.

If any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund, the Academy shall pay to the Trustee for deposit into the Reserve Fund on each Payment Date commencing with the first Payment Date following such withdrawal, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in eleven (11) consecutive equal installments or such other number of equal installments as the Trustee shall determine necessary to restore the Reserve Fund to the Reserve Fund Requirement by the next Bond Payment Date.

If on any Bond Payment Date the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy shall pay to the Trustee for deposit into the Reserve Fund on each Payment Date, commencing on the first Payment Date following such Bond Payment Date, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement immediately (such payments being "Reserve Fund Payments"). Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund to replenish any deficiency in the Reserve Fund (after taking into consideration the priority of payments set forth in Section 4.01 of the Indenture), then the obligation to make Reserve Fund Payments in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement shall be accelerated and the Trustee shall transfer funds from the State Aid Intercept Account to the Reserve Fund to satisfy all outstanding Reserve Fund Payment requirements in accordance with Section 4.01 of the Indenture.

Section 402. Obligations Unconditional. The Academy's obligations to the Authority and its assigns (including the Trustee) under the Municipal Obligation and this Agreement are an absolute and unconditional general obligation of the Academy and shall remain in full force and effect until the amounts owed hereunder shall have been paid by the Academy to the Authority under the Municipal Obligation and this Agreement, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following:

- (a) Any failure of title with respect to the Academy's interest in the Property or the invalidity, unenforceability or termination of this Agreement;
- (b) The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in this Agreement;
- (c) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities,

receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Academy, or any of its assets or any allocation or contest of the validity of this Agreement, or the disaffirmance of this Agreement in any such proceedings;

(d) To the extent permitted by law, any event or action which would, in the absence of this clause, result in release or discharge by operation of law of the Academy, from the performance or observation of any obligation, covenant or agreement contained in this Agreement;

(e) The default or failure of the Academy fully to perform any of its obligations set forth in this Agreement or any other agreement;

(f) Any casualty or destruction of the Property; or

(g) The happening of any condition set forth in a section similar to this Section 402 of any Financing Agreement entered into in connection with the issuance of Additional Bonds.

The Authority shall have no liability for the performance of any obligations to the Academy except as expressly set forth in any Bond Document to which it is a party.

Section 403. Payment Provisions. The Academy agrees to pay to the Authority the Bond Payments and the Additional Payments hereunder, which are initially scheduled to be payable as set forth in Exhibit A hereto on the Payment Dates set forth in Section 405 below, and may be adjusted as set forth in Section 405. In addition, the Academy also agrees to pay to the Trustee the payments required to be deposited in the Repair and Replacement Fund set forth in Section 412.

Bond Payments may only be prepaid by the Academy with the prior written approval of the Authority and the Authority may require the Academy to pay a prepayment premium as a condition of such prepayment. In the event of a default in the payment of the Bond Payments or Additional Payments when due, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two (2%) percent above the Authority's cost of providing funds (as determined by the Authority) to make payments on the Series 2012 Bonds of the Authority but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the Academy's default. Such additional interest shall be payable on the Payment Date following demand of the Authority.

It is expressly agreed between the Academy and the Authority by acceptance of the assignment made by this Agreement, that the Academy shall make all payments due hereunder at the designated trust office of the Trustee. The Academy further agrees that it will deposit with the Trustee all payments due hereunder in immediately available funds. The Academy covenants and agrees that its obligations to make payments hereunder are obligations incurred with the

Authority and may be enforced by the Authority and the Trustee on behalf of the Authority pursuant to the provisions of Section 17a(3) of the School Aid Act and the State Aid Agreement.

Section 404. Payment General Obligation. The obligation of the Academy to pay Bond Payments, Additional Payments and all other payments hereunder is a general obligation of the Academy. The Academy shall and hereby agrees to include in its budget (either of the general fund or of a capital fund) and pay each year, until this Agreement and the Municipal Obligation are paid in full, such sum or sums as may be necessary each year to make payments of the Bond Payments, Additional Payments and all other payments hereunder and additional interest payments, when due. The Bond Payment obligations of the Academy hereunder and under the Municipal Obligation shall be deemed to be obligations of the Academy incurred in accordance with Section 504a(g) and Section 1351a of the Revised School Code.

Section 405. State School Aid Pledge and Payment. The Academy unconditionally and irrevocably pledges to pay its Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation or hereunder from its State School Aid to be allocated to it and payable to its Authorizing Body (the "Pledged State Aid") and grants a security interest in the Pledged State Aid. Such pledge shall be fulfilled in accordance with the provisions of the State Aid Agreement and as provided in this Section 405. Unless otherwise agreed to in writing by the Authority, twenty percent (20%) of each installment of State School Aid, shall, pursuant to the agreement of the Authorizing Body, be transmitted directly by the State Treasurer to the Trustee commencing on or after June 20, 2012, and thereafter on or before the 20th (or if such day shall not be a Business Day, the next succeeding Business Day) of each January, February, March, April, May, June, July, August, October, November and December (each a "Payment Date") pursuant to the State Aid Agreement. Monies transferred to the Trustee pursuant to the State Aid Agreement shall be deposited in the State Aid Intercept Account of the Bond Fund and shall be applied as provided in Section 4.01 of the Indenture. Such monies shall be used to pay the Bond Payments and Additional Payments when due, as set forth on Exhibit A, in a monthly amount approximately equal to 1/11 of the annual principal payments scheduled on the Series 2012 Bonds (the Scheduled Principal Component) plus 1/11 of the annual interest obligation (the Scheduled Interest Component) plus 1/11 of the annual fees (the Scheduled Fee Payment Component); provided however that if applicable law changes to provide for a schedule of State School Aid payments materially different from that now in effect, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and the Authorizing Body may designate different payment dates or amounts to provide for timely receipt of Bond Payments and Additional Payments consistent with such changes which shall thereupon be and become the "Payment Dates" hereunder. If the Payment Date falls on a Saturday, Sunday, or legal holiday, the Bond Payments and Additional Payments, if any, shall be due on the next Business Day. The Bond Payments and Additional Payments, if any, to the Authority shall be made first from the State School Aid allocated to the Academy during the month of the payment.

If, for any reason, the State School Aid transferred to the Trustee is insufficient to pay the Scheduled Bond Payment, then in that event the Academy pledges to use any and all other available funds to meet the Scheduled Bond Payment obligation. The Trustee, on behalf of the Authority, shall immediately notify (or cause notice to be given to) the Academy if the State School Aid transferred to the Trustee on any Payment Date is insufficient to pay the Scheduled

Bond Payment. Upon the receipt of the above-referenced notice from the Trustee, the Academy is required to pay any amounts required to meet the Scheduled Bond Payment obligation no later than the earlier of: (i) forty-five (45) Business Days from the receipt of notice from the Trustee or (ii) one (1) Business Day prior to Bond Payment Date.

If on any due date for any Bond Payment or Additional Payment the funds with the Trustee are insufficient to pay the Bond Payment and Additional Payment, if any, then the Academy, pursuant to Section 17a(3) of the School Aid Act to the extent necessary to meet the payment obligation assigns to the Authority and unconditionally and irrevocably authorizes and directs the State Treasurer to intercept and/or advance to the Trustee such necessary funds not to exceed 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the School Aid Act, subject to the 20% limitation stated below; and in such event pursuant to Section 17a(3) of the School Aid Act, the Authority is authorized, pursuant to the agreement of the Authorizing Body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or distributed to the Authorizing Body with respect to the Academy, subject to the 20% limitation stated below. The Trustee, on behalf of the Authority, shall immediately notify (or cause notice to be given to) the Academy and the Authorizing Body that it will immediately commence to intercept and/or receive an advancement of the Pledged State Aid and beginning immediately the Authority shall intercept 97% of the Pledged State Aid to be distributed to the Authorizing Body with respect to the Academy. Notwithstanding the foregoing, however, the amount to be applied by the Trustee to Bond Payments and Reserve Fund Payments hereunder and any other debt service payments on other long-term obligations of the Academy in any Fiscal Year shall not exceed 20% of the amount of State School Aid payable to the Academy by the State in such Fiscal Year.

The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the Bond Payment and Additional Payment, if any, when due shall be held by the Trustee for such purpose, (ii) any other amounts owing to the Authority under this Agreement, (iii) an amount equal to the Scheduled Fee Payment Component shall be retained by the Trustee as provided under the Indenture, (iv) any amounts required to be credited to the Repair and Replacement Fund by the Trustee as provided in the Indenture, and (v) to the extent in excess of the amounts required under (i) through (iv) above, any amounts remaining to be immediately distributed to or at the direction of the Academy. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Bond Payments and Additional Payments. Section 17a(3) of the School Aid Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and such appropriation shall not be construed as creating an indebtedness of the State.

The pledge of State School Aid pursuant to this Section is subject to the reservation by the Academy of the right to make additional pledges of State School Aid to secure Additional Indebtedness as provided in Section 707 hereof and provided that the amount of State School Aid received by the Academy in the Fiscal Year of the State preceding the incurrence of such additional obligations equals or exceeds the amount required in each year to pay the sum of an amount equal to the Bond Payments and Additional Payments due and the principal and interest

and other payments due under such additional obligations for which State School Aid has been pledged.

Section 406. Mandatory and Optional Prepayments. Subject to the Authority's right to optionally redeem Series 2012 Bonds, the Academy may prepay its obligations under the Municipal Obligation and hereunder in whole or in part in Authorized Denominations. The Academy may direct the redemption of the corresponding amount of Series 2012 Bonds then outstanding on such dates and pursuant to the provisions and limitations, and upon payment of any required premium, set forth in Section 2.11(a) of the Indenture.

The Academy shall prepay its obligations hereunder at such times in order to enable the Trustee to redeem all or a portion of the Series 2012 Bonds as required in Section 2.11 of the Indenture.

The Academy may direct the Authority to purchase Series 2012 Bonds in lieu of redemption as set forth in Section 2.11(c) of the Indenture.

If the Academy repays or prepays Bond Payments and other amounts owing to the Trustee under this Agreement and the Indenture in such a manner so as to permit the Security to be released from the lien of the Indenture in accordance with Article V of the Indenture, then the loan shall be deemed fully repaid, and this Agreement shall be canceled on the date on which the Security is so released. To confirm such cancellation, the Academy may require the Trustee to execute any further reasonable evidence of cancellation on the date the Security is so released.

In the event of any optional prepayment on or before the date set for redemption of the Series 2012 Bonds to be redeemed in connection therewith, the Academy shall deposit with the Trustee, an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2012 Bonds and the Academy shall deposit with the Trustee sufficient moneys to pay all fees, costs, and expenses of the Authority and the Trustee specified in Section 407, Section 502, Section 503 and Section 903 hereof accruing through the date set for redemption of the Series 2012 Bonds.

Section 407. Fee Payments. To the extent they are not paid out of the Escrow Fund to the Authority, the Academy shall pay to the Authority within ten (10) days of demand therefor: (a) all Costs of Issuance and other out-of-pocket costs and expenses of the Authority incidental to the performance of its obligations under this Agreement, the Indenture and the Bond Placement Agreement; and (b) the out-of-pocket expenses of the Authority incurred by the Authority in enforcing the provisions of this Agreement or the Indenture.

In addition to the aforesaid payments to the Authority, the Academy shall pay to the Authority on or before March 1 in each year, an amount sufficient to assure payment in full of the Academy's allocable share (as determined by the Authority) of the annual general operating expenses of the Authority, but such allocable share shall not exceed 1/10th of one percent (0.10%) of the average principal amount of the Series 2012 Bonds outstanding under the Indenture during the preceding calendar year.

Section 408. Reserved.

Section 409. Assignment by Authority. The Academy hereby consents to any assignments now or hereafter made by the Authority of the Authority's rights under this Agreement (except the Unassigned Rights) and acknowledges that no further action or consent by the Academy is necessary to effectuate such an assignment.

Section 410. Authorized Academy Representative. The Academy hereby authorizes and directs the Authorized Academy Representative to act in the capacity of Authorized Academy Representative under the Indenture and hereunder.

Section 411. The Municipal Obligation and Obligations of the Academy Unconditional. The obligation of the Academy to pay the Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation and this Agreement to be paid by the Academy shall be an absolute and unconditional general obligation of the Academy, and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. Until the Series 2012 Bonds have been fully paid (or provision made therefor) in accordance with the Indenture, the Academy: (a) shall not suspend or discontinue any Bond Payments or Additional Payments; (b) shall perform and observe all of its other obligations contained in the Municipal Obligation and this Agreement; and (c) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, defect in title to the Property, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of the Property, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Michigan or any political subdivision of either, or any failure of the Authority to perform and observe any of its obligations arising out of or connected with this Agreement. It is the intent and expectation of the parties hereto that the Bond Payments will be sufficient for the payment in full of the Series 2012 Bonds, including: (i) the total interest to become due and payable on the Series 2012 Bonds to the dates of payment thereof; (ii) the total principal amount of the Series 2012 Bonds; (iii) the redemption premiums, if any, that shall be payable on the redemption of the Series 2012 Bonds prior to their stated payments dates; and (iv) all additional interest, additional principal and any other amounts payable to the Trustee as and when required by the Series 2012 Bonds or this Agreement. In the event, however, of any deficiency in the payment of such amounts regardless of the reason for such deficiency, the Academy agrees that upon notice of the deficiency from the Trustee or the Authority it shall then immediately pay the amount of the deficiency to the Trustee on behalf of the Authority. The obligations of the Academy under this paragraph shall survive the termination of this Agreement.

Section 412. Repair and Replacement Fund Payments. On each Payment Date, the Academy shall pay to the Trustee for deposit to the Repair and Replacement Fund under the Indenture the amount of \$1,000, provided that, the maximum amount the Academy shall be required to deposit in any Fiscal Year shall not be more than \$11,000. Such amounts shall be deposited until the amount on deposit in the Repair and Replacement Fund equals the Repair and Replacement Fund Requirement. The Trustee, upon the direction of the Academy, shall make the required Repair and Replacement Fund deposit from the State Aid Intercept Account as an Additional Payment pursuant to Section 4.01(d) of the Indenture.

ARTICLE V

OTHER OBLIGATIONS OF THE ACADEMY

Section 501. Costs of Issuance. The Academy covenants and agrees to promptly pay the Costs of Issuance upon notification by the Authority.

Section 502. Indemnification of the Authority.

(a) The Authority and its members, officers, agents and employees (the "Indemnified Persons") shall not be liable to the Academy for any reason. The Academy shall, to the extent permitted by law, indemnify and hold the Authority and the Indemnified Persons harmless from any loss, expense (including reasonable counsel fees) or liability of any nature due to any and all suits, actions, legal or administrative proceedings, or claims arising or resulting from, or in any way connected with: (i) the financing, operation, use or maintenance of the Property; (ii) any act, failure to act or misrepresentation by any person, firm, corporation or governmental agency, including the Authority, in connection with the issuance, sale, delivery or remarketing of any of the Series 2012 Bonds; (iii) any act or failure to act by the Authority in connection with this Agreement or any other document involving the Authority in this matter; and (iv) the selection and appointment of firms or individuals providing services related to the Series 2012 Bond transactions. If any suit, action or proceeding is brought against the Authority or any Indemnified Person, that suit, action or proceeding shall be defended by counsel to the Authority or the Academy, as the Authority shall determine. If the defense is by counsel to the Authority, which is the Attorney General of Michigan or may, in some instances, be private, retained counsel, the Academy shall indemnify the Authority and Indemnified Persons for the reasonable costs of that defense, including reasonable counsel fees. If the Authority determines that the Academy shall defend the Authority or Indemnified Persons, the Academy, as determined by the Authority, shall immediately assume that defense at its own cost. The Academy shall not be liable for any settlement of any proceedings made without its consent (which consent shall not be unreasonably withheld).

(b) The Academy shall not be required to indemnify the Authority or any Indemnified Person under subsection (a) if a court with competent jurisdiction finds that the liability in question was caused by the willful misconduct or sole gross negligence of the Authority or the involved Indemnified Person, unless the court determines that, despite the adjudication of liability but in view of all circumstances of the case, the Authority or the Indemnified Person(s) is (are) fairly and reasonably entitled to indemnity for the expenses which the court considers proper.

(c) The Academy shall, to the extent permitted by law, also indemnify the Authority for all reasonable costs and expenses, including reasonable counsel fees, incurred in: (i) enforcing any obligation of the Academy under this Agreement or any related agreement; (ii) taking any action requested by the Academy; (iii) taking any action required by this Agreement or any related agreement; or (iv) taking any action considered necessary by the Authority which is authorized by this Agreement or any related agreement.

(d) The obligations of the Academy under this section shall survive any assignment or termination of this Agreement.

Section 503. Indemnification of the Trustee. The Academy shall, to the extent permitted by law, indemnify and hold the Trustee harmless against any loss, liability or expense incurred without gross negligence or willful misconduct on the part of the Trustee, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expense of defense against any such claim of liability. In the event of the occurrence of any claim indemnified against under this paragraph, the Trustee shall promptly notify the Academy of the existence of the claim and shall give the Academy such assistance and cooperation in the defense thereof as may be reasonably requested. The Academy shall defend any such claim through legal counsel of its choice, and the Academy shall have exclusive authority to defend, settle or otherwise dispose of such claim as it deems advisable in the exercise of its sole discretion. The obligations of the Academy under this Section shall survive any assignment or termination of this Agreement and the resignation or removal of the Trustee.

Section 504. Taxes and Other Costs. The Academy shall promptly pay, as the same becomes due, all lawful taxes and governmental charges of any kind whatsoever, including without limitation income, profits, receipts, business, property and excise taxes, with respect to any estate, interest, documentation or transfer in or of the Property, this Agreement or any payments with respect to the foregoing, the costs of all building and other permits to be procured, and all utility and other charges and costs incurred in the operation, maintenance, use, occupancy and upkeep of the Property.

Section 505. Authority and Trustee Right to Perform Academy Obligations. In the event the Academy shall fail to perform any of its obligations under this Agreement, the Authority and the Trustee may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced by the Authority or the Trustee shall become an additional obligation of the Academy to the Authority or the Trustee, secured under the Indenture, payable on demand with interest thereon at 2% per annum in excess of the average rate per annum borne by the Series 2012 Bonds from the date of advancement until payment, but in no event in excess of the maximum rate permitted by law.

ARTICLE VI

MORTGAGE

Section 601. Application of Insurance and Condemnation. In the event: (i) the Property is damaged or destroyed; or (ii) failure of title to all or part of the Property occurs or title to or temporary use of the Property is taken by condemnation or by the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Academy shall promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy shall elect in writing whether to restore all or part of the Property or to prepay this Agreement. The Academy may only restore all or part of the Property if it demonstrates to the Trustee that: (i) it has sufficient money available to it (including insurance

proceeds) to undertake such restoration; and (ii) such restoration will not cause interest on the Series 2012 Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Academy chooses to restore all or part of the Property, the Trustee shall deposit the proceeds of such condemnation or insurance in a project fund, to be established and drawn down in proportion to work provided. If the Academy shall elect to restore the Property, it shall proceed to do so with reasonable dispatch. If the Property shall have been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Property may not be reasonably restored within a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee) to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee), or if the cost of restoring the Property is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Property, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2012 Bonds in accordance with Section 2.11(c) of the Indenture.

Section 602. Mortgage and Title Insurance. At or prior to the Closing Date, the Academy shall cause to be executed and delivered and cause to be recorded the Mortgage (as defined in the Indenture) securing performance by the Academy of its obligations under this Agreement and the payment of the Bond Payments and Additional Payments by the Academy. The Mortgage shall grant to the Trustee a first mortgage lien on all real property comprising the Property.

At or prior to the Closing Date, the Academy shall cause to be delivered to the Trustee a policy of mortgage title insurance on the Property, insuring the first priority lien of the Mortgage, subject only to Permitted Encumbrances (as defined in the Mortgage). The title policy shall provide for title insurance in an amount equal to the full principal amount of the Series 2012 Bonds.

ARTICLE VII

FURTHER OBLIGATIONS OF THE ACADEMY

Section 701. Compliance With Laws. The Academy agrees that it shall, throughout the term of this Agreement and at no expense to the Authority, promptly comply or cause compliance with all legal requirements of duly constituted public authorities which may be applicable to the Property or to the repair and alteration thereof, or to the use or manner of use of the Property.

Section 702. Maintenance of Legal Existence Qualification. During the term of this Agreement, and except as otherwise provided by Section 706 hereof, the Academy shall maintain its existence and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Authority.

Section 703. Reports and Access to Records. The Academy covenants that promptly, but not later than one hundred twenty (120) days after the close of each Fiscal Year, it will file with the Authority and the Trustee, in such quantity as the Authority may require, its audited financial statements for such Fiscal Year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by a certified public accountant or firm of independent certified public accountants of suitable experience and responsibility. The Trustee shall have no duty to review or analyze such financial statements and shall hold such financial statements solely as a repository for the benefit of the Bondholders. The Trustee shall not be deemed to have notice of any information contained therein or deemed to have notice of an event of default which may be disclosed therein in any manner.

The Academy further covenants and agrees that it will promptly file with the Authority a copy of all documentation, materials and notices filed by or on behalf of the Academy pursuant to or in connection with any continuing disclosure undertaking relating to the Series 2012 Bonds or other debt incurred by or for the benefit of the Academy. In addition, the Academy covenants to provide the Trustee the following:

(a) unaudited quarterly financial statements when required under their Charter or within thirty (30) days of the quarter end if not required to be reported under the Charter; and

(b) the results of any tests required by federal or State testing authorities within thirty (30) days of receipt by the Academy; and

(c) any notice received from the Authorizing Body regarding compliance or non-compliance with the terms of the Charter.

The Academy further covenants and agrees that it has, with the permission of any applicable third parties, placed on file with the Trustee a current property survey of the Property, together with a current environmental investigation performed on the Property.

Section 704. Covenant as to Non-Impairment of Tax-Exempt Status. Notwithstanding any other provision of any rights of the Academy under this Agreement, the Academy hereby covenants that, to the extent permitted by law, it shall take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of the interest on the Series 2012 Bonds from gross income for federal income tax purposes, on behalf of itself and the Authority, including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Series 2012 Bond proceeds and moneys deemed to be Series 2012 Bond proceeds, all as more fully set forth in the Non-Arbitrage Certificate.

Section 705. Covenant Regarding Bond Purchases. The Academy covenants that neither it nor any related person will purchase Series 2012 Bonds in an amount related to the amount of proceeds of such Series 2012 Bonds.

Section 706. Academy to Maintain Existence. The Academy covenants and agrees that for so long as any Series 2012 Bonds remain outstanding under the Indenture, it shall maintain its existence as a “school of excellence” under Michigan law and shall continue to operate the Facility as a public school which will produce sufficient available revenues to pay the Bond Payments and all other amounts due and owing under the Municipal Obligation and this Agreement. Notwithstanding the foregoing, the Academy shall have the right to cease operations at the Property and obtain from the Trustee a release and discharge of the Mortgage with respect thereto upon (a) prepayment in full of the Bond Payments and Additional Payments and (b) filing an opinion of Bond Counsel that such prepayment and release will not adversely affect the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes.

Section 707. Limitation on Incurrence of Additional Indebtedness. The Academy covenants and agrees that for so long as any Bond remains Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation on a parity with or superior to the Bonds and secured by the Security, except as provided in Section 304 of this Agreement. The Academy further covenants and agrees that for so long as any Bonds remain Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation payable wholly or in part from: (1) moneys, funds, accounts, investments; or (2) any other assets of the Academy not comprising State School Aid revenues without the prior written consent of the Trustee, except:

- (a) obligations incurred in the ordinary course of business;
- (b) State School Aid notes (including State School Aid note lines of credit) issued pursuant to Act 451, Public Acts of Michigan, 1976, as amended;
- (c) purchase money obligations secured by the property being financed; and
- (d) obligations incurred pursuant to and in compliance with federal and other charitable grants.

Section 708. Transfer, Assignment and Leasing. The Academy may not transfer or sell the Property without the prior written consent of the Authority and 66 and 2/3% of the Bondholders of the Series 2012 Bonds and any Additional Bonds. The Academy may lease any portion of the Property with the prior written consent of the Trustee and the Bondholders of 66 and 2/3% of the Series 2012 Bonds provided that the Academy delivers to the Authority and the Trustee in connection with any such leasing a Favorable Opinion of Bond Counsel with respect to such lease. No leasing shall relieve the Academy from primary liability for any of its obligations hereunder, and in the event of any such leasing the Academy shall continue to remain primarily liable for the payment of Bond Payments and Additional Payments and for performance and observance of the other agreements herein on its part to be performed and observed.

This Agreement may not be assigned without the prior written consent of the Authority, the Trustee and a majority of the Bondholders of the Series 2012 Bonds.

Section 709. Substitution and Removal of Personal Property. Any property refinanced with Series 2012 Bond proceeds may not be removed from the Property unless: (i) other property of equivalent or greater value and utility is substituted therefor within six months of such disposition; or (ii) the proceeds of the sale of such property are used in accordance with the following sentence; or (iii) the Academy receives an opinion of Bond Counsel that noncompliance with (i) or (ii) above will not adversely affect the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes. Any proceeds received upon the sale of any of the property refinanced with the proceeds of the Series 2012 Bonds: (i) will be invested at a yield not in excess of the yield on the Series 2012 Bonds and used for the purpose of redeeming the Series 2012 Bonds at the first subsequent call date; or (ii) will be used for the purpose of acquiring property performing the same function at the Property as the disposed property within six months of the date of receipt of such proceeds. Notwithstanding the foregoing, if any property refinanced with the proceeds of the Series 2012 Bonds wears out or becomes obsolete so that it is no longer functional to the Academy and the Academy deems it appropriate to dispose of such property and, further, if the Academy or any related party thereto receives no economic benefit from the disposal thereof, then the Academy may dispose of such property other than as provided above.

Section 710. Maintenance, Repair and Modification. The Academy shall cause the Property to be used for the purposes described in this Agreement throughout the term of this Agreement. The Academy does not know of any reason why the Property will not be used and occupied by it in the absence of supervening circumstances not now anticipated by it or beyond its control. The failure of the Academy to use the Property for its intended purposes shall not in any way abate or reduce the obligation of the Academy to pay the Bond Payments and the Additional Payments under the provisions of this Agreement.

The Academy agrees that it will keep the Property in good repair and good operating condition, ordinary wear and tear excepted, at its own cost.

The Academy may remodel the Property or make additions, modifications and improvements to the Property from time to time as the Academy, in its discretion, may deem to be desirable, the cost of which shall be paid by the Academy; provided, however, that such additions, modifications and improvements: (i) do not materially and adversely alter the scope, character, value or operation of the Property without the prior written consent of the Trustee or 66 2/3% of the Bondholders of the Series 2012 Bonds; (ii) do not impair the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes; and (iii) do not contravene the provisions of the Enabling Legislation.

Section 711. Management Agreement. The Academy shall not enter into a Management Agreement relating to its operations, unless prior to entering into such Management Agreement, the Academy obtains a Favorable Opinion of Bond Counsel with respect to such Management Agreement.

Section 712. Liability Insurance. The Academy shall procure and maintain or cause to be procured and maintained continuously in effect with respect to the Property comprehensive general accident and public liability insurance covering any liability arising out of or in any way

relating to the maintenance, use or operation of the Property of any part thereof, under which the Academy and the Trustee are named as insureds, in an amount not less than \$1,000,000 for bodily injury or death per occurrence and \$1,000,000 for property damage per occurrence and the aggregate combined limits of not less than \$2,000,000 and will cause all contractors to maintain similar insurance against all similar liabilities on their part. The Net Proceeds of all such insurance shall be applied as set forth in Section 601 hereof.

Section 713. Negligence of the Academy. As between the Academy and the Authority, the Academy agrees to defend the Authority against all risks and liabilities, whether or not covered by insurance, for loss or damage to the Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the Academy or of third parties, and whether such property damage be to property of the Academy or the property of others, which is proximately caused by the negligent conduct of the Academy, its officers, employees and agents. The Academy hereby assumes responsibility for and agrees to defend and to reimburse Trustee with respect to all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Trustee that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of the Academy, its officers, employees and agents, to the maximum extent permitted by law.

Section 714. Property Insurance. As between the Academy and the Authority, the Academy shall have and assume the risk of loss with respect to the Property, and shall procure and maintain continuously in effect during the term of this Agreement with respect to the Property, to the extent of the full replacement cost of the Property, other than land and building foundations, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement costs of any part thereof damaged or destroyed, and including business interruption insurance in an amount sufficient to pay Scheduled Bond Payments for a period of twelve months. All policies (or endorsements or riders) evidencing insurance required in this Section shall be carried in the names of the Academy and Trustee as their respective interest may appear. The Net Proceeds of insurance required by this Section shall be applied as provided in Section 601 hereto; provided that the Net Proceeds of business interruption insurance shall be applied to the payment of Bond Payments and Additional Payments.

Section 715. Workers' Compensation Insurance. The Academy shall carry or cause to be carried workers' compensation insurance covering all employees on, in, near or about the Facility, and upon request, shall furnish to the Trustee certificates evidencing such coverage throughout the term of this Agreement.

Section 716. Other Insurance and Requirements for All Insurance. The Academy shall obtain and maintain or cause to be obtained and maintained during the term of this Agreement such other insurance policies covering such other risks and in such amounts as are customarily maintained by educational institutions similar to the Academy in the ordinary course of their business. All insurance required by this Article may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies

organized under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to all parties at least thirty (30) days before the cancellation or revision becomes effective. The Academy shall deposit with the Trustee, upon request, policies evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy, the Academy shall furnish to the Trustee, upon request, evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article.

The Academy, commencing April 1, 2013, shall annually provide the Trustee with a certificate of the Academy as to compliance with the provisions of Sections 712, 714, 715 and 716 of this Agreement. The Trustee shall be entitled to rely upon such certificate as to the Academy's compliance with such provisions. The Trustee shall not be responsible for the sufficiency of coverage or amounts of such policies.

Section 717. Operating Reserve Balance Covenant. Pursuant to the terms of this Agreement, the Academy covenants and agrees to maintain an unrestricted Cash on Hand in its operating fund equal to or greater than forty-five (45) Days Cash on Hand (the "Cash on Hand Requirement"). "Days Cash on Hand" means: (a) Cash on Hand of the Academy, as shown on the audited financial statements at the end of each Fiscal Year divided by; (b) the quotient of Operating Expenses, as shown on the audited financial statements for such Fiscal Year, divided by 365.

The Cash on Hand Requirement will be tested on June 30 of each year, commencing June 30, 2013. The Academy will provide the Trustee with a certification no later than the earlier of: (i) December 1; or (ii) three weeks after the completion of the Academy's audit for each Fiscal Year that the Cash on Hand Requirement has been met. Amounts on deposit in such operating fund may be used to pay Operating Expenses or may be used for any other lawful purpose. The foregoing is subject to the qualification that if applicable State or federal laws or regulations, or the rules and regulations of agencies having jurisdiction, shall not permit the Academy to maintain the Cash on Hand Requirement, then the Academy shall, in conformity with the then prevailing laws, rules or regulations, maintain its Cash on Hand equal to the maximum permissible level.

If the Cash on Hand for any testing date is less than the Cash on Hand Requirement, then, upon the written direction of a majority of the Bondholders, the Academy will promptly employ a Management Consultant to review and analyze the operations and administration of the Academy, inspect the Property, and submit to the Academy and the Trustee written reports, and make such recommendations as to the operation and administration of the Academy as such Management Consultant deems appropriate, including any recommendation as to a revision of the methods of operation thereof. The Academy agrees to consider any recommendations by the Management Consultant and, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, to adopt and carry out such recommendations.

So long as the Academy is otherwise in full compliance with its obligations under this Agreement, including following, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, the recommendations of the Management Consultant, it shall not constitute an Event of Default if the Cash on Hand for any testing date, is less than the Cash on Hand Requirement.

Section 718. Days Cash on Hand and Debt Service Coverage Ratio Covenants. The Academy further covenants and agrees to maintain forty-five (45) Days Cash on Hand and Net Income Available for Debt Service in each Fiscal Year, commencing with the Fiscal Year ending June 30, 2013, that will be at least one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year. All determinations required pursuant to this Section 718 shall be made utilizing the Academy's audited financial statements for the appropriate Fiscal Year.

If the Academy is maintaining less than forty-five (45) Days Cash on Hand or the Net Income Available for Debt Service for any Fiscal Year ending on or after June 30, 2013, is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness during such Fiscal Year; then, upon the written direction of a majority of the Bondholders, the Academy will promptly employ a Management Consultant to review and analyze the operations and administration of the Academy, inspect the Property, submit to the Academy and the Trustee written reports, and make such recommendations as to the operation and administration of the Academy as such Management Consultant deems appropriate, including any recommendation as to a revision of the methods of operation thereof. The Academy agrees to consider any recommendations by the Management Consultant and, to the fullest extent practicable and allowed by law and consistent with its covenants hereunder, to adopt and carry out such recommendations. Such Management Consultant shall be acceptable to the Authority.

Notwithstanding the immediately preceding paragraph, if the Net Income Available for Debt Service as of the end of any Fiscal Year commencing with the Fiscal Year ending June 30, 2013 is less than one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year (as evidenced by the Academy's audited financial statements for such Fiscal Year), then a majority of the Bondholders may either: (x) direct the Trustee to declare an Event of Default; or (y) direct the Trustee to exercise one or more of the remedies permitted under this Agreement and the Indenture. If the Net Income Available for Debt Service is at least one hundred percent (100%) of the Principal and Interest Requirements on Long-Term Indebtedness for such Fiscal Year as of the end of the Fiscal Year following the Fiscal Year in which the Management Consultant's recommendations were implemented, then any subsequent failures to meet the requirements set forth above will give the Bondholders the option to again initiate the procedures set forth above.

Section 719. Management Consultant. In the event that an amount equal to 20% of the Academy's State School Aid has not been sufficient, as determined as of June 30 in any year, to make the Bond Payments due with respect to the Series 2012 Bonds in the past year, the Academy shall promptly employ a Management Consultant. The Management Consultant shall review and analyze the financial statements and condition of the Academy and inspect the

Property, its operation and administration, and submit written reports to the Academy and the Trustee, and make such recommendations as to the operation and administration of the Academy as such Management Consultant deems appropriate. The Academy agrees to consider any recommendations by the Management Consultant and, to the fullest extent practicable and allowed by law and consistent with the Academy's covenants under this Agreement, to adopt and carry out such recommendations.

ARTICLE VIII

ACTIONS AFFECTING AUTHORITY; INTEREST IN THIS AGREEMENT

Section 801. Interest in this Agreement. The Academy shall not assign or transfer its rights or obligations under this Agreement, except as shall be permitted in this Agreement or consented to by the Authority and the Trustee.

Section 802. Authority Assignment of this Agreement. The Academy hereby acknowledges and consents to the assignment and pledge pursuant to the Indenture by the Authority to the Trustee, as additional security for the Series 2012 Bonds, of the Municipal Obligation and this Agreement and all of the Authority's rights and powers under this Agreement, (except the Unassigned Rights) including the right to receive Bond Payments and Additional Payments.

Section 803. Rights of Trustee Hereunder. The terms of this Agreement and the enforcement thereof are essential to the security of the Trustee and are entered into for the benefit of the Trustee. The Trustee shall accordingly have contractual rights and duties in this Agreement and be entitled to enforce separately or jointly with the Authority the terms of this Agreement.

Section 804. Authority Compliance With Indenture. The Authority shall comply with the covenants, requirements and provisions of the Indenture and perform all of its obligations thereunder.

Section 805. Supplements to Indenture. The Authority shall consent to no supplements, modifications or waivers to the Indenture which have a material effect on the rights or obligations of the Academy or the Trustee without the prior written consent of the Academy and the Trustee, respectively.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 901. Events of Default. The term "Events of Default" shall mean, whenever used in this Agreement, any one or more of the following events:

(a) Failure by the Academy to make a Bond Payment under the Municipal Obligation when due;

(b) Failure by the Academy to make an Additional Payment hereunder when due;

(c) Failure by the Academy to observe and perform any other obligations in this Agreement, or in any other related or collateral documents on its part to be observed or performed for a period of forty-five (45) days after written notice specifying such failure and requesting that it be remedied, given to the Academy by the Authority or the Trustee; provided, however, that if said Default shall be such that it cannot be corrected within such 45 day period, it shall not constitute an Event of Default if the Default is correctable and if corrective action is instituted within such 45 day period and diligently pursued until the Default is corrected, but in no event shall the period allowed for correction exceed one hundred twenty (120) days.

(d) The dissolution or termination of the Academy or failure by the Academy promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to carry out its obligations under this Agreement or the Academy becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for the Academy or for the greater part of its properties; or a trustee or receiver is appointed for the Academy or for the greater part of its properties without its consent and is not discharged within 60 days; or bankruptcy, reorganization or liquidation proceedings are commenced by or against the Academy, and if commenced against the Academy are consented to by it or remain undismissed for 60 days; or an order for relief is entered in any bankruptcy proceeding.

(e) If any representation or warranty made by the Academy in any document delivered by the Academy to the purchaser(s) of the Series 2012 Bonds, the Trustee or the Authority in connection with the issuance, sale and delivery of the Series 2012 Bonds is untrue in any material respect.

(f) If the Academy shall default under any other agreement for payment of money in excess of \$25,000 and such default shall not be cured within any period of grace provided in such agreement, if any, or if the Academy shall assign or convey or attempt to assign or convey any of its rights or obligations under this Agreement except as shall be permitted under this Agreement, provided, however, that the Academy shall not be in default under this section, if it is contesting in good faith any default under any such other agreement for the payment of money and, with respect to construction liens, has bonded over such lien to the satisfaction of the Trustee, unless in the estimation of the Trustee the security of the Trustee under this Agreement is materially endangered.

(g) The occurrence of an Event of Default under the Indenture.

(h) The loss of its Charter or the failure of the Academy to have its Charter renewed, unless a charter from another authorizing body is received on or before the effective date of revocation or nonrenewal and a state aid agreement in form and content the same as the agreement executed in connection herewith is executed by such new authorizing body on or before the effective date of revocation or nonrenewal.

(i) If the Academy shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, any Bond Document.

The term "Default" shall mean Default by the Academy in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Agreement, exclusive of any period of grace or notice required to constitute an Event of Default.

The Defaults described in subsection (c) above only, are also subject to the following limitation: If the Academy by reason of force majeure is unable to carry out or observe the obligations described in said subsection (c), the Academy shall not be deemed to be in breach or violation of this Agreement or in default during the continuance of such inability. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other disturbances; acts of public enemies; inability to comply with or to cause compliance with laws, ordinances, orders, rules, regulations or requirements of any public authority or the government of the United States of America or the State of Michigan or any of their departments, agencies, or officials, or any civil or military authority; inability to procure or cause the procurement of building permits, other permits, licenses or other authorizations required for the construction, use, occupation, operation or management of the Property; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; 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 other than financial inability not reasonably within control of the Academy. The Academy agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Academy from carrying out its agreements; provided, however, that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Academy, and the Academy shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Academy not in the best interests of the Academy.

Section 902. Remedies Upon an Event of Default. Whenever any Event of Default shall have occurred and be continuing, the Authority or the Trustee may take any one or more of the following remedial steps:

(a) Declare all indebtedness under this Agreement (i.e., Bond Payments, Additional Payments and all other payments required by this Agreement) to be immediately due and payable, whereupon the payment date for the same shall become immediately accelerated and all such indebtedness shall become immediately due and payable;

(b) Have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Academy only, however, insofar as they relate to the Property or the Event of Default and remedying thereof;

(c) Exercise and enforce all or any of its rights under the security interests granted in this Agreement and the Mortgage; and/or

(d) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate all or any part of the assets of the Academy for the benefit of the Authority and the Trustee.

No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the Indenture, except amounts collected pursuant to ARTICLE IV for the benefit of the Authority which shall be paid to or retained by the Authority.

Section 903. Payment of Attorneys' Fees and Other Expenses. In the event the Academy should default under any of the provisions of this Agreement and the Authority and/or the Trustee should employ attorneys or incur other expenses for the collection of the Bond Payments and Additional Payments, for the enforcement of performance or observance of any obligation of the Academy in this Agreement or of the foreclosure of any security interests granted in this Agreement, the Academy shall on demand therefor promptly pay to the Authority and/or the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 904. Limitation on Waivers. No delay or omission to exercise any right or power occurring upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed appropriate. In order to entitle the Authority or the Trustee to exercise any remedy under this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder nor a waiver of the same breach on a future occasion. By reason of the assignment and pledge of certain of the Authority's rights and interest in this Agreement to the Trustee, the Authority shall have no power to waive or release the Academy from any Event of Default or the performance or observance of any obligation or condition of the Academy under this Agreement without prior written consent of the Trustee, but shall do so if requested by the Trustee, provided that prior to such waiver or release by the Authority, the Authority shall have been provided with an opinion of bond counsel of nationally recognized standing that such action will not result in any pecuniary liability to it and the Authority shall have been provided such indemnification from the Trustee as the Authority shall deem necessary.

ARTICLE X

MISCELLANEOUS

Section 1001. Amounts Remaining in Funds. Any amounts remaining in the Bond Fund upon expiration or sooner termination of this Agreement after payment in full of the Series 2012 Bonds (or provision therefor) in accordance with the Indenture, and all other costs and expenses of the Authority and the Trustee specified under this Agreement, and all the amounts required to be paid by the Academy under this Agreement and the Indenture shall have been fully paid, shall be applied as provided in the Indenture.

Section 1002. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the Authority, the Academy or the Trustee, as the case may be, at the Authority's address, the Academy's address, or the Trustee's address as respectively provided in the Indenture, or hand delivered to the above at their respective addresses. A duplicate copy of each such notice, certificate or other communication given hereunder to the Authority or the Trustee shall also be given to the others.

The Authority, the Academy, and the Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

Section 1003. Amendment. The provisions of this Agreement may not be amended, supplemented, waived or terminated without the prior written consent of the Trustee and the Authority and no amendment to this Agreement shall be binding upon either party hereto until such amendment is reduced to writing and executed by both parties hereto. Amendments to this Agreement are subject to the provisions of Sections 8.03 and 8.04 of the Indenture.

Section 1004. Entire Agreement. This Agreement contains all agreements between the parties and there are no other representations, warranties, promises, agreements or understandings, oral, written or inferred, between the parties, unless reference is made thereto in this Agreement and the Indenture.

Section 1005. Binding Effect. This Agreement shall be binding upon the parties hereto and upon their respective successors and assigns, and the words "Authority," "Academy" and "Trustee" shall include the parties hereto and their respective successors and assigns and include any gender and singular and plural, any individuals, partnerships or corporations.

Section 1006. Severability. If any clause, provision or section of this Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections.

Section 1007. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1008. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Agreement.

Section 1009. Applicable Law. This Agreement shall be governed in all respects, whether as to validity, construction, performance or otherwise, by the laws of the State of Michigan.

Section 1010. Non-Liability of State. The obligations of the Authority under this Agreement are limited obligations of the Authority, payable solely out of the Security and as otherwise provided under this Agreement and the Indenture. The obligations of the Authority hereunder shall not be deemed to constitute an indebtedness or an obligation of the Authority, the Authorizing Body, the State or any political subdivision thereof within the purview of any constitutional limitation or provision, or a charge against the credit or general taxing powers, if any, of any of them. The Authority has no taxing power. Neither the Authority nor any member, director, officer, employee or agent of the Authority nor any person executing the Series 2012 Bonds shall be liable personally for the Series 2012 Bonds or be subject to any personal liability or accountability by reason of the issuance of the Series 2012 Bonds. No recourse shall be had for the payment of the principal of, redemption premium, if any, and interest on any of the Series 2012 Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Series 2012 Bonds, the Indenture, this Agreement or the Bond Placement Agreement (or any other agreement entered into by the Authority with respect thereto) against any past, present or future member, officer, agent or employee of the Authority, or any incorporator, member, officer, employee, director or trustee or any successor thereof, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporator, member, officer, employee, director, agent or trustee as such is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture, the Bond Placement Agreement and this Agreement (and any other agreement entered into by the Authority with respect thereto) and the issuance of the Series 2012 Bonds.

Section 1011. Non-Liability of Authorizing Body. The Authority and the Trustee, on behalf of the Bondholders, each understands and agrees that the Authorizing Body has not agreed to assume, undertake or in any way guarantee payment of the Academy's obligations from any source of revenue available to the Authorizing Body, including the administrative fee deducted by the Authorizing Body from the State School Aid received by the Authorizing Body for the Academy.

Section 1012. The Indenture. The Indenture provisions concerning the Series 2012 Bonds and the other matters therein are an integral part of the terms and conditions of the loan made by the Authority to the Academy pursuant to this Agreement, and the execution of this Agreement shall constitute conclusive evidence of approval of the Indenture by the Academy to

the extent it relates to the Academy. Additionally, the Academy agrees that, whenever the Indenture by its terms imposes a duty or obligation upon the Academy, such duty or obligation shall be binding upon the Academy to the same extent as if the Academy were an express party to the Indenture, and the Academy hereby agrees to carry out and perform all of its obligations under the Indenture as fully as if the Academy were a party to the Indenture. The Academy agrees not to take any action which would cause the Authority or the Trustee to violate the terms of the Indenture.

Section 1013. Limitation of Rights. This Agreement is solely for the benefit of the Authority and the Academy and their successors and assigns and nothing contained in this Agreement shall be deemed to confer upon anyone other than the Authority and the Academy and their successors and assigns any right to insist upon, to enforce the performance or observance of or to benefit from any of the obligations contained herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

MICHIGAN FINANCE AUTHORITY

By: _____
Joseph L. Fielek

Its: Executive Director

CONCORD ACADEMY - PETOSKEY

By: _____
David Hill

Its: Executive Director

EXHIBIT A

BOND PAYMENTS

Schedule of Intercept Amounts Assigned

Pursuant to the Financing Agreement (Direct Payments)

<u>Date</u>	<u>Scheduled Principal Component</u>	<u>Scheduled Interest Component</u>	<u>Scheduled Fee Payment Component</u>	<u>Total</u>
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[See Attached]

D-55

7733850

**Schedule of Payment Amounts Assigned
Pursuant to the Financing Agreement**

\$3,040,000
Michigan Finance Authority
Public School Academy Limited Obligation Revenue Refunding Bonds
(Concord Academy - Petoskey Project), Series 2012

Date	Portion of Set-Aside Component Allocated to Principal & Interest	Trustee Fee Payment Component	MFA Fee Payment Component	Total	Principal Interest & Fee Payment December 1 & June 1	Fund Balance	Excess
04/30/12							
1	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-
4	05/20/12	31,559.60	-	31,559.60	-	31,559.60	-
5	06/20/12	31,559.60	-	31,559.60	-	63,119.20	-
6	07/20/12	31,559.60	-	31,559.60	-	94,678.80	-
7	08/20/12	31,559.60	-	31,559.60	-	126,238.40	-
8	09/20/12	-	-	-	-	126,238.40	-
9	10/20/12	31,559.60	-	31,559.60	-	157,798.00	-
10	11/20/12	31,559.60	-	31,559.60	189,357.60	-	-
11	12/20/12	26,453.41	1,750.00	28,203.41	-	28,203.41	-
1	01/20/13	26,453.41	-	26,453.41	-	26,453.41	-
2	02/20/13	26,453.41	-	26,453.41	-	52,906.82	-
3	03/20/13	26,453.41	-	26,453.41	1,270.89	79,360.23	-
4	04/20/13	26,453.41	-	26,453.41	-	105,813.64	-
5	05/20/13	26,453.41	-	26,453.41	-	132,267.05	-
6	06/20/13	26,453.41	-	26,453.41	95,493.75	63,226.70	-
7	07/20/13	26,453.41	-	26,453.41	-	89,680.11	-
8	08/20/13	26,453.41	-	26,453.41	-	116,133.52	-
9	09/20/13	-	-	-	-	142,586.93	-
10	10/20/13	26,453.41	-	26,453.41	-	142,586.93	-
11	11/20/13	26,453.41	-	26,453.41	195,493.75	169,040.34	-
12	12/20/13	25,953.41	1,750.00	27,703.41	-	-	-
1	01/20/14	25,953.41	-	25,953.41	-	25,953.41	-
2	02/20/14	25,953.41	-	25,953.41	-	51,906.82	-
3	03/20/14	25,953.41	-	25,953.41	1,482.50	77,860.23	-
4	04/20/14	25,953.41	-	25,953.41	-	103,813.64	-
5	05/20/14	25,953.41	-	25,953.41	-	129,767.05	-
6	06/20/14	25,953.41	-	25,953.41	92,743.75	62,976.70	-
7	07/20/14	25,953.41	-	25,953.41	-	88,930.11	-
8	08/20/14	25,953.41	-	25,953.41	-	114,883.52	-
9	09/20/14	-	-	-	-	140,836.93	-

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Date	Portion of Set-Aside Component Allocated to Principal & Interest	Trustee Fee Payment Component	MFA Fee Payment Component	Total	Interest & Fee Payment December 1 & June 1	Fund Balance	Excess
10	10/20/14	25,953.41	-	25,953.41	-	166,790.34	-
11	11/20/14	25,953.41	-	25,953.41	192,743.75	-	-
12	12/20/14	25,907.95	1,750.00	27,657.95	-	27,657.95	-
1	01/20/15	25,907.95	-	25,907.95	-	25,907.95	-
2	02/20/15	25,907.95	-	25,907.95	-	51,815.91	-
3	03/20/15	25,907.95	-	25,907.95	1,432.50	77,723.86	-
4	04/20/15	25,907.95	-	25,907.95	-	103,631.82	-
5	05/20/15	25,907.95	-	25,907.95	-	129,539.77	-
6	06/20/15	25,907.95	-	25,907.95	89,993.75	65,453.98	-
7	07/20/15	25,907.95	-	25,907.95	-	91,361.93	-
8	08/20/15	25,907.95	-	25,907.95	-	117,269.89	-
9	09/20/15	-	-	-	-	143,177.84	-
10	10/20/15	25,907.95	-	25,907.95	-	169,085.80	-
11	11/20/15	25,907.95	-	25,907.95	194,993.75	-	-
12	12/20/15	26,292.05	1,750.00	28,042.05	-	28,042.05	-
1	01/20/16	26,292.05	-	26,292.05	-	26,292.05	-
2	02/20/16	26,292.05	-	26,292.05	-	52,584.09	-
3	03/20/16	26,292.05	-	26,292.05	1,382.50	78,876.14	-
4	04/20/16	26,292.05	-	26,292.05	-	105,168.18	-
5	05/20/16	26,292.05	-	26,292.05	-	131,460.23	-
6	06/20/16	26,292.05	-	26,292.05	87,106.25	70,646.02	-
7	07/20/16	26,292.05	-	26,292.05	-	96,938.07	-
8	08/20/16	26,292.05	-	26,292.05	-	123,230.11	-
9	09/20/16	-	-	-	-	149,522.16	-
10	10/20/16	26,292.05	-	26,292.05	-	149,522.16	-
11	11/20/16	26,292.05	-	26,292.05	202,106.25	175,814.20	-
12	12/20/16	25,717.05	1,750.00	27,467.05	-	0.00	-
1	01/20/17	25,717.05	-	25,717.05	-	25,717.05	-
2	02/20/17	25,717.05	-	25,717.05	-	51,434.09	-
3	03/20/17	25,717.05	-	25,717.05	1,330.00	77,151.14	-
4	04/20/17	25,717.05	-	25,717.05	-	102,868.18	-
5	05/20/17	25,717.05	-	25,717.05	-	128,585.23	-
6	06/20/17	25,717.05	-	25,717.05	83,943.75	70,358.52	-
7	07/20/17	25,717.05	-	25,717.05	-	96,075.57	-
8	08/20/17	25,717.05	-	25,717.05	-	121,792.61	-
9	09/20/17	-	-	-	-	147,509.66	-
10	10/20/17	25,717.05	-	25,717.05	-	147,509.66	-
11	11/20/17	25,717.05	-	25,717.05	198,943.75	173,226.70	-
12	12/20/17	26,051.14	1,750.00	27,801.14	-	-	-
1	01/20/18	26,051.14	-	26,051.14	-	27,801.14	-
2	02/20/18	26,051.14	-	26,051.14	-	26,051.14	-
3	03/20/18	26,051.14	-	26,051.14	1,272.50	52,102.27	-
4	04/20/18	26,051.14	-	26,051.14	-	78,153.41	-
				27,323.64	-	104,204.55	-
					-	130,255.68	-

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	Date	Portion of Set-Aside Component Allocated to Principal & Interest	Trustee Fee Payment Component	MFA Fee Payment Component	Total	Interest & Fee Payment December 1 & June 1	Fund Balance	Excess
5	05/20/18	26,051.14			26,051.14	80,781.25	75,525.57	
6	06/20/18	26,051.14			26,051.14		101,576.70	
7	07/20/18	26,051.14			26,051.14		127,627.84	
8	08/20/18	26,051.14			26,051.14		153,678.98	
9	09/20/18	-			-		153,678.98	
10	10/20/18	26,051.14			26,051.14		179,730.11	
11	11/20/18	26,051.14			26,051.14	205,781.25	(0.00)	
12	12/20/18	26,335.23	1,750.00		28,085.23		28,085.23	
1	01/20/19	26,335.23			26,335.23		26,335.23	
2	02/20/19	26,335.23			26,335.23		52,670.45	
3	03/20/19	26,335.23			26,335.23		79,005.68	
4	04/20/19	26,335.23		1,215.00	27,550.23		105,340.91	
5	05/20/19	26,335.23			26,335.23	77,343.75	131,676.14	
6	06/20/19	26,335.23			26,335.23		80,667.61	
7	07/20/19	26,335.23			26,335.23		107,002.84	
8	08/20/19	26,335.23			26,335.23		133,338.07	
9	09/20/19	-			-		159,673.30	
10	10/20/19	26,335.23			26,335.23		159,673.30	
11	11/20/19	26,335.23			26,335.23	212,343.75	186,008.52	
12	12/20/19	26,114.77	1,750.00		27,864.77		(0.00)	
1	01/20/20	26,114.77			26,114.77		27,864.77	
2	02/20/20	26,114.77			26,114.77		52,229.55	
3	03/20/20	26,114.77			26,114.77		78,344.32	
4	04/20/20	26,114.77		1,152.50	27,267.27		104,459.09	
5	05/20/20	26,114.77			26,114.77	73,631.25	130,573.86	
6	06/20/20	26,114.77			26,114.77		83,057.39	
7	07/20/20	26,114.77			26,114.77		109,172.16	
8	08/20/20	26,114.77			26,114.77		135,286.93	
9	09/20/20	-			-		161,401.70	
10	10/20/20	26,114.77			26,114.77		161,401.70	
11	11/20/20	26,114.77			26,114.77	213,631.25	187,516.48	
12	12/20/20	25,869.32	1,750.00		27,619.32		(0.00)	
1	01/20/21	25,869.32			25,869.32		27,619.32	
2	02/20/21	25,869.32			25,869.32		25,869.32	
3	03/20/21	25,869.32			25,869.32		51,738.64	
4	04/20/21	25,869.32		1,085.00	26,954.32		77,607.95	
5	05/20/21	25,869.32			25,869.32	69,781.25	103,477.27	
6	06/20/21	25,869.32			25,869.32		129,346.59	
7	07/20/21	25,869.32			25,869.32		85,434.66	
8	08/20/21	25,869.32			25,869.32		111,303.98	
9	09/20/21	-			-		137,173.30	
10	10/20/21	25,869.32			25,869.32		163,042.61	
11	11/20/21	25,869.32			25,869.32	214,781.25	163,042.61	
12	12/20/21	26,326.71	1,750.00		28,076.71		188,911.93	
							(0.00)	
							28,076.71	

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	Date	Portion of Set-Aside Component Allocated to Principal & Interest	Trustee Fee Payment Component	MFA Fee Payment Component	Total	Interest & Fee Payment December 1 & June 1	Fund Balance	Excess
1	01/20/22	26,326.71			26,326.71		26,326.71	
2	02/20/22	26,326.71			26,326.71		52,653.41	
3	03/20/22	26,326.71			26,326.71		78,980.12	
4	04/20/22	26,326.71		1,015.00	27,341.71		105,306.82	
5	05/20/22	26,326.71			26,326.71	64,796.88	131,633.53	
6	06/20/22	26,326.71			26,326.71		93,163.35	
7	07/20/22	26,326.71			26,326.71		119,490.06	
8	08/20/22	26,326.71			26,326.71		145,816.76	
9	09/20/22	-			-		172,143.47	
10	10/20/22	26,326.71			26,326.71		172,143.47	
11	11/20/22	26,326.71			26,326.71	224,796.88	198,470.17	
12	12/20/22	26,235.80	1,750.00		27,985.80		(0.00)	
1	01/20/23	26,235.80			26,235.80		27,985.80	
2	02/20/23	26,235.80			26,235.80		26,235.80	
3	03/20/23	26,235.80			26,235.80		52,471.59	
4	04/20/23	26,235.80		942.50	27,178.30		78,707.39	
5	05/20/23	26,235.80			26,235.80	59,296.88	104,943.19	
6	06/20/23	26,235.80			26,235.80		131,178.98	
7	07/20/23	26,235.80			26,235.80		98,117.90	
8	08/20/23	26,235.80			26,235.80		124,353.69	
9	09/20/23	-			-		150,589.49	
10	10/20/23	26,235.80			26,235.80		176,825.29	
11	11/20/23	26,235.80			26,235.80	229,296.88	176,825.29	
12	12/20/23	26,082.39	1,750.00		27,832.39		203,061.08	
1	01/20/24	26,082.39			26,082.39		(0.00)	
2	02/20/24	26,082.39			26,082.39		27,832.39	
3	03/20/24	26,082.39			26,082.39		26,082.39	
4	04/20/24	26,082.39		862.50	26,944.89		52,164.77	
5	05/20/24	26,082.39			26,082.39	53,453.13	78,247.16	
6	06/20/24	26,082.39			26,082.39		104,329.55	
7	07/20/24	26,082.39			26,082.39		130,411.94	
8	08/20/24	26,082.39			26,082.39		103,041.19	
9	09/20/24	-			-		129,123.58	
10	10/20/24	26,082.39			26,082.39		155,205.97	
11	11/20/24	26,082.39			26,082.39	233,453.13	181,288.36	
12	12/20/24	25,866.48	1,750.00		27,616.48		181,288.36	
1	01/20/25	25,866.48			25,866.48		207,370.74	
2	02/20/25	25,866.48			25,866.48		27,616.48	
3	03/20/25	25,866.48			25,866.48		25,866.48	
4	04/20/25	25,866.48		777.50	26,643.98		51,732.96	
5	05/20/25	25,866.48			25,866.48	47,265.63	77,599.43	
6	06/20/25	25,866.48			25,866.48		103,465.91	
7	07/20/25	25,866.48			25,866.48		129,332.39	
							107,933.24	
							133,799.72	
							159,666.20	

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	Date	Portion of Set-Aside Component Allocated to Principal & Interest	Trustee Fee Payment Component	MFA Fee Payment Component	Total	Interest & Fee Payment December 1 & June 1	Fund Balance	Excess
8	08/20/25	25,866.48			25,866.48		185,532.67	
9	09/20/25	-			-		185,532.67	
10	10/20/25	25,866.48			25,866.48		211,399.15	
11	11/20/25	25,866.48			25,866.48	237,265.63	-	
12	12/20/25	26,042.61	1,750.00		27,792.61		27,792.61	
1	01/20/26	26,042.61			26,042.61		26,042.61	
2	02/20/26	26,042.61			26,042.61		52,085.23	
3	03/20/26	26,042.61			26,042.61		78,127.84	
4	04/20/26	26,042.61		687.50	26,730.11		104,170.46	
5	05/20/26	26,042.61			26,042.61	40,734.38	130,213.07	
6	06/20/26	26,042.61			26,042.61		115,521.31	
7	07/20/26	26,042.61			26,042.61		141,563.92	
8	08/20/26	26,042.61			26,042.61		167,606.54	
9	09/20/26	-			-		193,649.15	
10	10/20/26	26,042.61			26,042.61		193,649.15	
11	11/20/26	26,042.61			26,042.61	245,734.38	219,691.77	
12	12/20/26	26,125.00	1,750.00		27,875.00		0.00	
1	01/20/27	26,125.00			26,125.00		27,875.00	
2	02/20/27	26,125.00			26,125.00		26,125.00	
3	03/20/27	26,125.00			26,125.00		52,250.00	
4	04/20/27	26,125.00		592.50	26,717.50		78,375.00	
5	05/20/27	26,125.00			26,125.00	33,687.50	104,500.00	
6	06/20/27	26,125.00			26,125.00		130,625.00	
7	07/20/27	26,125.00			26,125.00		123,062.50	
8	08/20/27	26,125.00			26,125.00		149,187.50	
9	09/20/27	-			-		175,312.50	
10	10/20/27	26,125.00			26,125.00		201,437.50	
11	11/20/27	26,125.00			26,125.00	253,687.50	201,437.50	
12	12/20/27	26,568.18	1,750.00		28,318.18		227,562.50	
1	01/20/28	26,568.18			26,568.18		0.00	
2	02/20/28	26,568.18			26,568.18		26,568.18	
3	03/20/28	26,568.18			26,568.18		53,136.36	
4	04/20/28	26,568.18		490.00	27,058.18		79,704.55	
5	05/20/28	26,568.18			26,568.18	26,125.00	106,272.73	
6	06/20/28	26,568.18			26,568.18		132,840.91	
7	07/20/28	26,568.18			26,568.18		133,284.09	
8	08/20/28	26,568.18			26,568.18		159,852.27	
9	09/20/28	-			-		186,420.45	
10	10/20/28	26,568.18			26,568.18		212,988.64	
11	11/20/28	26,568.18			26,568.18	266,125.00	212,988.64	
12	12/20/28	25,977.27	1,750.00		27,727.27		239,556.82	
1	01/20/29	25,977.27			25,977.27		-	
2	02/20/29	25,977.27			25,977.27		25,977.27	
							51,954.55	
							77,931.82	

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	Date	Portion of Set-Aside Component Allocated to Principal & Interest	Trustee Fee Payment Component	MFA Fee Payment Component	Total	Interest & Fee Payment December 1 & June 1	Fund Balance	Excess
3	03/20/29	25,977.27			25,977.27		103,909.09	
4	04/20/29	25,977.27		380.00	26,357.27		129,886.36	
5	05/20/29	25,977.27			25,977.27	17,875.00	137,988.64	
6	06/20/29	25,977.27			25,977.27		163,965.91	
7	07/20/29	25,977.27			25,977.27		189,943.18	
8	08/20/29	25,977.27			25,977.27		215,920.45	
9	09/20/29	-			-		215,920.45	
10	10/20/29	25,977.27			25,977.27		241,897.73	
11	11/20/29	25,977.27			25,977.27	267,875.00	0.00	
12	12/20/29	26,232.95	1,750.00		27,982.95		27,982.95	
1	01/20/30	26,232.95			26,232.95		26,232.95	
2	02/20/30	26,232.95			26,232.95		52,465.91	
3	03/20/30	26,232.95			26,232.95		78,698.86	
4	04/20/30	26,232.95		260.00	26,492.95		104,931.82	
5	05/20/30	26,232.95			26,232.95	9,281.25	131,164.77	
6	06/20/30	26,232.95			26,232.95		148,116.48	
7	07/20/30	26,232.95			26,232.95		174,349.43	
8	08/20/30	26,232.95			26,232.95		200,582.39	
9	09/20/30	-			-		226,815.34	
10	10/20/30	26,232.95			26,232.95		226,815.34	
11	11/20/30	26,232.95			26,232.95	279,281.25	253,048.30	
12	12/20/30		1,750.00		1,750.00		-	
Total		5,329,466.80	33,250.00	-	17,630.89	5,380,347.69	5,361,026.40	

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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April 30, 2012

Michigan Finance Authority
Richard H. Austin State Office Building
Lansing, MI 48909

U.S. Bank National Association
St. Paul, Minnesota

We have acted as bond counsel to the Michigan Finance Authority (the “Authority”), in connection with the issuance by the Authority of its Public School Academy Limited Obligation Revenue Refunding Bonds (Concord Academy - Petoskey Project), Series 2012 in the aggregate principal amount of \$3,040,000 (the “Bonds”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are authorized to be issued by Executive Order No. 2010-2, compiled at §12.194 of the Michigan Compiled Laws; Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws; Executive Order No. 2002-12, compiled at §12.193 of the Michigan Compiled Laws and the Shared Credit Rating Act, Act 227, Public Acts of Michigan, 1985, as amended (collectively the “Enabling Legislation”), a bond authorizing resolution adopted by the Authority on April 19, 2012 (the “Bond Resolution”) and a Trust Indenture, dated as of April 1, 2012 (the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) for the purpose of providing funds which will be used to purchase a Refunding Bond, Series 2012, dated April 30, 2012 (the “Municipal Obligation”) of Concord Academy - Petoskey, a school of excellence organized under the laws of the State of Michigan (the “Academy”), evidenced by a Financing Agreement, dated as of April 1, 2012 (the “Financing Agreement”) between the Academy and the Authority. The proceeds of the Bonds received by the Academy from the sale of the Municipal Obligation pursuant to the terms of the Financing Agreement will be used by the Academy to finance: (i) the refunding of its Full Term Certificates of Participation, Series 2000, dated December 1, 2000; and (ii) the costs of certain expenses incidental to the issuance of the Bonds and the Municipal Obligation.

Under the Financing Agreement and the Municipal Obligation, the Academy has agreed to make Bond Payments to be used to pay when due the principal of, premium (if any) and interest on the Bonds. Such Bond Payments and other payments and revenues under the Indenture, the Financing Agreement and the Municipal Obligation (collectively, the “Security”)

and the rights of the Authority under the Financing Agreement and the Municipal Obligation (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Authority to the Trustee as security for the Bonds pursuant to the Indenture. The Bonds are payable solely from the Security.

As additional security for the Bonds, the Academy will execute and deliver a mortgage agreement (the "Mortgage") in favor of the Trustee whereby the Property (as defined in the Financing Agreement) will be pledged to the Trustee to secure the Academy's obligations under the Financing Agreement and the Municipal Obligation. We note that various issues concerning the enforceability of the Mortgage are addressed in the opinion of the Lewis & Munday, P.C., counsel to the Academy, provided to the Authority, and we express no opinion herein as to the validity or enforceability of the Mortgage or any of the liens created thereby.

With respect to the valid existence of the Academy as a Michigan school of excellence, the power of the Academy to enter into and perform its obligations under the Financing Agreement and the Municipal Obligation and other documents to which it is a party, the due authorization, execution and delivery of the Financing Agreement and the Municipal Obligation and the other documents to which the Academy is a party and the validity and enforceability of them against the Academy, we refer you again to the opinion of the Lewis & Munday, P.C., counsel to the Academy, dated the date of this letter and addressed to the Authority, which opinion we have relied upon in rendering our opinion.

We have assumed the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Indenture, and the Academy of the Financing Agreement and the Municipal Obligation.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Academy contained in the Financing Agreement, the Municipal Obligation and the Indenture, the certified proceedings and other certifications of public officials and others furnished to us, including a non-arbitrage and tax compliance certificate of the Authority and the Academy and certifications furnished to us by or on behalf of the Authority and the Academy, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Authority is a public body corporate and politic validly existing under the laws of the State of Michigan with the power to enter into and perform the Indenture and the Financing Agreement and issue the Bonds.
2. The Bond Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority.

3. The Indenture, the Financing Agreement and the State Aid Agreement, among the Academy, the Authority, the Trustee, the State Treasurer of the State of Michigan and the Lake Superior State University Board of Trustees ("State Aid Agreement"), have been duly authorized, executed and delivered by the Authority and are valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms. The Indenture creates a valid lien on the Security and on the rights of the Authority under the Financing Agreement (except certain rights to indemnification, reimbursement and administrative fees).

4. The Bonds have been duly authorized, executed and delivered by the Authority, and are valid and legally binding limited obligations of the Authority, payable solely from the Security.

5. The interest on the Bonds: (a) is excluded from gross income for federal income tax purposes; and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted net current earnings for purposes of calculating the federal alternative minimum tax imposed on such corporations. This opinion is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements to the extent permitted by law. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

6. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition of the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture, the Financing Agreement, the Municipal Obligation and the State Aid Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion regarding: (i) the accuracy, adequacy or completeness of any disclosure document relating to the Bonds; or (ii) the perfection or priority of the lien on the Security or other funds created by the Indenture. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The tax opinions contained herein cannot be used by any taxpayer, including holders or owners of the Bond, for the purpose of avoiding penalties related to federal income tax matters that may be imposed on such taxpayer. Taxpayers, including holders or owners of the Bond, should seek advice based upon such taxpayers' particular circumstances from an independent tax advisor.

This opinion is given as of the date hereof and we assume no obligation to update 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.

CLARK HILL PLC

APPENDIX F

FORM OF OPINION OF THE
ATTORNEY GENERAL

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[FORM OF ATTORNEY GENERAL AUTHORIZING OPINION]

_____, 2012

Michigan Finance Authority
Richard H. Austin Office Building
Lansing, Michigan

In my capacity as Attorney General of the State of Michigan (the "State"), I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Finance Authority (the "Authority") of bonds designated MICHIGAN FINANCE AUTHORITY PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION REVENUE REFUNDING BONDS (CONCORD ACADEMY – PETOSKEY PROJECT), SERIES 2012 in the aggregate principal amount of \$_____ (the "Bonds"):

(1) Executive Order 2010-2, Executive Order 2002-3 and the Shared Credit Rating Act, 1985 PA 227, as amended, (the "Enabling Legislation") which collectively created the Authority and empowered it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Michigan Finance Authority on _____, 2012 authorizing the issuance of the Bonds (the "Resolution");

(3) an executed counterpart of a trust indenture dated as of April 1, 2012 (the "Indenture"), entered into between the Authority and U.S. Bank National Association, a national banking association (the "Trustee");

(4) an executed counterpart of the financing agreement dated as of April 1, 2012 (the "Financing Agreement") entered into between the Authority and Concord Academy - Petoskey, a Michigan school of excellence (the "Academy");

(5) an executed counterpart of a state aid agreement dated as of April 1, 2012 (the "State Aid Agreement") among the Authority, the Trustee, the State Treasurer of the State of Michigan, the Lake Superior State University Board of Trustees, and the Academy;

(6) a Nonarbitrage Certificate of the Authority;

(7) one Bond as executed, or a specimen thereof; and

(8) one bond issued by the Academy (the "Municipal Obligation").

The Bonds are being issued for the purpose of (i) purchasing the Academy's Municipal Obligation, as evidenced by the Financing Agreement; and (ii) providing funds to pay certain costs relating to the issuance of the Bonds. The Academy will use proceeds of the Bonds to finance (a) the refunding of its Full Term Certificates of Participation, Series 2000; and (b) the costs of certain expenses incidental to the issuance of the Bonds and the Municipal Obligation.

By the terms of the Financing Agreement, the Academy has contracted to make repayments at times and in amounts sufficient to enable the Authority to pay the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the repayments to the Authority from the Academy and certain rights of the Authority (to the extent specified in the Indenture) have been assigned by the Authority to the Trustee as security for the Bonds.

As additional security for the Bonds, the Academy will execute and deliver a mortgage (the "Mortgage") in favor of the Trustee.

In rendering this opinion, I have relied upon the opinion, dated today, of Lewis & Munday, P.C., counsel for the Academy, to the effect that the Financing Agreement and Mortgage are valid and binding obligations of the Academy and as to other matters set forth in the opinion. I express no opinion as to the validity or enforceability with respect to the Academy of the Financing Agreement, the Municipal Obligation, the Mortgage, or any liens created thereby. I have assumed the due authorization, execution, and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture. I have also assumed the accuracy of and relied upon the information and representations contained in the Financing Agreement and the certificates of the Academy (including specifically the representation that the Academy is a Michigan school of excellence under Michigan law and the representation and covenant by the Academy that it will comply with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and I have made no independent investigation of the accuracy of the information and representations contained therein.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Enabling Legislation.

2. The Authority has the power under the laws of the State to adopt the Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority. The Indenture, the State Aid Agreement and the Financing Agreement have been duly authorized, executed, and delivered by the Authority and each constitutes a valid and binding agreement of the Authority enforceable in accordance with its respective terms.

3. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Indenture (which security includes the Municipal Obligation) or otherwise provided by the Academy.

4. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.

5. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted net current earnings for the purpose of computing such alternative minimum tax. This opinion is subject to the condition that the Academy and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excluded from gross income for federal income tax purposes. The Academy has covenanted for itself and on behalf of the Authority to comply with each such requirement. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds, the Financing Agreement, the State Aid Agreement and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights that have been or in the future will be enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Academy contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely,

BILL SCHUETTE
Attorney General

Assistant Attorney General

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APPENDIX G

FORM OF CONTINUING
DISCLOSURE AGREEMENT

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§ _____
**MICHIGAN FINANCE AUTHORITY
PUBLIC SCHOOL ACADEMY LIMITED OBLIGATION REVENUE
REFUNDING BONDS (CONCORD ACADEMY – PETOSKEY PROJECT), SERIES 2012
CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of the 1st day of April, 2012 (this "Disclosure Agreement"), is executed and delivered by and between Concord Academy – Petoskey, a school of excellence (the "Academy"), and U.S. Bank National Association, as dissemination agent (the "Dissemination Agent").

W I T N E S S E T H:

WHEREAS, this Disclosure Agreement is being executed and delivered in connection with the issuance by the Michigan Finance Authority (the "Authority") of \$_____ in aggregate principal amount of its Limited Obligation Revenue Refunding Bonds (Concord Academy – Petoskey Project), Series 2012 (the "Bonds");

WHEREAS, the Bonds are being issued pursuant to a Trust Indenture dated as of April 1, 2012 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee");

WHEREAS, the proceeds of the Bonds are being used to refinance the Academy's Full Term Certificates of Participation, Series 2000, dated as of December 1, 2000, the proceeds of which were used by the Academy to acquire land and construct a school building and improvements thereon that comprise the Academy's current Property, and pay costs of issuance relating to the Bonds and the Municipal Obligation (as defined in the Indenture);

WHEREAS, the Bonds are exempt from the Rule because they will be issued in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof and are being offered only to purchasers, each which will represent that it (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment and (ii) is not purchasing for more than one account or with a view to distributing or reselling the Bonds; and

WHEREAS, to provide for the availability of certain information relating to the Bonds and the Academy, the Academy is voluntarily executing and delivering this Disclosure Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, the Academy does hereby agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Academy for the benefit of the Bondholders and Beneficial Owners of the Bonds.

Section 2. Representations. Each of the parties hereto represents and warrants (a) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (b) it has duly authorized the execution and delivery of this Agreement, (c) the execution and delivery of this Agreement and performance of the terms hereof by such party does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument to which it is a party or by which it is bound, and (d) to its best knowledge, no litigation, proceeding or administrative matter is pending to which it is a party, or overtly threatened, contesting or questioning the legal existence of such party, its power and authority to enter into and perform this Agreement or its due authorization, execution and delivery of this Agreement.

Section 3. 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 Section, the following capitalized terms shall have the following meanings:

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Annual Financial Information" means financial information or operating data applicable to the Academy for its most recent fiscal year, commencing with the fiscal year ending June 30, 2012, together with Audited Financial Statements, if available, or Unaudited Financial Statements.

"Annual Report" means any Annual Report provided by the Academy pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Audited Financial Statements" means annual financial statements, if any, of the Academy, audited by such auditor as shall then be required or permitted by law, and prepared in accordance with GAAP applied on a consistent basis, provided, however, that the Academy may from time to time in accordance with GAAP and subject to applicable federal or state legal requirements modify the basis upon which its financial statements are prepared.

"Beneficial Owner" means any person or entity which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person or entity holding Bonds through nominees, depositories or other intermediaries).

"Bondholder" means the registered owner of any Bond.

"Dissemination Agent" means any agent designated as such in writing by the Academy and which has filed with the Academy a written acceptance of such designation, and such agent's successors and assigns. Initially, U.S. Bank National Association shall act as the Dissemination Agent.

"EMMA" means the Electronic Municipal Market Access System of the MSRB, or such other system, internet website or repository hereafter prescribed by the MSRB for submission of electronic filings pursuant to the Rule. As of the date of this Disclosure Agreement, the EMMA internet website address is <http://www.emma.msrb.org> (the "MSRB Internet Website").

"GAAP" means generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" means any of the events listed in Section 6(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act.

"Offering Memorandum" means the final Offering Memorandum for the Bonds dated April __, 2012.

"Placement Agent" means the original placement agent for the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

"Repository" means the MSRB through EMMA.

"Rule" means Rule 15c2-12 adopted by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" means the United States Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities laws.

"State" means the State of Michigan.

"Unaudited Financial Statements" means (a) in the case of the Annual Report, the same as Audited Financial Statements except that they shall not have been audited; and (b) in the case of Section 7, an unaudited balance sheet of the Academy as of the close of such fiscal quarter and unaudited statements of income, retained earnings and cash flows, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the corresponding period in the preceding fiscal year, and prepared by the Academy in accordance with GAAP certified by the superintendent of the Academy to present fairly in all material respects the financial condition of the Academy as of their respective dates and the results of operations of the Academy for the respective periods then ended.

Section 4. Provision of Annual Reports.

(a) Each year, the Academy shall provide, or shall cause the Dissemination Agent to provide, on or before the 180th day after the end of the fiscal year of the Academy, to the Repository, an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 5 of this Disclosure Agreement. Currently, the Academy's fiscal year ends on June 30. In each case, 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 5 of this Disclosure Agreement; provided, however, that if the Audited Financial Statements of the Academy are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and Unaudited Financial Statements shall be included in the Annual Report.

(b) Whenever any Annual Report or portion thereof is filed as described above, it shall be attached to a cover sheet in substantially the form attached as Exhibit A.

(c) If the Academy is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Academy shall file a written notice in a timely manner with the Repository in substantially the form attached as Exhibit B.

(d) If the Academy's fiscal year changes, the Academy shall file a written notice of such change with the Repository in substantially the form attached as Exhibit C.

(e) If a Dissemination Agent has been appointed by the Academy, (i) the Academy shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to the date by which it must be provided to the Repository under subsection (a) above, along with a written representation addressed to the Dissemination Agent to the effect that the Annual Report is the Annual Report required by this Section and that it complies with the applicable requirements of this Section and Section 5, and (ii) the Dissemination Agent shall file a report with the Academy certifying that the Annual Report has been provided pursuant to this Section, stating the date it was provided.

Section 5. Content of Annual Reports. The Academy's Annual Report shall contain or include by reference the following:

(a) The Audited Financial Statements of the Academy for its fiscal year immediately preceding the due date of the Annual Report; and

(b) The Annual Financial Information relating to the Academy contained in the Offering Memorandum and appearing in the tables under the following headings:

- (1) ENROLLMENT;
- (2) WAIT LIST AND COMPARATIVE ENROLLMENT TRENDS;
- (3) STATE SCHOOL AID PAYMENTS; and
- (4) HISTORICAL AND PROJECTED REVENUES AND EXPENSES.

If there is a change in the accounting principles followed in preparing the Academy's financial statements, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The

comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the Academy, or the Dissemination Agent at the written direction of the Academy, to the Repository.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB Internet Website or filed with the SEC. The Academy shall clearly identify each such other document so included by reference.

Section 6. Reporting of Significant Events.

(a) The Academy agrees to provide, or shall cause the Dissemination Agent to provide, to the Repository, in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material;
- (9) Tender offers;
- (10) Defeasances;
- (11) Release, substitution, or sale of property securing repayment of the Bonds, if material;

- (12) Rating changes;
- (13) Bankruptcy, insolvency, receivership or similar event of the Academy, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Academy in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Academy, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Academy;
- (14) The consummation of a merger, consolidation, or acquisition involving the Academy or the sale of all or substantially all of the assets of the Academy, 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) Whenever the Academy obtains knowledge of the occurrence of a Listed Event described in subsection 6(a)(2), (7), (8), (11), (14) or (15), the Academy shall as soon as possible determine if such event would constitute material information under applicable federal securities laws. The Academy covenants that its determination of materiality will be made in conformance with federal securities law.

(c) If the Academy determines that (i) a Listed Event described in subsection 6(a)(1), (3), (4), (5), (6), (9), (10), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection 6(a)(2), (7), (8), (11), (14) or (15) would be material under applicable federal securities laws, the Academy shall cause a notice of such occurrence to be filed with the Repository within ten (10) business days of the occurrence of the Listed Event. In connection with providing a notice of the occurrence of a Listed Event described in subsection 5(a)(10), the Academy shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) The Academy acknowledges that the "rating changes" referred to above in subsection (a)(12) of this Disclosure Agreement may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Academy is liable.

(e) The Academy acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Academy does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Offering Memorandum.

(f) If a Dissemination Agent has been appointed by the Academy, (i) the Academy shall provide the notice of a Listed Event in this Section not later than one business day prior to the date by which it must be provided to the Repository under subsection (a) or (b) above, and (ii) the Dissemination Agent shall file a report with the Academy certifying that the notice of the Listed Event has been provided pursuant to this Section, stating the date it was provided.

Section 7. Quarterly Unaudited Financial Statements.

(a) The Academy shall provide, or shall cause the Dissemination Agent to provide, on or before the 30th day after the end of first three fiscal quarters of each fiscal year of the Academy, to the Repository, Unaudited Financial Statements. Currently, the Academy's first three fiscal quarters end on September 30, December 30 and March 30.

(b) If a Dissemination Agent has been appointed by the Academy, (i) the Academy shall provide the quarterly Unaudited Financial Statements to the Dissemination Agent not later than 15 days prior to the date by which it must be provided to the Repository under subsection (a) above, along with a written representation addressed to the Dissemination Agent to the effect that quarterly Unaudited Financial Statements are the quarterly Unaudited Financial Statements required by this Section and that they comply with the requirements of this Section, and (ii) the Dissemination Agent shall file a report with the Academy certifying that the quarterly Unaudited Financial Statements have been provided pursuant to this Section, stating the date they was provided.

Section 8. Mandatory Electronic Filing With EMMA. All filings with the Repository under this Disclosure Agreement shall be made by electronically transmitting such filings through the MSRB Internet Website as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

Section 9. Termination of Reporting Obligation. The Academy's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption in full or payment in full of all of the Bonds.

Section 10. Dissemination Agent.

(a) The Academy, from time to time, may 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. If a Dissemination Agent has been designated, the Dissemination Agent may resign at any time by providing at least thirty (30) days written notice to the Academy.

(b) Except as otherwise provided in this Disclosure Agreement, the Dissemination Agent, solely in its capacity as such, is not obligated or responsible under this Disclosure Agreement to determine the sufficiency of the content of the notice of the occurrence of a Listed Event or any report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(c) If a Dissemination Agent has been designated, the Dissemination Agent shall, without further direction or instruction from the Academy, provide to the MSRB in an electronic format as prescribed by the MSRB from time to time, together with such identifying information as is prescribed by the MSRB from time to time, the following information:

(1) the Annual Report provided pursuant to Section 4 hereof;(2) any Listed Event reported to the Dissemination Agent by the Academy under Section 6 hereof in the form provided by the Academy; and

(3) the Quarterly Unaudited Financial Statements provided pursuant to Section 7 hereof.

The Dissemination Agent's obligation to deliver the information at the times and with the contents described in Sections 5, 6 and 7 above shall be limited to the extent the Academy has timely provided such information to the Dissemination Agent as required hereby. The Dissemination Agent may conclusively rely upon any written representation of the Academy required hereby.

(d) The Academy hereby appoints U.S. Bank National Association as the initial Dissemination Agent under this Agreement.

Section 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, this Disclosure Agreement may be amended, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Academy, or type of business in which the Academy is engaged; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds pursuant to the terms of the Indenture.

If the amendment results in a change to the Annual Financial Information required to be included in the Annual Report pursuant to Section 5 of this Disclosure Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the Annual Financial Information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

Section 12. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Academy 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 Academy chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Academy shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 13. Failure to Comply. In the event of a failure of the Academy or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Academy to comply with its obligations under this Disclosure Agreement. A failure to comply under this Disclosure Agreement shall not be deemed a default under the Indenture or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Academy to comply with this Disclosure Agreement shall be an action to compel performance. Notwithstanding the foregoing, if the alleged failure of the Academy to comply with this Disclosure Agreement is the inadequacy of the information disclosed pursuant to this Disclosure Agreement, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than a majority of the aggregate principal amount of the then outstanding Bonds must take the actions described above, before the Academy shall be compelled to perform with respect to the adequacy of information disclosed pursuant to this Disclosure Agreement. No person or entity shall be entitled to recover any monetary damages for a default under this Disclosure Agreement under any circumstances, and any failure to comply with the obligations under this Disclosure Agreement shall not constitute a default with respect to the Bonds or under the Indenture.

Section 14. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent shall be paid compensation by the Academy for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Academy from time to time. Article VII of the Indenture is hereby made applicable to the Dissemination Agent as if said Sections were (solely for this purpose) contained in this Agreement.

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Academy, the Placement Agent, the Bondholders and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 16. Additional Disclosure Obligations. The Academy acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the Academy, and that under some circumstances, compliance with this Disclosure

Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Academy under such laws.

Section 17. Municipal Advisory Council of the State of Michigan. The Academy shall also file by electronic or other means any information or notice required to be filed with the Repository pursuant to this Disclosure Agreement in a timely manner with the Municipal Advisory Council of the State of Michigan.

Section 18. Governing Law. This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the State and any suits or actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

CONCORD ACADEMY - PETOSKEY

By: _____

Its: President

**U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent**

By: _____

Its: _____

