

In the opinion of Bond Counsel, under existing law and subject to conditions described in the section herein entitled "TAX MATTERS" interest on the Series 2024A Bonds (1) is excludable from gross income of the owners thereof for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (2) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Interest on the Series 2024B Bonds will be included in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Series 2024 Bonds is not exempt from taxation under the laws of the State of Wisconsin or the State of North Carolina. See "TAX MATTERS" herein regarding other tax considerations.

\$27,610,000

PUBLIC FINANCE AUTHORITY

**Charter School Revenue
and Refunding Bonds**

**(North East Carolina Preparatory School Project)
Series 2024A**



\$1,050,000

PUBLIC FINANCE AUTHORITY

**Taxable Charter School Revenue
and Refunding Bonds**

**(North East Carolina Preparatory School Project)
Series 2024B**

Dated: Date of Delivery

Due: as shown on page (i)

The Public Finance Authority (the "Authority"), a unit of government and a body corporate and politic of the State of Wisconsin, is issuing its \$27,610,000 Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A (the "Series 2024A Bonds") and its \$1,050,000 Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B (the "Series 2024B Bonds") and together with the Series 2024A Bonds, the "Series 2024 Bonds". The Series 2024 Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2024 (the "Indenture") between the Authority and UMB Bank, n.a., as trustee (the "Trustee").

Capitalized terms not otherwise defined on this cover page or in the Official Statement are defined in APPENDIX D – "SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS."

The Series 2024 Bonds will be dated their date of delivery, will be in Authorized Denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof, and will mature on June 15 of the years as shown on page (i) hereof. The Series 2024 Bonds will bear interest payable semi-annually on December 15 and June 15 of each year, commencing December 15, 2024, until maturity or earlier redemption. The Series 2024 Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity. See "THE SERIES 2024 BONDS – Prior Redemption."

The Authority will loan the proceeds of the Series 2024 Bonds to NECP Holdings, LLC (the "Borrower"), a North Carolina limited liability company, the sole member of which is North East Carolina Preparatory School, Inc. (the "Lessee"), a North Carolina nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), pursuant to the terms of a Loan Agreement, dated as of May 1, 2024 (the "Loan Agreement"), by and between the Authority and the Borrower, which proceeds will be used for the purpose of (a) refinancing the outstanding principal amount of the Series 2019 Bonds, (b) financing the New Money Improvements, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Series 2024 Bonds. See "THE BORROWER," "THE LESSEE," "PLAN OF FINANCE," and APPENDIX A – "THE LESSEE, THE BORROWER, AND THE SCHOOL."

The Series 2024 Bonds are secured by a pledge and assignment of such revenues and amounts held in the funds and accounts established pursuant to the Indenture (including proceeds of the sale of the Series 2024 Bonds but excluding amounts held in the Cost of Issuance Fund and the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Series 2024 Bonds are further secured by an assignment of the right, title and interest of the Authority in the Loan Agreement (except for the Authority's Unassigned Rights, as defined herein) and by the Deed of Trust (as defined herein).

The Series 2024 Bonds will be issued as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, which will act as securities depository for the Series 2024 Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Terms not otherwise defined on this cover page are defined in APPENDIX D – "SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS."

THE SERIES 2024 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER (AS DEFINED HEREIN), ANY SPONSOR (AS DEFINED HEREIN), ANY AUTHORITY INDEMNIFIED PERSON (AS DEFINED IN THE LOAN AGREEMENT), THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS SHALL BE OBLIGATED TO PAY THE PRINCIPAL THEREOF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE SERIES 2024 BONDS ARE NOT A DEBT OF THE STATE OF WISCONSIN OR ANY MEMBER AND DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS NOR THE FAITH AND CREDIT OF THE AUTHORITY, ANY SPONSOR OR ANY AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision, and should give particular attention to the material under the caption "RISK FACTORS."

The Series 2024 Bonds are offered when, as and if issued by the Authority and received and accepted by the Underwriter and subject to the approval of legality by McGuireWoods LLP, Bond Counsel. Certain legal matters will be passed upon by McGuireWoods LLP, as counsel to the Borrower and the Lessee; Attolles Law, s.c., as counsel to the Authority; and by Ice Miller LLP, as counsel to and solely for the benefit of the Underwriter. Specialized Public Finance, Inc. is serving as financial advisor to the Borrower and the Lessee in connection with the issuance of the Series 2024 Bonds. It is expected that the Series 2024 Bonds will be available for delivery through the facilities of DTC on or about May 30, 2024.



Photograph of the Series 2024 Facilities

MATURITY SCHEDULE

PUBLIC FINANCE AUTHORITY

\$27,610,000

**CHARTER SCHOOL REVENUE AND REFUNDING BONDS
(NORTH EAST CAROLINA PREPARATORY SCHOOL PROJECT)
SERIES 2024A**

\$4,430,000 Term Bond due June 15, 2034; Rate: 4.250%; Price: 100.000%; Yield: 4.250%; CUSIP: 744396 JX1[†]
\$8,760,000 Term Bond due June 15, 2044; Rate: 5.000%; Price: 100.000%; Yield: 5.000%; CUSIP: 744396 JY9[†]
\$14,420,000 Term Bond due June 15, 2054; Rate: 5.250%; Price: 99.697%; Yield: 5.270%; CUSIP: 744396 JZ6[†]

\$1,050,000

**TAXABLE CHARTER SCHOOL REVENUE AND REFUNDING BONDS
(NORTH EAST CAROLINA PREPARATORY SCHOOL PROJECT)
SERIES 2024B**

\$1,050,000 Term Bond due June 15, 2027; Rate: 6.650%; Price: 100.000%; Yield: 6.650%; CUSIP: 744396 KA9[†]

[†] The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Borrower, the Lessee, the Underwriter or Trustee, and are included solely for the convenience of the holders of the Series 2024 Bonds. None of the Authority, the Borrower, the Lessee, the Underwriter or the Trustee is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2024 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems Inc.

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CAUTIONARY STATEMENTS

In connection with the offering of the Series 2024 Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Series 2024 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2024 Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Authority, the Borrower, the Lessee, the Trustee or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Borrower, the Lessee, the Trustee or the Underwriter since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

Except for information in this Official Statement concerning the Authority contained under the captions “THE AUTHORITY” and “LEGAL MATTERS – Pending and Threatened Litigation – No Proceedings Against the Authority” the Authority neither has nor will assume any responsibility as to the accuracy or completeness of information in this Official Statement.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE BORROWER, THE LESSEE 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 UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO, CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET,” OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE BORROWER NOR THE LESSEE EXPECTS NOR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR. THE FINANCIAL PROJECTIONS OF THE LESSEE CONTAINED IN APPENDIX A ATTACHED TO THIS OFFICIAL STATEMENT ARE NOT HISTORICAL STATEMENTS OF FINANCIAL PERFORMANCE OF THE LESSEE, BUT ARE FORWARD LOOKING FORECASTS OF FUTURE, PROJECTED FINANCIAL PERFORMANCE OF THE LESSEE.

SUMMARY STATEMENT

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. The offering of the Series 2024 Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise use it without the entire Official Statement. Capitalized terms not otherwise defined in this Summary Statement or in this Official Statement are defined in APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS.”

Purpose of the Issue.....The Public Finance Authority (the “Authority”) is issuing its \$27,610,000 Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A (the “Series 2024A Bonds”) and its \$1,050,000 Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B (the “Series 2024B Bonds” and together with the Series 2024A Bonds, the “Series 2024 Bonds”) pursuant to an Indenture of Trust, dated as of May 1, 2024 (the “Indenture”), between the Authority and UMB Bank, n.a., as trustee (the “Trustee”).

The Authority will loan the proceeds of the Series 2024 Bonds to NECP Holdings, LLC (the “Borrower”), a North Carolina limited liability company, the sole member of which is North East Carolina Preparatory School, Inc. (the “Lessee”), a North Carolina nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”), pursuant to the terms of a Loan Agreement, dated as of May 1, 2024 (the “Loan Agreement”), by and between the Authority and the Borrower, which proceeds will be used for the purpose of (a) refinancing the outstanding principal amount of the Series 2019 Bonds, (b) financing the New Money Improvements, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Series 2024 Bonds.

See “THE BORROWER,” “THE LESSEE,” “PLAN OF FINANCE” and APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL.”

The Series 2019 Bonds.....The Authority previously issued its Charter School Revenue Bonds (North East Carolina Preparatory School Project) Series 2019A in the original aggregate principal amount of \$22,000,000 and its Charter School Revenue Bonds (North East Carolina Preparatory School Project) Series 2019B (Subordinate) in the original aggregate principal amount of \$1,000,000 (collectively, the “Series 2019 Bonds”), the proceeds of which (i) financed the acquisition of an educational facility (the “School Facility”) located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the “Campus”) used by the Lessee for the operation of a charter school known as North East Carolina Preparatory School (the “School”), (ii) funded a debt service reserve fund and (iii) paid for costs of issuance.

On the Closing Date, the Borrower will apply a portion of the proceeds of the Series 2024 Bonds to fully refund the Series 2019 Bonds. See “PLAN OF FINANCE – General” for more information.

The Authority.....The Authority is a unit of government and a body corporate and politic separate and distinct from, and independent of, the State of Wisconsin and the Members. The Authority was created in 2010 pursuant to Section 66.0304 of the Wisconsin State Statutes by local governments for the public purpose of providing local governments a means to efficiently and reliably finance projects that benefit local governments, nonprofit

organizations and other eligible private borrowers in the State of Wisconsin and throughout the country. See “THE AUTHORITY.”

The Borrower, the Lessee, and

the Plan of FinanceThe Borrower is a North Carolina limited liability company, the sole member of which is the Lessee, a North Carolina nonprofit corporation and an organization described in Section 501(c)(3) of the Code.

The Lessee operates a public charter school known as North East Carolina Preparatory School (the “School”) pursuant to a Charter granted by the North Carolina State Board of Education (the “SBE”) effective for a ten-year term commencing July 1, 2022 and ending June 30, 2032 (the “Charter”). For the 2023-24 school year, as of the 20th day ADM, the School served 1,018 students in grades K-12.

The Lessee currently operates the School from the School Facility and expects to operate the School from the Series 2024 Facilities after the completion of the Construction Project. The Borrower will lease the Series 2024 Facilities to the Lessee pursuant to the Lease Agreement. See APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL” attached hereto for additional details.

Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2024 Bonds to the Borrower, which proceeds will be used for the purpose of financing the Series 2024 Project described above.

The Borrower’s sole expected source of revenue will be the Lease Payments (defined in the Loan Agreement) it receives from the Lessee pursuant to the Lease Agreement. See “THE BORROWER,” “THE LESSEE,” “SECURITY FOR THE SERIES 2024 BONDS,” “PLAN OF FINANCE” herein and APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL” attached hereto.

On the Closing Date, the Borrower will apply a portion of the proceeds of the Series 2024 Bonds to fully refund the Series 2019 Bonds. See “PLAN OF FINANCE – General” for more information.

On or about the Closing Date, the Borrower and the Lessee will commence the Construction Project. For more information on the Construction Project, see “RISK FACTORS – Construction Risks” herein and APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SERIES 2024 PROJECT – The Construction Project” attached hereto.

Limited Obligations.....THE SERIES 2024 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER, ANY SPONSOR, ANY AUTHORITY INDEMNIFIED PERSON, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS SHALL BE OBLIGATED TO PAY THE PRINCIPAL THEREOF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE SERIES 2024 BONDS ARE NOT A DEBT OF THE STATE OF WISCONSIN OR ANY MEMBER AND DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS TO

LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS NOR THE FAITH AND CREDIT OF THE AUTHORITY, ANY SPONSOR OR ANY AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

No Indebtedness of the State of

North Carolina.....No indebtedness of any kind incurred or created by the Borrower or the Lessee shall constitute an indebtedness of the State of North Carolina or its political subdivisions, and no indebtedness of the Borrower or the Lessee shall involve or be secured by the faith, credit, or taxing power of the State of North Carolina or its political subdivisions.

Registration and DenominationsThe Series 2024 Bonds will be issued by the Authority as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof (the “Authorized Denominations”).

Book-Entry-Only RegistrationThe Series 2024 Bonds will be issued in fully registered form and will be registered initially in the name of “Cede & Co.” as nominee for The Depository Trust Company (“DTC”), a securities depository. Beneficial ownership interests may be acquired through participants in the DTC system (the “Participants”). Such beneficial ownership interests will be recorded in the records of the Participants. Persons for which Participants acquire interests in the Series 2024 Bonds (the “Beneficial Owners”) will not receive certificates evidencing their interests in the Series 2024 Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2024 Bonds. So long as DTC or its nominee is the registered owner of the Series 2024 Bonds, payments of principal, premium, if any, and interest on the Series 2024 Bonds, as well as notices and other communications made by or on behalf of the Authority pursuant to the Indenture, will be made to DTC or its nominee only. Disbursement of such payments, notices and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See “BOOK-ENTRY-ONLY SYSTEM” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

Payment ProvisionsInterest on the Series 2024 Bonds will be payable semiannually on December 15 and June 15 of each year, commencing December 15, 2024 (each an “Interest Payment Date”). Interest on the Series 2024 Bonds will be calculated on the basis of a 360 day year consisting of twelve 30-day months, until payment of principal has been made or provided for, payable on each Interest Payment Date. See “THE SERIES 2024 BONDS – General.”

The Borrower agrees to pay or cause to be paid certain additional payments, including all of the Additional Payments. “Additional Payments” means (i) all taxes and assessments of any type or character

charged to the Authority or the Trustee affecting the amount available to the Authority or the Trustee from payments to be received thereunder or in any way arising due to the transactions contemplated by the Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee); provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee; (ii) the fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the Borrower Documents or the Indenture, including, but not limited to, any audit or inquiry by the Internal Revenue Service (the "IRS") or any other governmental body; and (iii) the Authority Annual Fee and the fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Loan Agreement, the Borrower Documents, the Bonds or the Indenture, including, without limitation, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Loan Agreement, the Borrower Documents, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement and the Borrower Documents.

Redemption The Series 2024 Bonds are subject to optional, extraordinary and mandatory sinking fund redemption. The terms and provisions regarding such redemption are set forth in "THE SERIES 2024 BONDS – Prior Redemption."

Security The Series 2024 Bonds are special, limited obligations of the Authority as described under "THE AUTHORITY – Special Limited Obligations" herein. Under the Loan Agreement, in fulfillment of its obligations under the Loan Agreement, the Borrower pledges to the payment of the Loan and the Series 2024 Promissory Notes securing such Loan, the following: (a) all of the Borrower's right, title and interest in and to the Mortgaged Estate, including all related additions, replacements, substitutions and proceeds for the purposes of securing such Loan; (b) all receipts, revenues and rights of the Borrower under the Lease Agreement, as Lessor, except the Lessor's Unassigned Rights; and (c) any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Borrower or by anyone on its behalf.

The Series 2024 Bonds are secured by a pledge by the Authority to the Trustee of the Trust Estate. See "SECURITY FOR THE SERIES 2024 BONDS."

Deed of Trust. On the Closing Date, the Borrower and the Lessee will deliver a Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing (Fee and Leasehold), dated as of May 1, 2024 (the “Original Deed of Trust”), executed by the Borrower and the Lessee for the benefit of the Trustee in connection with the issuance of the Series 2024 Bonds. The Mortgaged Estate, which includes the Series 2024 Facilities, will be subject to the Original Deed of Trust.

Debt Service Reserve Fund. The Indenture establishes a subaccount in the Debt Service Reserve Fund related to each Series of Bonds. The Bonds of a Series shall be secured only by the particular subaccount of the Debt Service Reserve Fund established with respect to such Series. On the issuance of each Series of Additional Bonds, the Trustee shall deposit into the respective account of the Debt Service Reserve Fund, an amount specified in the related Supplemental Indenture equal to the related Debt Service Reserve Requirement. Into the subaccount related to the Series 2024A Bonds, there shall be deposited therein \$1,824,417.93 from proceeds of the Series 2024A Bonds. Into the subaccount related to the Series 2024B Bonds, there shall be deposited therein \$69,382.07 from proceeds of the Series 2024B Bonds. Under the Indenture, moneys in the Debt Service Reserve Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the corresponding Series of Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date, sinking fund payment date, maturity date or otherwise. On the final maturity date of the Series 2024 Bonds, any moneys in the applicable subaccount of the Debt Service Reserve Fund shall be used to pay the principal of and interest on the Series 2024 Bonds on such final maturity date. See “SECURITY FOR THE SERIES 2024 BONDS – The Indenture.”

Coverage Ratio CovenantUnder the Lease Agreement, the Lessee is required to deliver annually to the Trustee and the Underwriter a certificate stating the Coverage Ratio for the Fiscal Year then ended, commencing with the Fiscal Year ending June 30, 2025. The Coverage Ratio shall be 1.10 to 1.00 or above for the Fiscal Year ending June 30, 2025 and for each Fiscal Year thereafter. See “SECURITY FOR THE SERIES 2024 BONDS – The Lease Agreement – Coverage Ratio Covenant.”

Covenant Regarding Cash on Hand.....Under the Lease Agreement, the Lessee covenants and agrees that it will have Days Cash on Hand equal to at least 45 Days Cash on Hand as of June 30, 2024, and as of each June 30 thereafter, tested annually as of the end of each Fiscal Year based on the audited financial statements for such Fiscal Year. See “SECURITY FOR THE SERIES 2024 BONDS – The Lease Agreement – Covenant Regarding Cash on Hand.”

Repair and Replacement Fund.....No later than May 30, 2029, and each fifth anniversary thereafter, the Lessee shall engage an Independent consultant who shall, within 60 days of engagement, make (i) an examination of and report on the physical condition of the Leased Property and (ii) recommendations as to the amounts to be accumulated in the Repair and Replacement Fund for the proper maintenance and upkeep of the Leased Property.

“Repair and Replacement Fund Requirement” means an amount equal to \$100,000; provided, however, that the Repair and Replacement Fund Requirement shall be adjusted to reflect the amount recommended by the Independent consultant as provided in the Lease Agreement and certified by the Borrower to the Trustee. See “SECURITY FOR THE SERIES 2024 BONDS – The Lease Agreement – Capital Needs Assessment.”

Risk Factors	Purchase of the Series 2024 Bonds involves a degree of risk and the Series 2024 Bonds are a speculative investment. Prospective purchasers are advised to read this entire Official Statement and the Appendices attached hereto in their entirety, particularly the section “RISK FACTORS” herein, for a discussion of certain risk factors, which should be considered in connection with an investment in the Series 2024 Bonds.
Continuing Disclosure	The Borrower and the Lessee have agreed for the benefit of the Registered Owners and Beneficial Owners of the Series 2024 Bonds to provide certain financial information, including certain quarterly and annual financial information, other operating data, and notices of material events. See “CONTINUING DISCLOSURE” and APPENDIX F – “SUBSTANTIALLY FINAL FORM OF CONTINUING DISCLOSURE AGREEMENT.”
Tax Status	In the opinion of Bond Counsel, under existing law and subject to conditions described in the section herein entitled “TAX MATTERS” interest on the Series 2024A Bonds (1) is excludable from gross income of the owners thereof for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (2) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, such interest is included in the “adjusted financial statement income” (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Interest on the Series 2024B Bonds will be included in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Series 2024 Bonds is not exempt from taxation under the laws of the State of Wisconsin or the State of North Carolina. See “TAX MATTERS” herein regarding other tax considerations.
Authority for Issuance	The Series 2024 Bonds are being issued in full conformity with the constitution and laws of the State of Wisconsin, and pursuant to an authorizing resolution adopted by the Authority’s Board of Directors at a meeting held on March 20, 2024, and pursuant to the terms of the Indenture. See “THE AUTHORITY.”
Delivery Information	The Series 2024 Bonds are offered when, as, and if issued by the Authority and accepted by Robert W. Baird & Co., Incorporated, as underwriter for the Series 2024 Bonds (the “Underwriter”), subject to the prior sale and the approving legal opinion of Bond Counsel and certain other conditions. It is expected that the Series 2024 Bonds will be available for delivery through the facilities of DTC on or about May 30, 2024.
Underwriter, Counsel, Financial Advisor and Trustee	Robert W. Baird & Co., Incorporated, will serve as the Underwriter. All legal matters incident to the authorization, issuance, sale and delivery of the Series 2024 Bonds by the Authority are subject to the approving opinion of McGuireWoods LLP, Bond Counsel, whose approving opinion will be delivered with the Series 2024 Bonds, and the proposed form of which is set forth in APPENDIX E – “SUBSTANTIALLY FINAL FORM OF BOND COUNSEL OPINION.” Such bond counsel opinion delivered may vary from that form if necessary to reflect facts and law on the date of delivery. Certain legal matters will be passed upon by McGuireWoods LLP, as counsel to the Borrower and the Lessee; by Attolles Law, s.c., as counsel to the Authority; and by Ice Miller LLP, as

counsel to and solely for the benefit of the Underwriter. Specialized Public Finance, Inc. is serving as financial advisor to the Borrower and the Lessee in connection with the issuance of the Series 2024 Bonds. UMB Bank, n.a. will serve as the Trustee for the Series 2024 Bonds. Certain fees that are payable with respect to the Series 2024 Bonds to various counsel, the Underwriter and the Trustee are contingent upon the issuance and delivery of the Series 2024 Bonds.

Additional InformationThe summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Official Statement do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the Underwriter: Robert W. Baird & Co., Incorporated, Robert W. Baird & Co., Incorporated, 210 University Blvd., Suite 800, Denver, Colorado 80206, Attention: Brian Kelso, Managing Director.

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\$27,610,000
PUBLIC FINANCE AUTHORITY
CHARTER SCHOOL REVENUE AND
REFUNDING BONDS
(NORTH EAST CAROLINA PREPARATORY
SCHOOL PROJECT)
SERIES 2024A

\$1,050,000
PUBLIC FINANCE AUTHORITY
TAXABLE CHARTER SCHOOL REVENUE AND
REFUNDING BONDS
(NORTH EAST CAROLINA PREPARATORY
SCHOOL PROJECT)
SERIES 2024B

INTRODUCTION

General

The purpose of this Official Statement is to provide certain information concerning the issuance and sale by the Public Finance Authority (the “Authority”) of its \$27,610,000 Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A (the “Series 2024A Bonds”) and its \$1,050,000 Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B (the “Series 2024B Bonds” and together with the Series 2024A Bonds, the “Series 2024 Bonds”). The Series 2024 Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2024 (the “Indenture”), between the Authority and UMB Bank, n.a., as trustee (the “Trustee”).

The Authority will loan the proceeds of the Series 2024 Bonds to NECP Holdings, LLC (the “Borrower”), a North Carolina limited liability company, the sole member of which is North East Carolina Preparatory School, Inc. (the “Lessee”), a North Carolina nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”), pursuant to the terms of a Loan Agreement, dated as of May 1, 2024 (the “Loan Agreement”), by and between the Authority and the Borrower, which proceeds will be used for the purpose of (a) refinancing the outstanding principal amount of the Authority’s Charter School Revenue Bonds (North East Carolina Preparatory School Project) Series 2019A and Charter School Revenue Bonds (North East Carolina Preparatory School Project) Series 2019B (Subordinate) (collectively, the “Series 2019 Bonds”), the proceeds of which (i) financed the acquisition of an educational facility (the “School Facility”) located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the “Campus”) used by the Lessee for the operation of a charter school known as North East Carolina Preparatory School (the “School”), (ii) funded a debt service reserve fund and (iii) paid for costs of issuance, (b) financing certain capital improvements, including, but not limited to, the acquisition of approximately 40 acres of land adjacent to the Campus, the installation of athletic fields, the construction and equipping of athletic field houses, and certain other capital improvements on the Campus (the “New Money Improvements” and, together with the School Facility and the Campus, the “Series 2024 Facilities”), (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Series 2024 Bonds (collectively, the “Series 2024 Project”).

See “THE BORROWER,” “THE LESSEE,” “PLAN OF FINANCE” and APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL” for more information.

The offering of the Series 2024 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Series 2024 Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Capitalized terms used but not defined in the forepart of this Official Statement have the meanings set forth in APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS.”

Caution Regarding Forward-Looking Statements

This Official Statement contains statements relating to future results that are forward-looking statements of the type defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “expect,” “project,” “intend,” “anticipate,” “believe,” “may,” “will,” “continue” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or

unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results, and that those differences could be material.

Limited Duties of the Trustee

The Trustee will have no duty to investigate or analyze documents, including any reports, financial statements, insurance policies, or other material delivered to the Trustee under the terms of the Indenture or the Loan Agreement (and the Trustee is entitled to rely on any written request or certificate executed by an Authorized Representative of the Borrower). Such items include but are not limited to: insurance certificates, Project Fund requisitions, Coverage Ratio reporting and Days Cash on Hand reporting. Therefore, the Trustee may only be able to identify and declare an Event of Default in connection with (i) a non-payment under the Loan Agreement or (ii) non-payment of principal or interest due on the Series 2024 Bonds pursuant to the Indenture.

Pursuant to the Loan Agreement, money on deposit in the Project Fund may be disbursed in connection with the Construction Project only upon receipt of a proper requisition therefor as required by the Loan Agreement, including but not limited to, confirmation by the Borrower that all necessary construction contracts, purchase orders, work orders and other agreements needed to undertake and complete the development and construction of the Construction Project have been executed and delivered. Such requisitions must be completed and executed by the Borrower and delivered to the Trustee, but the Trustee has no obligation to review or otherwise evaluate any such requisition prior to disbursing money from the Project Fund.

In addition, the Indenture permits moneys in the Bond Fund, the Debt Service Reserve Fund, the Cost of Issuance Fund, the Repair and Replacement Fund, the Project Fund, the Rebate Fund, and any other funds, accounts or subaccounts held by the Trustee thereunder to be invested and reinvested by the Trustee in Investment Obligations only. The Trustee will rely solely on the written direction of the Borrower in investing and reinvesting such moneys, without further investigation or independent determination as to whether such investments constitute Investment Obligations.

See “RISK FACTORS – Risks Related to Limited Duties of the Trustees” herein and APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – THE INDENTURE OF TRUST – The Trustee.”

THE AUTHORITY

Formation and Governance

Section 66.0304 of the Wisconsin Statutes (the “Statute”) authorizes two or more political subdivisions to create a commission to issue bonds under the Statute and provides that only one such commission may be formed thereunder. The Authority is the commission created under the Statute which was formed upon execution of an Amended and Restated Joint Exercise of Powers Agreement Relating to the Public Finance Authority dated September 28, 2010 (the “Joint Exercise Agreement”) by and among four Wisconsin Counties (Adams, Bayfield, Marathon, and Waupaca) and the City of Lancaster, Wisconsin (each a “Member” and, collectively, the “Members”).

Pursuant to the Statute, the Authority is a unit of government and a body corporate and politic separate and distinct from, and independent of, the State of Wisconsin and the Members. The Authority was established by local governments, primarily for local governments, for the public purpose of providing local governments a means to efficiently and reliably finance projects that benefit local governments, nonprofit organizations and other eligible private borrowers in the State of Wisconsin and throughout the country.

Powers

The Authority has all of the powers necessary or convenient to any of the purposes under the Statute, including the power to issue bonds, notes or other obligations or refunding obligations to finance or refinance a project, make loans to, lease property from or to, and enter into agreements with a participant or other entity in connection with financing a project. The proceeds of bonds issued by the Authority may be used for a project in the State of Wisconsin or any other state or territory of the United States (the “U.S.”), or outside the U.S. if a participating borrower is incorporated and maintains its principal place of business in, the U.S. or its territories. The Statute defines “project” as any capital improvement, purchase of receivables, property, assets, commodities, bonds or other revenue streams

or related assets, working capital program, or liability or other insurance program, located within or outside of the State of Wisconsin.

Governing Body

The Joint Exercise Agreement provides for a Board of Directors of the Authority (the “Authority Board”) consisting of seven Directors, a majority of whom are required to be public officials or current or former employees of a political subdivision located in the State of Wisconsin. The Directors serve staggered three-year terms. The Directors are selected by majority vote of the Authority Board based upon nomination from the organization that nominated the predecessor Director. Four Directors are nominated by the Wisconsin Counties Association, and one Director is nominated from each of the National League of Cities, the National Association of Counties and the League of Wisconsin Municipalities (collectively, the “Sponsors” and each a “Sponsor”). Sponsors may also nominate an alternate Director for each Director it nominates to serve on the Authority Board in the place of and in the absence or disability of a Director. A Director or alternate Director may be removed and replaced at any time by the Authority Board upon recommendation of the Sponsor that nominated such Director.

The Authority’s Directors as of the date of this Official Statement are as identified in the table below.

Name	Title	Position
William Kacvinsky	Chair	Former Board Chair – Bayfield County, Wisconsin
Jerome Wehrle	Vice Chair	Former Mayor – City of Lancaster, Wisconsin
Michael Gillespie	Secretary	Former Chair – Madison County, Alabama Board of Commissioners
Heidi Dombrowski	Treasurer	Finance Director – Waupaca County, Wisconsin
Del Twidt	Director	Former Board Chair – Buffalo County, Wisconsin
Brian Dehner	Director	Chief Administrative Officer – City of Edgewood, Kentucky
John West	Director	Board Chair – Adams County, Wisconsin

The Authority has no employees and contracts with a full-service program management firm, GPM Municipal Advisors, LLC, to manage the day-to-day operations of the Authority including, but not limited to staff and administrative support and ongoing compliance matters. All of the services provided by GPM Municipal Advisors, LLC, are subject to review and approval by the Authority Board.

Resolution; Approval

On March 20, 2024, the Authority Board adopted the Bond Resolution approving the issuance of the Series 2024 Bonds.

Special Limited Obligations

THE SERIES 2024 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER, ANY SPONSOR, ANY AUTHORITY INDEMNIFIED PERSON (AS DEFINED IN THE LOAN AGREEMENT), THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS SHALL BE OBLIGATED TO PAY THE PRINCIPAL THEREOF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE SERIES 2024 BONDS ARE NOT A DEBT OF THE STATE OF WISCONSIN OR ANY MEMBER AND DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL

SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS NOR THE FAITH AND CREDIT OF THE AUTHORITY, ANY SPONSOR OR ANY AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

Other Obligations

The Authority has issued, sold and delivered in the past, and expects to issue, sell and deliver in the future, obligations other than the Series 2024 Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Series 2024 Bonds. The holders of such other obligations of the Authority will have no claim on the security for the Series 2024 Bonds, and the owners of the Series 2024 Bonds will have no claim on the security for such other obligations issued by the Authority. The Authority has not undertaken to provide or have any responsibility whatsoever for any continuing disclosure with respect to the Bonds. See “CONTINUING DISCLOSURE,” herein.

Limited Involvement of the Authority

The Authority has not participated in the preparation of or reviewed any appraisal for the Series 2024 Facilities or any feasibility study or other financial analysis of the Series 2024 Project and has not undertaken to review or approve expenditures for the Series 2024 Project, to supervise the construction of the Series 2024 Facilities, or to review the financial statements of the Borrower or the Lessee.

The Authority has not participated in the preparation of or reviewed this Official Statement and is not responsible for and does not represent in any way the accuracy or completeness of any information contained herein (including, without limitation, the appendices hereto), except for the information in this section (captioned “THE AUTHORITY”) and under the caption “LEGAL MATTERS – Pending and Threatened Litigation – No Proceeding Against the Authority” as such information applies to the Authority.

THE BORROWER

The Borrower is a North Carolina limited liability company the sole member of which is the Lessee, a North Carolina nonprofit corporation and an organization described in Section 501(c)(3) of the Code. For more information on the Borrower, see APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL.”

Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2024 Bonds to the Borrower, which proceeds will be used by the Borrower for the purpose of (a) refinancing the outstanding principal amount of the Series 2019 Bonds, (b) financing the New Money Improvements, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Series 2024 Bonds.

On the Closing Date, the Borrower will apply a portion of the proceeds of the Series 2024 Bonds to fully refund the Series 2019 Bonds. See “PLAN OF FINANCE – General” for more information.

THE LESSEE

The Lessee is a North Carolina nonprofit corporation and an organization described in Section 501(c)(3) of the Code, and the sole member of the Borrower. The Lessee operates a public charter school known as North East Carolina Preparatory School (the “School”) pursuant to a charter granted by the North Carolina State Board of Education (the “SBE”) effective for a ten-year term commencing July 1, 2022 through June 30, 2032 (the “Charter”). The original Charter was effective for a ten-year term commencing July 1, 2012 through June 30, 2022.

The Lessee commenced operations of the School for the 2012-13 school year as the first charter school in Edgecombe County, North Carolina, serving approximately 400 students in grades K-8 during its first year. Since that time, its enrollment has grown, and as of the 20th day average daily membership (“ADM”) count for the 2023-24 school year, the School served 1,018 students in grades K-12.

The Lessee currently operates the School from the School Facility and expects to operate the School from the Series 2024 Facilities after the completion of the Construction Project. See APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL” attached hereto for additional details.

The Borrower will lease the Series 2024 Facilities to the Lessee pursuant to the terms of a Lease Agreement, dated as of May 1, 2024 (the “Lease Agreement”), by and between the Borrower and the Lessee. The Borrower’s sole expected source of revenue will be the Lease Payments (defined in the Loan Agreement) it receives from the Lessee pursuant to the Lease Agreement. See “SECURITY FOR THE SERIES 2024 BONDS.”

As part of their future plans for the School, the Borrower and the Lessee may expand the Series 2024 Facilities in phases to construct a gymnasium, a small field house for locker rooms, and baseball, softball, and soccer fields on the Campus (the “Future Construction Projects”). Although there are no definitive plans to do so at this time and no resources have been contractually committed thereto, the Borrower and the Lessee expect to undertake the Future Construction Projects in the next two-to-five years if projected enrollment materializes and economic factors such as construction costs and projected revenues and expenses make it feasible. See “RISK FACTORS – Incurrence of Additional Indebtedness” herein and APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SCHOOL – Future Plans” attached hereto.

THE SERIES 2024 BONDS

General

The Series 2024 Bonds will be dated as of their date of delivery, will be issued in the aggregate principal amounts and will bear interest at the rates and mature on the dates, subject to redemption as described below, set forth on page (i) hereof. The Series 2024 Bonds will be issued as fully registered bonds without coupons, in Authorized Denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof.

Interest on the Series 2024 Bonds will be payable semiannually on December 15 and June 15 of each year, commencing December 15, 2024 (each an “Interest Payment Date”). Interest on the Series 2024 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months, until payment of principal has been made or provided for, payable on each Interest Payment Date. The principal of and premium, if any, on the Bonds (defined in the Loan Agreement to mean, collectively, the Series 2024 Bonds and any Additional Bonds) shall be payable in lawful money of the U.S. at the designated corporate trust office of the Trustee or at the designated office of its successor in trust. Payment of principal of and any premium on the Bonds shall be payable upon presentation and surrender of the Bonds at the designated corporate trust office of the Trustee. Payment of interest on any Bond shall be made to the Registered Owner thereof by check or draft mailed on each Interest Payment Date by the Trustee to the Registered Owner at his or her address as it last appears on the registration records kept by the Trustee at the close of business on the Regular Record Date (defined in the Loan Agreement as the last day of the calendar month next preceding each Interest Payment Date for such Interest Payment Date) (except that the Registered Owners of at least \$1,000,000 in aggregate principal amount of Bonds Outstanding may, by written request received at least ten (10) Business Days prior to the Regular Record Date, receive payment of interest by wire transfer at the address specified in such request, which address must be in the U.S.), but any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner thereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered Owners of the Bonds not less than ten (10) days prior thereto by first-class mail to each such owner as shown on the registration records on the date selected by the Trustee stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest.

Prior Redemption

Optional Redemption

The Series 2024A Bonds maturing on or after June 15, 2033, are subject to optional redemption prior to maturity on June 15, 2032, and on any date thereafter at the option of the Authority (which option shall be exercised upon the written direction of the Borrower from prepayment of the Series 2024A Promissory Note made by the

Borrower pursuant to the Loan Agreement), in whole or in part, of the maturity selected by the Borrower, and if less than all of a maturity, then as selected by the Borrower or by lot within a maturity, if not otherwise selected by the Borrower, at a redemption price equal to 100% of the principal amount of Series 2024A Bonds to be redeemed, plus accrued interest to the redemption date.

In case of optional redemption of the Series 2024A Bonds, the Borrower shall, at least forty-five (45) days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), deliver a written request to the Authority and the Trustee notifying the Authority and the Trustee of such redemption date and of the principal amount of the Series 2024A Bonds to be redeemed and shall, on or prior to the redemption date, deliver to the Trustee funds sufficient to pay the redemption price of all Series 2024A Bonds so called for redemption.

The Series 2024B Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption

The Series 2024A Bonds maturing June 15, 2034, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series 2024A Bonds Maturing June 15, 2034			
Date June 15	Principal Amount (\$)	Date June 15	Principal Amount (\$)
2027	290,000	2031	590,000
2028	520,000	2032	615,000
2029	540,000	2033	640,000
2030	565,000	2034 ⁺	670,000

⁺ Final Maturity

The Series 2024A Bonds maturing June 15, 2044, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series 2024A Bonds Maturing June 15, 2044			
Date June 15	Principal Amount (\$)	Date June 15	Principal Amount (\$)
2035	695,000	2040	890,000
2036	730,000	2041	935,000
2037	770,000	2042	980,000
2038	805,000	2043	1,030,000
2039	845,000	2044 ⁺	1,080,000

⁺ Final Maturity

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The Series 2024A Bonds maturing June 15, 2054, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series 2024A Bonds Maturing June 15, 2054			
Date June 15	Principal Amount (\$)	Date June 15	Principal Amount (\$)
2045	1,135,000	2050	1,465,000
2046	1,195,000	2051	1,540,000
2047	1,255,000	2052	1,620,000
2048	1,320,000	2053	1,705,000
2049	1,390,000	2054 ⁺	1,795,000

⁺ Final Maturity

The Series 2024B Bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series 2024B Bonds

Date June 15	Principal Amount (\$)
2025	380,000
2026	465,000
2027 ⁺	205,000

⁺ Final Maturity

Redemption of Bonds Upon Occurrence of Certain Events

Damage, Destruction, or Condemnation

The Series 2024 Bonds are also subject to extraordinary redemption at the expense of the Borrower from the Net Proceeds of any insurance policy or condemnation award and in the event the related Series 2024 Facilities or any portion thereof is damaged or destroyed or taken in condemnation proceedings as provided in the Loan Agreement. If called pursuant to the Indenture, such Series 2024 Bonds are callable on any date in whole or in part from and to the extent of funds on deposit under the Indenture and available for such purpose at a redemption price equal to the principal amount of each Series 2024 Bond redeemed and accrued interest to the redemption date. See APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – THE LOAN AGREEMENT – Casualty or Condemnation.”

Change in Law

The Series 2024 Bonds are also subject to extraordinary redemption in whole or in part at the expense of the Borrower on any Interest Payment Date from and to the extent of funds on deposit under the Indenture and available for this purpose at a redemption price equal to the principal amount of each Series 2024 Bond redeemed and accrued interest to the redemption date if, as a result of any changes in the Constitution of the State of North Carolina or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Borrower in good faith, the Loan Agreement and the Series 2024 Promissory Notes evidencing the Loan have become subject to mandatory prepayment because the Loan Agreement shall have become void or

unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement.

Determination of Taxability

The Series 2024A Bonds are subject to mandatory redemption as a whole at the principal amount thereof, plus accrued interest thereon to the date of redemption, plus a three percent (3%) premium, upon the occurrence of a Determination of Taxability related to the Series 2024A Bonds; provided, however, that the Trustee shall not redeem the Series 2024A Bonds unless the Trustee shall have on deposit funds in an amount sufficient to pay the principal amount of and the redemption premium on, plus accrued interest on, the Series 2024A Bonds to be redeemed to the date of such redemption. The redemption date shall be the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than six months following the Determination of Taxability.

Mandatory Redemption From Excess Moneys in Project Fund

The Series 2024 Bonds are subject to mandatory redemption by the Trustee in increments of \$5,000 and at a redemption price of 100% of the principal amount of the Series 2024 Bonds being redeemed plus accrued interest to the redemption date, from unused amounts on deposit in the Series 2024 Project subaccount of the Project Fund following the Completion Date for the Series 2024 Project that are not used to pay or reimburse the Borrower for the payment of interest on the Series 2024 Bonds.

Method of Selecting Bonds

Unless otherwise specifically stated herein, any partial redemption within a Series of Bonds shall be redeemed in inverse order of maturity, or if less than all of the Bonds in a single maturity shall be redeemed, the Bonds redeemed shall be selected by lot within such maturity.

Notice of Redemption

All or a portion of the Bonds will be called for optional redemption pursuant to the Indenture by the Trustee upon receipt by the Trustee, at least 45 days prior to the redemption date, of a certificate of the Borrower specifying the principal amount of the Series of the Bonds to be called for redemption, the applicable redemption price or prices, and the provision or provisions of the Indenture pursuant to which such Bonds are to be called for redemption. In the case of redemptions other than mandatory sinking fund redemptions, the Trustee is required to cause notice of such redemption by mailing by first-class mail a copy of the redemption notice to the Authority and the Registered Owners of the Bonds designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 60 nor less than 30 days prior to the redemption date, provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. In the case of (i) optional redemption, extraordinary or mandatory redemption upon a Determination of Taxability pursuant to the Indenture, the Trustee is required to state that the redemption is conditioned upon receiving from the Borrower, prior to the redemption date, sufficient moneys to redeem such Bonds and that if such money is not so received, no Bonds shall be redeemed and (ii) optional redemption, the Trustee may state that the redemption is conditioned upon certain other criteria as shall be directed by the Borrower and that if such criteria are not met, no Bonds shall be redeemed. The Trustee is required to furnish the Borrower with a copy of each notice of redemption given with respect to any optional redemption under and any extraordinary redemption under the Indenture thereof as soon as practicable after the delivery of notice to the Registered Owners of the Bonds.

Under the Indenture, each notice of redemption is required to specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption is required to specify the numbers of the Bonds or portions thereof to be redeemed.

No Partial Optional Redemption in Event of Default

Notwithstanding any provisions of the Indenture, the Series 2024 Bonds shall not be subject to partial optional redemption pursuant thereto if an Event of Default has occurred thereunder and the same has not been cured or otherwise waived by the Trustee in connection with making any such redemption payment.

Acceleration

Under the Indenture, in the event the Borrower is in default under the Loan Agreement, the Trustee (i) may by notice in writing given to the Authority and the Borrower, or (ii) shall, upon the written request of the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable. Upon any declaration of acceleration thereunder, the Authority and the Trustee shall immediately declare all Loan Payments under the Loan Agreement to be immediately due and payable as provided in the Loan Agreement. See APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST – Remedies for Events of Default.”

PLAN OF FINANCE

General

Pursuant to the Loan Agreement, the proceeds of the Series 2024 Bonds will be loaned by the Authority to the Borrower for the purpose of (a) refinancing the outstanding principal amount of the Series 2019 Bonds, (b) financing the New Money Improvements, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Series 2024 Bonds.

On the Closing Date, the Borrower will apply a portion of the proceeds of the Series 2024 Bonds to fully refund the Series 2019 Bonds in the outstanding aggregate amount, including accrued interest, of approximately \$22,342,560.

On or about the Closing Date, the Borrower and the Lessee will commence construction of the New Money Improvements (the “Construction Project”). The New Money Improvements will consist of an 8,000 square foot multi-purpose facility including a cafeteria for upper school students, a wrestling area, and two large locker rooms for outdoor sports. The New Money Improvements will also consist of a multi-purpose athletic field for soccer and football, with a 400-meter track and home and visitor bleachers. There are two private driveways on the Campus to access the Series 2024 Facilities and upon completion of the Construction Project, a new entrance to the Series 2024 Facilities will be added with a student parking lot for approximately 100 vehicles.

The Construction Project is expected to cost approximately \$5,700,000 and to be substantially completed in time for the intended use by the Lessee, which is not expected to affect enrollment. For more information on the Construction Project, see “RISK FACTORS – Construction Risks” herein and APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SERIES 2024 PROJECT – The Construction Project” attached hereto.

The Lessee currently operates the School from the School Facility and expects to operate the School from the Series 2024 Facilities after the completion of the Construction Project. See. APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL” attached hereto for additional details.

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Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2024 Bonds.

Estimated Sources and Uses of Funds			
	Series 2024A Bonds (\$)	Series 2024B Bonds (\$)	Series 2024 Bonds (\$) ⁽¹⁾
Sources			
Par Amount	27,610,000	1,050,000	28,660,000
Original Issue Discount	(43,693)	-	(43,693)
Funds from the Series 2019 Bonds ⁽²⁾	2,461,112	93,207	2,554,318
Total Sources ⁽¹⁾	30,027,419	1,143,207	31,170,626
Uses			
Refund Series 2019 Bonds	21,974,939	367,622	22,342,560
Acquisition and construction of the New Money Improvements ⁽³⁾	5,681,736	-	5,681,736
Debt Service Reserve Fund	1,824,418	69,382	1,893,800
Costs of Issuance ⁽⁴⁾	546,326	706,203	1,252,529
Total Uses ⁽¹⁾	30,027,419	1,143,207	31,170,626

⁽¹⁾ Totals may not foot due to rounding.

⁽²⁾ Includes funds on deposit in the debt service reserve fund, the debt service fund, the expense fund, and the repair and replacement fund for the Series 2019 Bonds.

⁽³⁾ Includes costs of the acquisition and construction of the New Money Improvements, and certain real estate related costs.

⁽⁴⁾ Includes legal fees and expenses, Underwriter's discount, printing, rating agency fees, Trustee's fees, and Authority's fees.

SECURITY FOR THE SERIES 2024 BONDS

General

The Series 2024 Bonds and the interest thereon constitute special, limited obligations of the Authority and are payable solely from certain revenues derived by the Authority and from certain funds and accounts established and maintained under the Indenture. The Series 2024 Bonds are secured by a pledge of the Trust Estate under the Indenture, which Trust Estate includes (except in all cases for the Authority's Unassigned Rights):

- (a) The rights, title and interests of the Authority in the Loan Agreement, as amended from time to time, between the Authority and the Borrower;
- (b) The rights, title and interests of the Authority, if any, and the Borrower, in the Lease Agreement, as amended from time to time, including the Lessee's assignment of the Revenues;
- (c) The rights, title and interests of the Authority, if any, in the Mortgaged Estate, subject to Permitted Encumbrances;
- (d) The Loan Payments;
- (e) The rights, title and interests of the Authority, if any, and the Borrower and the Lessee under the Deed of Trust and the rights, title and interests of the Authority and the Borrower under the Promissory Notes;

- (f) All Funds created in the Indenture (other than the Cost of Issuance Fund and the Rebate Fund), except for (i) moneys or obligations deposited with or paid to the Trustee for the payment or redemption of Bonds that are no longer deemed to be Outstanding under the Indenture and (ii) all trust accounts consisting of insurance or condemnation proceeds, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture; and
- (g) Any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security under the Indenture by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same.

THE SERIES 2024 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER, ANY SPONSOR, ANY AUTHORITY INDEMNIFIED PERSON, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS SHALL BE OBLIGATED TO PAY THE PRINCIPAL THEREOF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE SERIES 2024 BONDS ARE NOT A DEBT OF THE STATE OF WISCONSIN OR ANY MEMBER AND DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, ANY SPONSOR, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR ANY AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE SERIES 2024 BONDS NOR THE FAITH AND CREDIT OF THE AUTHORITY, ANY SPONSOR OR ANY AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2024 BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

The Authority shall not be liable for the payment of principal of, premium or interest on the Series 2024 Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Indenture, the Series 2024 Bonds or any other documents, except to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

The Indenture

General

The Series 2024 Bonds will be issued pursuant to the Indenture and will be equally and ratably secured thereby. Under the Indenture, subject only to the rights of the Authority to apply amounts under the provisions of the Indenture, a pledge of the Trust Estate to the extent provided therein is thereby made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds. The pledge thereby made shall be valid and binding from and after the time of the delivery by the Trustee of the first Bond authenticated and delivered under the Indenture. The security so pledged and then or thereafter received by the Authority shall immediately be subject to the lien of such pledge and the obligation to perform the contractual provisions thereby made shall have priority over any or all other obligations and liabilities of the Authority with respect to the Trust Estate and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. See APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST.”

Establishment of Funds

The Indenture establishes and creates the following funds as special trust funds to be maintained by the Trustee for the benefit of the Series 2024 Bonds and any Additional Bonds (collectively, the “Bonds”):

- (a) Bond Fund;
- (b) Debt Service Reserve Fund, including a Series 2024A Bonds subaccount and a Series 2024B Bonds subaccount;
- (c) Project Fund, containing a Series 2024 Project Account;
- (d) Cost of Issuance Fund, including a Series 2024A Cost of Issuance subaccount and a Series 2024B Cost of Issuance subaccount;
- (e) Repair and Replacement Fund; and
- (f) Rebate Fund.

The Indenture recites that the Borrower covenants in the Loan Agreement to make, or to cause the Lessee to make, monthly deposits to the Bond Fund and, as needed, to the Debt Service Reserve Fund, the Rebate Fund and the Repair and Replacement Fund. Under the Indenture, the Trustee is required to deposit into the appropriate Fund as and when received all payments from the Borrower (or the Lessee) as provided in the Loan Agreement. See “The Loan Agreement” in this subsection below.

Debt Service Reserve Fund

The Indenture establishes a subaccount in the Debt Service Reserve Fund related to each Series of Bonds. The Bonds of a Series shall be secured only by the particular subaccount of the Debt Service Reserve Fund established with respect to such Series. Into the subaccount related to the Series 2024A Bonds, there shall be deposited therein \$1,824,417.93 from proceeds of the Series 2024A Bonds. Into the Subaccount related to the Series 2024B Bonds, there shall be deposited therein \$69,382.07 from proceeds of the Series 2024B Bonds. On the issuance of each Series of Additional Bonds, the Trustee shall deposit into the respective account of the Debt Service Reserve Fund, an amount specified in the related Supplemental Indenture equal to the related Debt Service Reserve Requirement. Under the Indenture, moneys in the Debt Service Reserve Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the corresponding Series of Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date, sinking fund payment date, maturity date or otherwise.

Under the Indenture, the Trustee is required to value the Investment Obligations in the Debt Service Reserve Fund (and in each subaccount thereof, if applicable) semi-annually on December 15 and June 15 of each year (each, a “Valuation Date”) at the lesser of their market value or cost. In the event amounts on deposit in any subaccount of the Debt Service Reserve Fund are less than the applicable Debt Service Reserve Fund Requirement for such Series, the Indenture requires the Trustee to give written notice, within five Business Days, to the Authority and the Borrower. The Loan Agreement provides that if such a deficiency is caused solely by a decreased value of the Investment Obligations therein, the Borrower is required to pay to the Trustee for deposit into the appropriate subaccount of the Debt Service Reserve Fund an amount equal to the deficiency for such Series on or prior to the next occurring Lease Payment Date following that Valuation Date.

“Series 2024A Debt Service Reserve Requirement” means for the Series 2024A Bonds, the Maximum Annual Debt Service for the Series 2024 Bonds, multiplied by a fraction, (a) the numerator of which is the principal amount of the Series 2024A Bonds outstanding, and (b) the denominator of which is equal to the sum of the principal amount of the Series 2024A Bonds and the Series 2024B Bonds outstanding, which in no event will exceed the least of (i) 10% of the original principal amount of the Series 2024A Bonds, (ii) 125% of the average annual debt service on the Series 2024A Bonds, or (iii) 100% of the Maximum Annual Debt Service payable on the Series 2024A Bonds.

“Series 2024B Debt Service Reserve Requirement” means for the Series 2024B Bonds, the Maximum Annual Debt Service for the Series 2024 Bonds, multiplied by a fraction, (a) the numerator of which is the principal amount of the Series 2024B Bonds outstanding, and (b) the denominator of which is equal to the sum of the principal amount of the Series 2024A Bonds and the Series 2024B Bonds outstanding.

If such a deficiency is caused by a transfer to cure a shortfall in the Bond Fund resulting from the failure of the Borrower to make the payments due on the Series 2024 Promissory Notes, the Borrower is required to pay to the Trustee for all amounts transferred to the Bond Fund to make up for any amounts not paid on the Series 2024 Promissory Notes in not more than twelve substantially equal monthly installments beginning on the Lease Payment Date in the month following such deficiency and provided that no replenishment installment payment shall be less than \$5,000. For more information, see APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST – Debt Service Reserve Fund.”

Additional Bonds

Under the Indenture, the Authority may (but shall not be obligated to) issue in the Authority’s sole and exclusive discretion Additional Bonds from time to time only with respect to a Project, pursuant to the terms and conditions of the Indenture.

Any Additional Bonds shall, to the extent provided for therein, be on a parity with the Series 2024 Bonds and any Additional Bonds theretofore or thereafter issued and Outstanding as to the assignment to the Trustee of the Authority’s right, title and interest in the Trust Estate for the payment of debt service on the Bonds; provided, that nothing therein shall prevent the payment of debt service on any series of Additional Bonds from (i) being otherwise secured and protected from sources or by property or instruments not applicable to the Series 2024 Bonds and any one or more Series of Additional Bonds, or (ii) not being secured and protected from sources or by property or instruments not applicable to the Series 2024 Bonds and any one or more Series of Additional Bonds.

See APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS” for more information regarding the conditions necessary for the Trustee to authenticate and deliver any Additional Bonds.

Limited Duties of the Trustee

The Trustee shall have no duty to investigate or analyze documents, including any reports, financial statements, insurance policies, or other material delivered to the Trustee under the terms of the Indenture, the Loan Agreement or the Lease Agreement (and the Trustee is entitled to rely on any written request or certificate executed by an Authorized Representative of the Borrower or the Lessee as applicable). Such items include but are not limited to: insurance certificates, Project Fund requisitions, Coverage Ratio reporting and Days Cash on Hand reporting. Therefore, the Trustee may only be able to identify and declare an Event of Default in connection with a non-payment under the Loan Agreement. The Trustee shall not be required to take notice or be deemed to have notice of any default under the Indenture unless the Trustee has been specifically notified in writing of such default by the Authority or the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding and all notices have been delivered to the Trustee at the notice address provided for in the Indenture. APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST – The Trustee.”

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The Loan Agreement

Loan Payments

Under the Loan Agreement, the Borrower agrees that it will pay or cause to be paid Loan Payments as repayment of the loan of proceeds of the Series 2024 Bonds from the Authority (the “Loan”), until the principal of, premium, if any, and interest on the Series 2024 Promissory Notes is paid or provision for the payment thereof is made in accordance with the Loan Agreement, into the Bond Fund on or before each Lease Payment Date (defined in the Loan Agreement to mean the fifth calendar day of each month, commencing July 5, 2024) during the term of the Loan Agreement. Under the Loan Agreement, the Borrower agrees to make such payments in an amount sufficient to pay principal and interest then due on the Series 2024 Promissory Notes in accordance with the payment schedule set forth in the Lease Agreement (representing debt service on the Series 2024 Bonds). With respect to principal payments to be made on each Lease Payment Date toward the principal amount to be due June 15, 2054, and interest payments to be made on each Lease Payment Date towards the interest amounts to be due on December 15, 2053 and June 15, 2054 such monthly payments shall take into account and be reduced by amounts on deposit in the applicable subaccount of the Debt Service Reserve Fund.

Additional Payments

Under the Loan Agreement, in addition to the Loan Payments, the Borrower also agrees to pay or cause to be paid certain additional payments, as follows:

- (a) The Borrower shall pay or provide for the payment of the required amount into the Debt Service Reserve Fund upon notice of any deficiency therein in accordance with the Indenture.
- (b) On or before any redemption date (other than a sinking fund redemption date), the Borrower shall pay as repayment of the Loan for deposit into the Bond Fund an amount of money which, together with the payments made by the Borrower on its Promissory Notes then on deposit in the Bond Fund, is sufficient to pay the principal of and premium, if any, and interest accrued to the redemption date on the Bonds called for redemption.
- (c) To the Trustee for deposit to the Rebate Fund all amounts required to be deposited in the Rebate Fund pursuant to the Indenture and Section 148 of the Code. The Borrower shall also hire or cause the Lessee to hire and pay the fees and expenses of a Rebate Analyst.
- (d) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture, including any extraordinary fees and expenses as and when the same become due and payable. Extraordinary fees are payable to the Trustee for duties or responsibilities not expected to be incurred at the outset of the transaction, not routine or customary, and not incurred in the ordinary course of business. Payment of extraordinary fees is appropriate where particular inquiries, events or developments are unexpected, even if the possibility of such things could have been identified at the inception of the transaction and the fees and expenses of accountants, consultants, attorneys and other experts as may be engaged by the Trustee to assist the Trustee with the services it provides under the Indenture, the Loan Agreement, the Lease Agreement and the other related transaction documents are included therein.
- (e) All of the Additional Payments. “Additional Payments” means the payments that the Borrower shall make, in addition to the Loan Payments, to the Authority or the Trustee, as the case may be, as follows: (i) all taxes and assessments of any type or character charged to the Authority or the Trustee affecting the amount available to the Authority or the Trustee from payments to be received thereunder or in any way arising due to the transactions contemplated by the Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee); provided, however, that the Borrower shall have the right to protest any such

taxes or assessments and to require the Authority or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee; (ii) the fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the Borrower Documents or the Indenture, including, but not limited to, any audit or inquiry by the Internal Revenue Service (the "IRS") or any other governmental body; and (iii) the Authority Annual Fee and the fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Loan Agreement, the Borrower Documents, the Bonds or the Indenture, including, without limitation, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Loan Agreement, the Borrower Documents, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement and the Borrower Documents.

- (f) In the event of a Determination of Taxability and mandatory redemption resulting therefrom as set forth in the Indenture, the Borrower agrees to prepay the related Promissory Note and pay all premiums required by such redemption in full.
- (g) The Borrower agrees to pay or cause to be paid all reasonable fees, charges and expenses of the Construction Administrator, if any.
- (h) In the event the amount on deposit to the Repair and Replacement Fund is less than the Repair and Replacement Fund Requirement, the Borrower shall pay or cause to be paid to the Trustee an amount of \$5,000 on each Lease Payment Date until the amount on deposit in the Repair and Replacement Fund is equal to the Repair and Replacement Fund Requirement.
- (i) The Borrower agrees to pay or cause to be paid any amounts due and payable by the Borrower as arbitrage rebate under Section 148 of the Code, pursuant to Borrower's covenants and agreements with respect thereto in the Tax Regulatory Agreement.
- (j) In addition to and without in any way limiting its obligations to pay and indemnify the Authority and the Authority Indemnified Persons against fees, costs and charges arising out of or in connection with the Loan Agreement, the Borrower Documents, the Bonds or the Indenture, the Borrower shall pay, upon the closing of the issuance of the Series 2024 Bonds and as a condition thereto: (i) to the Authority the Authority's Issuance Fee (less, if applicable, any application fee heretofore paid by the Borrower to the Authority); and (ii) attorney's fees incurred by the Authority in connection with the issuance of the Bonds.

The Loan Agreement recites that the payment obligations of the Borrower under the Loan Agreement correspond to payment obligations of the Lessee under the Lease Agreement. See "The Lease Agreement" in this subsection below.

Pledge by Borrower

Under the Loan Agreement, in fulfillment of its obligations under the Loan Agreement, to secure the payment of the Loan and the Series 2024 Promissory Notes securing such Loan, the Borrower pledges and assigns to the Authority and the Trustee, and grants to the Authority and the Trustee a lien on and security interest in, the following:

- (a) all of the Borrower's right, title and interest in and to the Mortgaged Estate, which includes the Series 2024 Facilities, including all related additions, replacements, substitutions and proceeds for the purposes of securing such Loan;
- (b) all receipts, revenues and rights of the Borrower under the Lease Agreement, as Lessor, except the Lessor's Unassigned Rights, including the Lessee's assignment of the Revenues; and
- (c) any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Borrower or by anyone on its behalf.

Limitations on Indebtedness

Under the Loan Agreement, the Borrower may not incur any additional Indebtedness other than indebtedness related to permitted Indebtedness of the Lessee as described in the Lease Agreement. See "The Lease Agreement – Limitations on Indebtedness."

The Lease Agreement

General

The Lessee will lease the Facilities from the Borrower pursuant to the Lease Agreement for a term (the "Lease Term") which will continue until such time as all of the Base Lease Payments have been fully paid or provision is made for such payment pursuant to the Lease Agreement and the Indenture and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Lease Payments, all fees and expenses of the Authority accrued and to accrue through final payment of the Lease Payments and all other liabilities of the Lessee accrued and to accrue through final payment of the Lease Payments under the Lease Agreement have been paid or provision is made for such payments pursuant to the Lease Agreement (the "Lease Term"); at which point the parties shall modify the Lease Agreement to reduce the Base Lease Payments to a nominal amount or to such other amount as the parties may agree or replace the Lease Agreement with a new lease agreement to reflect such terms. The Lease Agreement provides that the Lessee shall be obligated to pay rent under the Lease Agreement from the Revenues and any other legally available funds of the Lessee.

In addition to other obligations, under the Lease Agreement the Lessee is required to:

- (a) pay directly to the Trustee all Base Lease Payments (defined in the Loan Agreement to mean the payments payable by the Lessee during the Lease Term as set forth in the Lease Agreement, and which represent debt service on the Series 2024 Bonds) on the Lease Payment Dates and in the amounts set forth in the Lease Agreement;
- (b) on or before any redemption date pursuant to the Indenture (other than sinking fund redemption), pay an amount of money that, together with the Lease Payments made by the Lessee and then on deposit in the Bond Fund, is sufficient to pay the principal of, premium, if any, and interest to the redemption date on the Bonds called for redemption;
- (c) operate and maintain the Facilities in compliance with all governmental laws, building codes, ordinances and regulations and zoning, land use and similar laws applicable to the Facilities, unless the same are being contested in good faith by appropriate proceedings;
- (d) agree to be bound by the respective terms of the Indenture and the Loan Agreement and accept all obligations and duties imposed thereby;
- (e) not use any proceeds of the Series 2024 Bonds to finance any facility, place or building used or to be used for sectarian instruction or study or as a place of devotional activities or religious worship,

in such a manner or to such an extent as would result in any of the Series 2024 Bonds being treated as an obligation not described in Section 103(a) of the Code;

- (f) not take any action or omit to take any action, which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Series 2024 Bonds from the gross income of the owners thereof for federal income tax purposes or cause the interest on the Series 2024 Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax imposed under the Code;
- (g) keep or cause to be kept insurance against loss or damage to the Facilities and all improvements thereon and therein (including, during any period of time when the Lessee is making alterations, repairs or improvements to the Facilities, improvements and betterments coverage), commercial comprehensive general liability and automobile liability insurance against claims arising in, on or about the Facilities, business interruption or rent loss insurance standard in the industry to cover Operating Expenses for the Facilities and such other forms of insurance as are customary in the industry or as the Lessee is required by law to provide with respect to the Facilities; and
- (h) indemnify the Authority, the Authority Indemnified Persons and the Trustee under certain circumstances, to the extent and as provided in the Lease Agreement.

Pledge by Lessee

In the Lease Agreement, the Lessee acknowledges and agrees that the Base Lease Payments and Additional Lease Payments are payable from the Revenues and any other legally available funds of the Lessee. Under the Lease Agreement, as security for the payment of the Lease Payments, the Lessee pledges and assigns to the Borrower and the Trustee a lien on and security interest in, the following:

- (a) All of the Lessee's right, title and interest in and to the Mortgaged Estate, including all related additions, replacements, substitutions and proceeds;
- (b) To the extent permitted by law, all Revenues; and
- (c) Any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Lessee or by anyone on its behalf.

"Revenues" means, regardless of source and to the extent permitted by law, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of Lessee, including the rights to receive such revenues, all as calculated in accordance with Generally Accepted Accounting Principles, including county payments and State Payments and any other amounts paid to Lessee or otherwise attributable to the School or the Facilities, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Lessee; and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof.

Revenues includes, without limitation, State Payments (defined in the Loan Agreement to mean any and all payments made by the State of North Carolina to or for the benefit of the Lessee pursuant to Section 115C-218 et seq. of the North Carolina General Statutes (the "Charter School Act")). See "RISK FACTORS – Changes in Law; Annual Appropriation; Inadequate State of North Carolina Payments" herein for a description of the status of State Payments pledged under the Lease Agreement.

Lessee's Primary Source of Funding

The expected source of revenues for the repayment of the Series 2024 Bonds is amounts paid by the Lessee to the Borrower under the Lease Agreement. The Lease Agreement provides for payments from the Lessee which, if paid to the Borrower when due, will be sufficient to pay the principal of and interest on the Series 2024 Bonds and all

other amounts payable by the Borrower under the Loan Agreement. The Lessee's primary source of funding is education aid (provided by the State of North Carolina for all public schools) which the Lessee receives for operating the School. For more information, see APPENDIX C – "CHARTER SCHOOLS IN NORTH CAROLINA – State and Local Funds for a Charter School." The amount of State of North Carolina aid received with respect to any individual school is based on a variety of factors, including the school's enrollment and average daily attendance. It is anticipated that such amounts the Lessee receives for operating the School will be sufficient to allow it to make the required payments under the Lease Agreement and to pay its operation and maintenance costs. See "RISK FACTORS – Sufficiency of Revenues."

Control Agreement; Direction Regarding State Payments Applied to Lease Payments

In the Lease Agreement, the Lessee represents and warrants that (i) it maintains a depository account at the Primary Depository Bank (the "Account"), which account is subject to the Deposit Account Control Agreement (the "Control Agreement") among the Trustee, as secured party, the Lessee, as debtor, and Southern Bank, as bank (the "Primary Depository Bank"), (ii) it maintains no other depository accounts that receive State Payments, and (iii) it will not move the Account or open new accounts for the purpose of receiving State Payments without first having entered into an agreement in the form and substance of the Control Agreement covering all such accounts which is acceptable to the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

In the Lease Agreement, the Lessee represents, covenants and agrees that it has directed the payors of State Payments to deposit such State Payments into the operating account of the Lessee (the "Primary Operating Account") with the Primary Depository Bank.

Pursuant to the Lease Agreement, in the event the Lessee wishes to change its Primary Depository Bank, it may do so; provided that the Lessee shall (i) first notify the Trustee in writing of such change and the effective date of such change and (ii) direct the payors of State Payments to deposit all State Payments into the Primary Operating Account at the new Primary Depository Bank.

Coverage Ratio Covenant

Under the Lease Agreement, the Lessee will deliver annually to the Lessor, the Trustee and the Underwriter not later than December 31 after each June 30, commencing June 30, 2025, a certificate in the form attached to the Lease Agreement stating the Coverage Ratio for the Fiscal Year then ended. The Coverage Ratio is required to be at or above 1.10 to 1.00 for any Fiscal Year, commencing June 30, 2025. If such Coverage Ratio is below 1.10 to 1.00 but above 1.00 to 1.00, the Lessee shall retain, at its expense and within forty-five (45) days following the related reporting date, a Management Consultant to submit a written report and make recommendations within sixty (60) days of being retained (a copy of such report and recommendations shall be filed with the Lessor, the Underwriter, the Trustee, and on EMMA) with respect to increasing Revenues, decreasing Operating Expenses or other financial matters of the Lessee which are relevant to increasing the Coverage Ratio to at least the required level. Beneficial Owners of the Bonds then Outstanding shall have the right to object to the Lessee's selection of a Management Consultant and direct the Lessee to select an alternate Management Consultant pursuant to the Lease Agreement and the Indenture. The Lessee will, subject to the exceptions in the next sentence, adopt and follow the recommendations of the Management Consultant and will thereafter calculate the Coverage Ratio for each succeeding Fiscal Year. So long as the Management Consultant determine that the Lessee is demonstrating reasonable diligence to comply with the appropriate recommendations (excepting certain limited instances when an Opinion of Counsel is obtained excusing such actions by the Lessee or where the Lessee makes a good faith determination in a statement to the Trustee that the Management Consultant's recommendations would violate State of North Carolina or federal law, the educational or charitable purpose of the Lessee or the Charter) and the Coverage Ratio does not fall below 1.00 in any Fiscal Year, the Lessee will be deemed to have complied with its covenants hereunder. The Lessee shall continue to retain the Management Consultant until the Lessee has achieved a Coverage Ratio of at least the required level for at least two consecutive Fiscal Years.

If the Coverage Ratio falls below 1.00 to 1.00 for any Fiscal Year, the Lessee shall be deemed to be in default under the Lease. The Lessee is required to notify the Trustee and Registered Owners of the Outstanding Bonds of the Coverage Ratio if the Coverage Ratio is below 1.00 to 1.00.

Any contract entered into between the Lessee and any Management Consultant engaged by the Lessee pursuant to the Lease must meet the requirements of the Lease Agreement and the Tax Agreement.

The Loan Agreement defines the “Coverage Ratio” to mean, for the indicated period, the ratio obtained by dividing (A) Net Income Available for Lease Payments for such Fiscal Year by (B) Annual Lease Payments plus Annual Debt Service (which Annual Debt Service shall not include any payments with respect to the Series 2024 Bonds or Base Lease Payments).

“Net Income Available for Lease Payments” means, for any period of determination thereof, the aggregate Revenues for such period, minus the total Operating Expenses for such period but excluding (i) any profits or losses which would be regarded as extraordinary items under Generally Accepted Accounting Principles, (ii) gain or loss in the extinguishment of Indebtedness, (iii) proceeds of the Bonds and any other Indebtedness permitted by the Lease Agreement, (iv) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of Lessee, (v) proceeds of any sale, transfer or other disposition of any of Lessee’s assets by the Lessor or the Lessee of any assets, (vi) proceeds of any condemnation or any other damage award received by or owing to Lessee related to the Leased Property, and (vii) amounts expended for Base Lease Payments. In addition, Net Income Available for Lease Payments shall be adjusted by adding back any Operating Expenses that are also included in Annual Lease Payments or Annual Debt Service.

“Annual Debt Service” means, as of any date of calculation, the Principal and Interest Requirements on Long-Term Indebtedness (provided the final maturity payment for a Series of Bonds shall be reduced by amounts on deposit in the Debt Service Reserve Fund and available for such payment) for any current Fiscal Year of the Lessee, taking into account the provisions for determining the Principal and Interest Requirements on Long-Term Indebtedness set forth in the Lease Agreement.

“Annual Lease Payments” means, as of any date of calculation, the amount of Base Lease Payments to be paid under the Lease Agreement with respect to the current Fiscal Year of the Lessee; provided that for purposes of this calculation, the Base Lease Payments due in the final year of the Lease Term shall be reduced by amounts on deposit in the Debt Service Reserve Fund and available for such payment.

Covenant Regarding Cash on Hand

Under the Lease Agreement, the Lessee covenants and agrees that it will have Days Cash on Hand equal to at least 45 Days Cash on Hand as of June 30, 2024, and as of each June 30 thereafter, tested annually as of the end of each Fiscal Year based on the audited financial statements for such Fiscal Year.

The Lessee will provide the Lessor, the Trustee and the Underwriter not later than December 31 after each June 30, commencing June 30, 2024, with a certificate in substantially the form attached to the Lease Agreement stating the Days Cash on Hand as of the applicable June 30. In the event that Days Cash on Hand falls below the requirement set forth above as of any testing date, the Lessee shall retain a Management Consultant within forty-five (45) days following the related reporting date at the Lessee’s expense. Beneficial Owners of the Bonds then Outstanding shall have the right to object the Lessee’s selection of a Management Consultant and direct the Lessee to select an alternate Management Consultant pursuant to the Lease Agreement and the Indenture. The Management Consultant shall make appropriate recommendations within 60 days of being retained in order to bring the Lessee into compliance with the provisions of the Lease Agreement.

Copies of such recommendations shall be filed with the Lessor, the Underwriter, Trustee, and on EMMA. The Lessee agrees that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, or to the extent practical, it shall revise its methods of operation and shall take such other reasonable actions as shall be in conformity with the recommendations. So long as the Lessee shall retain a Management Consultant and complies with such Management Consultant’s recommendations to the extent practical or not prohibited by law, no default or Event of Default shall be declared solely by reason of a violation of the requirement to have Days Cash on Hand equal to at least 45 Days Cash on Hand as of June 30, 2024, and as of each June 30 thereafter.

For purposes of the preceding paragraph:

“Days Cash on Hand” means as of any date of determination, the product of 365 times a fraction, (i) the numerator of which is the aggregate amount of Lessee’s unrestricted cash and unrestricted investments and board designated funds that are not otherwise restricted (either permanently or temporarily) as to their use for payment of total Operating Expenses as of such date of determination, and (ii) the denominator of which is total Operating Expenses, in each case, for the period of four fiscal quarters ended on the date of determination, and determined in accordance with Generally Accepted Accounting Principles.

Management Consultant

Upon the selection of a Management Consultant as required by the Lease Agreement, the Lessee shall cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of such Management Consultant to be filed with EMMA. The Management Notice must also state each Beneficial Owner of the Bonds then Outstanding shall be deemed to have consented to the selection of such Management Consultant unless such Beneficial Owner submits to the Trustee a written objection to the Management Consultant within ten days of the date the Management Notice is posted to EMMA. If the Beneficial Owners of at least a majority in aggregate principal amount of the Bond then Outstanding provide Objection Notices to the Trustee within the Objection Period, then the Lessee shall select an alternate Management Consultant and post a new Management Notice with respect to the newly selected Management Consultant.

Pursuant to the Indenture, in connection with the selection of a Management Consultant pursuant to certain sections of the Lease Agreement, no later than two Business Days after the end of the Objection Period the Trustee shall notify the Borrower and the Lessee of the total number of Objection Notices the Trustee has received. If the Beneficial Owners of at least a majority in aggregate principal amount of the Bond then Outstanding provide an Objection Notice to the Trustee within the Objection Period, then the Trustee shall notify the Borrower to cause the Lessee to select an alternate Management Consultant.

“Management Consultant” means a Person, including an Accountant, qualified to study the operations of facilities like the charter school facilities operated by the Lessee, and having a favorable reputation in the industry and, unless otherwise specified in the Indenture, retained by the Lessee.

Covenant Regarding Charter School Act

In the Lease Agreement, the Lessee covenants to comply fully and in all respects with the provisions of the Charter School Act so long as any Bonds remain Outstanding.

Limitations on Indebtedness

Except as set forth in the Lease Agreement, the Lessee shall not incur additional Indebtedness.

(a) Senior Indebtedness. The Lessee shall not incur additional Indebtedness secured by Liens on any portion of the Mortgaged Estate or the Revenues that are senior to the Lien of any Deed of Trust on any portion of the Mortgaged Estate or the security interest in the Revenues granted by the Loan Agreement, the Lease Agreement, and any Deed of Trust.

(b) Long-Term Indebtedness. The Lessee may incur additional parity Long-Term Indebtedness if both (i) and (ii) are satisfied or if (iii) is satisfied:

(i) the Coverage Ratio for the most recent Fiscal Year for which an audit has been completed was at least 1.10 to 1.00; and

(ii) a Management Consultant reports that the Maximum Annual Coverage Ratio for the Fiscal Year following the incurrence of such Long-Term Indebtedness or, if such Long-Term Indebtedness is being issued to finance improvements, equipment or new facilities, the Fiscal Year after such improvements,

equipment or new facilities are placed in service, is projected to be at least 1.20 to 1.00 (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby and provided that, such projected Net Income Available for Lease Payments shall be adjusted to provide for any projected revenues and expenses anticipated as the result of any real or personal property acquired, constructed, or completed with the proceeds of any such Long-Term Indebtedness); or

(iii) as certified by the Borrower in an Officer's Certificate, the Maximum Annual Coverage Ratio for the most recently completed Fiscal Year for which an audit has been completed was at least 1.10 to 1.00 (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby).

The Loan Agreement defines "Maximum Annual Coverage Ratio" to mean, for the indicated period, the ratio obtained by dividing (A) Net Income Available for Lease Payments for such Fiscal Year by (B) Maximum Annual Lease Payments plus Maximum Annual Debt Service (which Annual Debt Service shall not include any payments with respect to the Series 2024 Bonds or Base Lease Payments).

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

(d) Refunding Indebtedness. The Lessee may issue Refunding Indebtedness, provided that the Lessee certifies, in writing, to the Trustee that the Maximum Annual Debt Service will not be increased by more than 10% by such refunding.

(e) Balloon Indebtedness. The Lessee may issue Balloon Indebtedness if either of the conditions set forth in paragraph (b) are met when it is assumed that: (A) the Balloon Amount is Long-Term Indebtedness maturing over a term equal to the term of the Balloon Amount or a term of 20 years from the date of issuance of the Balloon Indebtedness, whichever is greater; and (B) the Balloon Amount bears interest on the unpaid principal balance at the Projected Rate and is payable on a level debt service basis over a 20-year period.

(f) Put Indebtedness. The Lessee may issue Put Indebtedness if:

(i) (A) at the time such Put Indebtedness is incurred a Financial Institution has provided a binding commitment that provides for the amortization of Indebtedness incurred under such commitment over a term of at least 24 months commencing with the next succeeding Put Date, to provide financing sufficient to pay such Put Indebtedness on the Put Date occurring during the term of such commitment; and (B) the conditions set forth in paragraph (b) are met when it is assumed that the Put Indebtedness is Long-Term Indebtedness that bears interest at the Projected Rate and is payable on a level debt service basis over a 25-year period; or

(ii) (A) the period from the date of incurrence of the proposed Put Indebtedness to the first Put Date is at least 36 months and (B) either of the conditions set forth in paragraph (b) are met when it is assumed that the Put Indebtedness is Long-Term Indebtedness that either: (i) bears interest at the fixed rate applicable to the Put Indebtedness to be incurred (with such fixed interest rate applied over the entire term of the Indebtedness, for purposes under this subparagraph (ii)); or (ii) bears interest at the Projected Rate and is payable on a level debt service basis over a 25-year period.

(g) Short-Term Indebtedness and Interim Indebtedness. To the extent permitted by applicable law and if no Event of Default under the Lease Agreement, or an event that with the giving of notice or passage of time or both

would constitute an Event of Default under the Lease Agreement, has occurred and is continuing, Lessee may incur Short-Term Indebtedness for working capital purposes which the Lessee in its judgement deems expedient, or Interim Indebtedness to finance and refinance existing capital needs which the Lessee in its judgement deems expedient, in each case which Short-Term Indebtedness or Interim Indebtedness constitutes Nonrecourse Indebtedness, so long as such proposed Indebtedness, together with all Short-Term Indebtedness and Interim Indebtedness then outstanding, does not exceed 25% of the Revenues of the Lessee for the Fiscal Year for which the most recent available audited financial statements of the Lessee are available.

(h) Non-Recourse Indebtedness. Indebtedness consisting of purchase money obligations with respect to any item of equipment related to the Personalty may be incurred without limitation.

(i) Operating Leases.

(i) Indebtedness consisting of leases which are considered operating leases for a charter school facility under general accepted accounting principles, the term of which does not exceed two years, may be incurred without limitation.

(ii) Indebtedness consisting of operating leases for a charter school facility under generally accepted accounting principles, the term of which exceeds two years, may be incurred if, prior to the incurrence of such Indebtedness, an Management Consultant selected by the Lessee provides a written report to the Trustee indicating that the Coverage Ratio required to be met under the Long-Term Indebtedness provisions set forth in paragraph (b) above are satisfied, assuming only for the purposes of such calculation that such operating lease Indebtedness constitutes additional Long-Term Indebtedness.

(f) Subordinated Indebtedness. Subordinated Indebtedness may be incurred without limitation.

Lease Payments, Revenues, and Other Legally Available Funds

The revenues pledged to secure the payment of the Series 2024 Bonds consist of Loan Payments, which are the payments required to be made by the Borrower pursuant to the Loan Agreement, the sole source of which is expected to be Lease Payments, which are the Base Lease Payments and the Additional Lease Payments required to be paid by the Lessee to the Borrower pursuant to the Lease Agreement. The expected source of Lease Payments from the Lessee to the Borrower is Revenues, defined to mean, regardless of source and to the extent permitted by law, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of the Lessee or the Facilities, including the rights to receive such revenues, all as calculated in accordance with generally accepted accounting principles, including State Payments, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Lessee; and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof.

The Borrower anticipates that substantially all of the revenues available for Loan Payments shall be derived from the lease of the Facilities to the Lessee pursuant to the Lease Agreement, including the Base Lease Payments and the Additional Lease Payments payable by the Lessee under the Lease Agreement, and amounts on deposit in certain funds created in the Indenture. The Lessee anticipates that substantially all of the revenues available for payments under the Lease Agreement shall be derived from Revenues. The Lessee has pledged all of its Revenues to secure its obligations with respect to the Lease Payments.

Capital Needs Assessment

No later than May 30, 2029, and each fifth anniversary thereafter, the Lessee shall engage an Independent consultant who shall, within 60 days of engagement, make (i) an examination of and report on the physical condition of the Leased Property and (ii) recommendations as to the amounts to be accumulated in the Repair and Replacement Fund for the proper maintenance and upkeep of the Leased Property. Within fourteen Business Days of its receipt of the initial report, the Lessee shall either (i) accept the recommendations of the initial Independent consultant or (ii) engage and immediately accept the recommendations (which shall be made within 60 days of such engagement) of a

different Independent consultant in the event the recommendations outlined in the initial report are deemed by the Lessee to be unreasonable or inconsistent with the Lessee's operation and maintenance practices. Within three Business Days following receipt of any reports of any Independent consultant delivered pursuant to the Lease Agreement, the Lessee shall forward a copy of such report to the Trustee.

"Repair and Replacement Fund Requirement" means an amount equal to \$100,000; provided, however, that the Repair and Replacement Fund Requirement shall be adjusted to reflect the amount recommended by the Independent consultant as provided in the Lease Agreement and certified by the Borrower to the Trustee.

The Deed of Trust

Under the Loan Agreement, to secure the payments of Loan Payments and any additional payments specified in the Loan Agreement, the performance by the Borrower of its other obligations under the Loan Agreement and the payment and performance of all obligations of the Borrower under any Additional Bonds, the Borrower agrees to enter into the Original Deed of Trust which the Borrower and the Lessee will cause to be recorded with Register of Deeds of Edgecombe County and shall provide the Trustee with a perfected first priority Lien interest in the Mortgaged Estate, which includes the Series 2024 Facilities, subject to any Permitted Encumbrances. Under the Loan Agreement, the Borrower warrants that subsequent to the issuance of the Series 2024 Bonds, the Borrower will not grant any Liens on the Mortgaged Estate (other than the lien effected by the Deed of Trust and Permitted Encumbrances). Potential purchasers should note, however, that under State of North Carolina law, the remedies specified in the Deed of Trust may not be readily available or may be limited. See "RISK FACTORS – Limitations Related to Remedies under the Deed of Trust" and APPENDIX D – "SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE DEED OF TRUST."

The Control Agreement

On the Closing Date, the Lessee will enter into the Control Agreement to establish and govern the relationship of the Account and the Trustee has a security interest in the Account and has the right to exercise exclusive control over the Account. Pursuant to the Control Agreement, the Lessee is required to (i) identify the Account with the Primary Depository Bank into which its Revenues are and shall continue to be deposited in order to perfect the Trustee's security interest in the Revenues, (ii) provide for the Trustee's exclusive control over the Account, including following an Event of Default under the Lease Agreement, and (iii) provide written notice to the Primary Depository Bank of such Event of Default and the Trustee's exercise of its right to exclusive control over the Account.

In the Lease Agreement, the Lessee represents and warrants that (i) it maintains the Account, which Account is subject to a Control Agreement, (ii) it maintains no other depository accounts that receive State Payments, and (iii) it will not move the Account or open new accounts for the purpose of receiving State Payments without first having entered into an agreement in the form and substance of the Control Agreement covering all such accounts which is acceptable to the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

See "SECURITY FOR THE SERIES 2024 BONDS – The Lease Agreement – Control Agreement; Direction Regarding State Payments Applied to Lease Payments."

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DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Series 2024 Bonds for periods ending June 15. As of the Closing Date, the Borrower and the Lessee will have no outstanding Indebtedness other than in connection with the Series 2024 Bonds.

Period Ending June 15	Series 2024A Bonds		Series 2024B Bonds		Total (\$)*
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	
2025	-	1,440,964	380,000	72,734	1,893,698
2026	-	1,383,325	465,000	44,555	1,892,880
2027	290,000	1,383,325	205,000	13,633	1,891,958
2028	520,000	1,371,000	-	-	1,891,000
2029	540,000	1,348,900	-	-	1,888,900
2030	565,000	1,325,950	-	-	1,890,950
2031	590,000	1,301,938	-	-	1,891,938
2032	615,000	1,276,863	-	-	1,891,863
2033	640,000	1,250,725	-	-	1,890,725
2034	670,000	1,223,525	-	-	1,893,525
2035	695,000	1,195,050	-	-	1,890,050
2036	730,000	1,160,300	-	-	1,890,300
2037	770,000	1,123,800	-	-	1,893,800
2038	805,000	1,085,300	-	-	1,890,300
2039	845,000	1,045,050	-	-	1,890,050
2040	890,000	1,002,800	-	-	1,892,800
2041	935,000	958,300	-	-	1,893,300
2042	980,000	911,550	-	-	1,891,550
2043	1,030,000	862,550	-	-	1,892,550
2044	1,080,000	811,050	-	-	1,891,050
2045	1,135,000	757,050	-	-	1,892,050
2046	1,195,000	697,463	-	-	1,892,463
2047	1,255,000	634,725	-	-	1,889,725
2048	1,320,000	568,838	-	-	1,888,838
2049	1,390,000	499,538	-	-	1,889,538
2050	1,465,000	426,563	-	-	1,891,563
2051	1,540,000	349,650	-	-	1,889,650
2052	1,620,000	268,800	-	-	1,888,800
2053	1,705,000	183,750	-	-	1,888,750
2054	<u>1,795,000</u>	<u>94,238</u>	<u>-</u>	<u>-</u>	<u>1,889,238</u>
TOTAL	27,610,000	27,942,876	1,050,000	130,922	56,733,798

* Totals may not foot due to rounding.

RISK FACTORS

Investment in the Series 2024 Bonds involves a degree of risk and the Series 2024 Bonds are a speculative investment. Anyone considering investing in the Series 2024 Bonds should carefully examine this Official Statement, including the appendices hereto. INVESTMENT IN THE SERIES 2024 BONDS SHOULD BE UNDERTAKEN ONLY BY PERSONS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME SUCH RISK. THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET FORTH IN THIS OFFICIAL STATEMENT, BEFORE MAKING AN INVESTMENT DECISION.

This Official Statement contains summaries of pertinent provisions of the Series 2024 Bonds, the Indenture, the Loan Agreement, the Deed of Trust, the Lease Agreement, the Continuing Disclosure Agreement and other relevant documents, including but not limited to in APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS.” Such summaries and references are qualified in their entirety by reference to the full text of such documents.

The following discussion of some of the risk factors associated with the Series 2024 Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Limited Liability of the Lessee

The Lessee’s payment obligations under the Lease Agreement are limited to the Lease Payments it is obligated to make to the Borrower under the Lease Agreement, which Lease Payments are limited in source to Revenues and any other legally available funds of the Lessee. The Series 2024 Bonds are payable solely from payments to be made by the Borrower pursuant to the Loan Agreement, which payments, in turn, are to be derived from Lease Payments required to be made by the Lessee pursuant to the Lease Agreement, as described above. Future revenues and expenses of the Lessee, including Revenues and any other legally available funds of the Lessee, are subject to conditions which may change in the future to an extent that cannot be determined at this time.

Sufficiency of Revenues

The Series 2024 Bonds are payable solely from certain payments, revenues and other amounts derived by the Authority pursuant to the Indenture and the Loan Agreement, and are secured by such revenues and a pledge of certain funds and accounts created under the Indenture and the additional security provided by the Loan Agreement and the Deed of Trust. The ability of the Borrower to make Loan Payments is dependent upon the Borrower’s generation of revenues in amounts sufficient therefor. The Borrower’s revenues, in turn, will be derived from the Lease Payments owed by the Lessee pursuant to the Lease Agreement. The source of such payments by the Lessee will be Revenues, including those earned from its operation of the School. Based on present circumstances, and based on its Financial Projections (as defined herein) regarding future enrollment, the Lessee believes it will generate sufficient Revenues for the payment of its operating expenses and to meet its obligations under the Lease Agreement; however, no representation or assurance can be made that the operations of the School will enable the Lessee to realize Revenues in amounts sufficient to make Lease Payments.

A number of factors could have an adverse impact on the ability of the Lessee to generate sufficient Revenues from the operation of the School and to realize Revenues in amounts sufficient to make Lease Payments under the Lease Agreement, and the Borrower to meet its obligations under the Loan Agreement, including North Carolina State budget pressures, demand for charter school education, the ability of the School to provide the educational services and classes demanded by parents or to attract students generally, changes in the level of confidence in the public school system in general or public charter schools in particular, competition, faculty recruitment, demographic changes, legislation, governmental regulations, litigation and the Lessee’s ability to achieve and maintain enrollment levels. This, in turn, is affected by numerous circumstances both within and outside the control of the Lessee, including continuation of favorable governmental policies and programs with respect to public charter schools, the competitive appeal and perceived quality of the School’s curriculum, the ability and energy of the faculty and administration of the School, and the benevolence of supporters of the Lessee. **There can be no assurance given that the Revenues of the Lessee generated from its operation of the School will not decrease. Any and all financial projections**

made by the Lessee, including the Financial Projections are only good faith estimates and are not intended as a representation or warranty as to the future financial condition of the Lessee and consequently, the Borrower.

Limitations on Charter Revenues

The availability of per pupil dollars and any other amounts paid to the Lessee by (a) the SBE, and (b) each county in the State of North Carolina in which a student of the School resides in connection with the Lessee's operation of the School ("Charter Revenues"), and the levels of expenses with respect to the operation of the School may affect the ability of the Lessee to pay its operating expenses and to make payments under the Lease Agreement representing debt service on the Series 2024 Bonds. If sufficient funds are not generated from Charter Revenues, there can be no assurance that the Lessee will have adequate funds to operate the School successfully as a charter school and to pay amounts due under the Lease Agreement.

Generally, charter schools across the nation have come under some criticism as having failed to meet certain objectives in educating students to a success level above students in traditional public school systems. Proponents of charter schools have indicated that comparisons used in such critiques often fail to measure performance between similarly situated schools or fail to acknowledge the time that will be required for a charter school system to develop historically significant data. In any event, the politically sensitive issues surrounding the development of charter schools will continue to warrant public and media attention, and any development of a national sense that charter schools do not present a fiscally responsible alternative could adversely affect the willingness of states, including North Carolina, to fund charter school operations or the willingness of local or State of North Carolina school officials to approve or renew school charters.

Reliance on Projections; Limited Operating History

Information contained herein concerning the Borrower, the Lessee, the School and the Series 2024 Facilities has been obtained from the Borrower and the Lessee, and has not been independently verified by the Authority or the Underwriter. Much of the information regarding the Borrower, the Lessee, the School and the Series 2024 Facilities involves predictions of future events, such as student enrollment and the availability of Revenues at a level sufficient to maintain a positive coverage ratio. Such information is, by its nature, not subject to verification.

The Lessee's projections of revenues and expenses for the Fiscal Years ending June 30, 2024 through 2029, contained in APPENDIX A – "THE LESSEE, THE BORROWER, AND THE SCHOOL – FINANCIAL PROJECTIONS" (the "Financial Projections") were prepared by the Lessee with the assistance of Acadia Northstar, LLC ("Acadia"). There are usually differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the Financial Projections relate only to the Fiscal Years of the Lessee ending June 30, 2024 through 2029, and consequently do not cover the entire period that the Series 2024 Bonds may be outstanding. Prospective investors in the Series 2024 Bonds should read the Financial Projections in their entirety.

No feasibility studies have been conducted with respect to operations of the Lessee pertinent to the Series 2024 Bonds. The Financial Projections are "forward-looking statements" and are subject to the general qualifications and limitations described under "INTRODUCTION – Cautionary Statement Regarding Forward-Looking Statements." The Underwriter has not independently verified the Financial Projections, and makes no representations nor gives any assurances that such Financial Projections, or the assumptions underlying them, are complete or correct.

THE LESSEE HAS PREPARED THE FINANCIAL PROJECTIONS, WITH THE ASSISTANCE OF ACADIA, BASED ON THE LESSEE'S OPERATING HISTORY WITH RESPECT TO THE SCHOOL AND THE LESSEE'S ASSUMPTIONS ABOUT FUTURE STATE OF NORTH CAROLINA FUNDING LEVELS AND FUTURE OPERATIONS OF THE SCHOOL, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE LESSEE'S ASSUMPTIONS UNDERLYING SUCH FINANCIAL PROJECTIONS. MOREOVER, NO ASSURANCE CAN BE MADE THAT THE FINANCIAL PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE FINANCIAL PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL

OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OF NORTH CAROLINA OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL - FINANCIAL PROJECTIONS” TO REVIEW THE FINANCIAL PROJECTIONS, THEIR UNDERLYING ASSUMPTIONS, AND THE OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS. REFER TO “INTRODUCTION – CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS” ABOVE, FOR QUALIFICATIONS AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

Risks Related to Infectious Viruses and/or Diseases

A novel coronavirus outbreak first identified in 2019 caused coronavirus disease 2019 (“COVID-19”), which was identified by the World Health Organization as a pandemic. Responses to COVID-19 differed at the school, local, state, and national levels, although schools were closed for various periods of time in many states and nations. In addition to causing delivery of public school services to be restructured in North Carolina for periods of time from March 2020 through the 2021-22 school year, the spread of COVID-19, among other causes, has created volatility in stock and bond markets in the United States and globally, which affected the market for private activity bonds, like the Series 2024 Bonds, and which has affected or may affect the financial condition of North Carolina and federal governments. Risks posed by infectious viruses or diseases may in the future have a materially adverse effect on the ability of the Lessee to operate the School, on demand for the School’s services, or on the Borrower’s and the Lessee’s financial condition as a result of the foregoing, cause materially adverse changes in the financial condition of North Carolina or federal governments resulting in changes affecting funding of charter schools, or cause materially adverse changes in the public education marketplace in general. Any of the foregoing could have a material adverse effect on the ability of the Borrower to make Loan Payments in respect of debt service on the Series 2024 Bonds.

Charter Schools Generally

The operations of the Lessee currently consist of the operation of the School. Such operations are dependent on sufficient demand for such charter school, adequate revenues from enrollment at the facilities and control of expenses. The operation of a charter school is regulated through the Charter. A charter school may not charge tuition to a student attending the charter school. The failure of the School to meet the requirements of the State of North Carolina law or any political subdivision thereof, termination, revocation or non-renewal of the Charter, or the inability to secure a charter from another authorizing body would have a materially adverse effect on the ability of the Borrower to make the payments under the Loan Agreement to be used to pay debt service on the Series 2024 Bonds. See “RISK FACTORS – Nonrenewal or Revocation of Charter” herein. For a summary of certain State of North Carolina laws applicable to North Carolina charter schools, see APPENDIX C – “CHARTER SCHOOLS IN NORTH CAROLINA.”

Nonrenewal or Revocation of Charter

The primary source of Revenues to the Lessee is expected to be Charter Revenues. The Lessee holds a single Charter for its operation of the School. The Charter became effective on July 1, 2022, and is effective through June 30, 2032. The Charter is subject to renewal for additional periods. The primary responsibility for approving or denying applications for new charter schools, and for renewals and revocations of charters for existing charter schools is held by the Charter School Review Board (the “Review Board”). Unless renewed by the Review Board at the request of the Lessee, the Charter is currently scheduled to expire on June 30, 2032, which is prior to the maturity of the Series 2024 Bonds. In addition, the Charter may be terminated as a result of a material breach of the Charter, or the Review Board may revoke the Charter if the School fails to meet the requirements for student performance, fails to meet generally accepted standards of fiscal management, violates a law, materially violates any of the conditions, standards, or procedures set forth in the Charter, has two-thirds of the faculty and instructional support personnel at the School request termination or nonrenewal, or for other good cause warranting nonrenewal or termination. The North Carolina General Statutes provide that upon dissolution of a charter school, all net assets of the charter school purchased with public funds shall be deemed the property of the local school administrative unit in which the charter

school is located. See APPENDIX C – “CHARTER SCHOOLS IN NORTH CAROLINA” and APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL.”

If the Charter is terminated or not renewed, the Lessee likely would be forced to cease operations at the School. Termination of the Charter either by its terms or for any other reason constitutes an event of default under the Lease Agreement and the Loan Agreement. Presently, the Lessee is not the subject of any attempt to terminate or revoke the Charter.

Although the Lessee believes it enjoys a good relationship with the SBE and the Review Board and does not anticipate any nonrenewal or revocation of its Charter, and the Lessee has covenanted in the Lease Agreement to seek renewals, there can be no assurance that Review Board will renew the Charter prior to expiration. See “THE LESSEE.”

Default under the Lease Agreement; No Assurance Regarding Subsequent Tenant

If there is a default by the Borrower under the Loan Agreement attributable to a default by the Lessee under the Lease Agreement, the Borrower would very likely not have funds to satisfy its remaining obligation to make payments under the Loan Agreement. If the Lessee defaults under the Lease Agreement, there can be no assurance that the Borrower would be able to find a new tenant for the Series 2024 Facilities which could generate revenues in a sufficient amount to allow the Borrower to make payments under the Loan Agreement representing debt service on the Series 2024 Bonds. This risk is heightened by the fact that the Series 2024 Facilities are equipped specifically for use as a charter school campus.

Competition for Students; School Choice Initiatives

The Lessee receives payments from the State of North Carolina based on student enrollment. The School competes for students with public and private schools. Among other things, the number of charter schools in North Carolina could increase substantially, and one or more new charter schools could be established in Edgecombe County or the other counties in the School’s service area. See APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SCHOOL – Service Area” for information regarding other schools in the School’s service area. The School faces constant competition for students and there can be no assurance that it will continue to attract and retain the number of students needed to generate sufficient Revenues for the Lessee to make payments under the Lease Agreement representing debt service payments on the Series 2024 Bonds.

In September 2022, the Edgecombe County Board of Commissioners approved a motion to trigger a county-line demerger of the Nash County Public Schools and the Edgecombe County Public Schools. Commencing with the 2024-25 school year, four schools on the Edgecombe County side of Rocky Mount, with an aggregate enrollment of approximately 1,700 students, will transition from the Nash County Public Schools to the Edgecombe County Public Schools. The demerger’s effect on the enrollment at the School is unknown at this time and there can be no assurance that the demerger will not materially impair the School’s ability to enroll the number of students needed to generate sufficient Revenues for the Lessee to make payments under the Lease Agreement representing debt service payments on the Series 2024 Bonds. See APPENDIX A - “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SCHOOL – Service Area – Demerger of Edgecombe County and Nash County School Systems” herein for additional information relating to the demerger of the Edgecombe County and Nash County school systems.

As further described in APPENDIX C – “CHARTER SCHOOLS IN NORTH CAROLINA,” House Bill 514 (“HB 514”) was passed into law on June 7, 2018. The purpose of this legislation was to permit certain municipalities the authority to operate charter schools in North Carolina. Currently, these municipalities are limited to the Towns of Cornelius, Huntersville, Matthews and Mint Hill, located in Mecklenburg County, North Carolina. A key element of this legislation allows municipalities that operate charter schools the right to give enrollment priority to students domiciled in such municipality. No schools have been created under HB 514. If HB 514 is expanded to permit the Town of Tarboro, North Carolina, the County of Edgecombe, North Carolina, or any nearby municipality, to operate charter schools, any charter school established by such city, county, or municipality could increase the School’s competition for students.

States are increasingly considering and, in some states, enacting legislation that would expand the educational choices for its residents beyond the traditional public school system. Charter schools are one example of such options. As charter schools become more commonplace, and as existing charter schools demonstrate a track record of providing an attractive educational choice, the number of charter schools may increase, which could lead to increased competition for existing charter schools, such as the School. In addition, other education choice initiatives, including but not limited to a voucher system, whereby the state or local school district provides a voucher (typically for a fixed dollar amount) which a student's parents can use to pay tuition at private, independent (including faith-based) schools have been implemented or are being considered in a number of states, including North Carolina. A voucher program could provide significant competition to charter schools because parents who may not have previously been able to afford tuition at a private, independent school would, under a voucher system, have financial resources available to cover all or a significant portion of the tuition cost at such schools. This additional choice is likely to increase demand for enrollment in private, independent schools and could adversely affect enrollment at other schools, including charter schools and traditional public schools. The Lessee cannot determine the specific impact the implementation of such education choice alternative in North Carolina would have on the operation or financial performance of the Lessee or the School.

In the Budget (as defined below under the heading "State of North Carolina Budget; Change in State of North Carolina Budgeting Process"), the North Carolina General Assembly expanded eligibility for North Carolina's elementary and secondary education voucher program, known as the Opportunity Scholarship Program, for student attendance at nonpublic schools. The Opportunity Scholarship Program permits an award of scholarship grant—for the 2023-24 academic year—of up to \$6,492 per student for North Carolina's voucher program. The Budget appropriates an additional \$250 million to the Opportunity Scholarship Grant Reserve over the combined 2023-24 and 2024-25 biennium. Starting with the 2024-25 school year, the Budget expands eligibility for the Opportunity Scholarship Program to all families regardless of income, but provides higher amounts of scholarships to families with household incomes under \$249,750. Under the Budget, the General Assembly has made increasing annual appropriations from the General Fund to the Opportunity Scholarship Grant Reserve, in an amount reaching \$520,540,000 in Fiscal Year ending June 30, 2033 and the Fiscal Years thereafter. The Lessee cannot determine the specific impact the expansion of the Opportunity Scholarship Program or the implementation of other education choice alternatives in North Carolina might have on the operation or financial performance of the Lessee or the School.

See APPENDIX C – "CHARTER SCHOOLS IN NORTH CAROLINA."

Factors Associated with Education

There are a number of factors affecting charter schools in general, including the School, that could have an adverse effect on the Lessee's financial position and its ability to make the payments required under the Lease Agreement. These factors include, but are not limited to, the ability to attract a sufficient number of students; increasing costs of compliance with federal or State of North Carolina (or any political subdivision thereof) regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Lessee's work force with consequent impact on wage scales and operating costs of the School; changes in existing statutes regarding the powers of charter schools or their funding. The Lessee cannot assess or predict the ultimate effect of these factors on its operations or financial results.

U.S. Immigration Policy Reform

During the course of the 2016 United States presidential campaign, former President Trump announced his intention to implement several proposals designed to significantly overhaul existing United States immigration policy. These proposals included, among others, tripling the ranks of Immigration and Customs Enforcement agents, building an expanded wall along the southern United States border, canceling former President Obama's 2012 Deferred Action for Childhood Arrivals program, which provided work permits and deportation relief to hundreds of thousands of young undocumented immigrants, and deporting between two and 11 million undocumented immigrants estimated to be living in the United States. Although former President Trump's administration implemented many of these and other restrictive immigration policies, President Biden's administration has discontinued or paused many of these policies and it is unclear at this time whether stricter immigration policies will have any materially adverse effects on enrollment at the School and the Lessee's ability to make Lease Payments under the Lease Agreement to pay debt service in the Series 2024 Bonds.

Economic and Other Factors

Currently, the SBE allocates funds to each charter school based on the school's ADM and the dollars per ADM of the local school administrative unit in which the school is located. Except with respect to allocations for children with disabilities and children with limited English proficiency, each charter school generally receives an allocation in an amount equal to the average per pupil allocation for ADM from the local school administrative unit allotments in which the charter school is located for each child attending the charter school. Each charter school receives an additional amount for each child with disabilities and each child with limited English proficiency. The local school administrative unit in which a child resides must transfer to the charter school an amount equal to the per pupil local current expense appropriation for that local school administrative unit for the fiscal year. The amount transferred that consists of revenue derived from supplemental taxes will be transferred only to a charter school located in the tax district for which these taxes are levied and in which the student resides. The charter school sends a bill to the county in which the student resides. For additional information, see APPENDIX C – "CHARTER SCHOOLS IN NORTH CAROLINA."

Future economic and other factors may adversely affect the Lessee's ability to generate sufficient Revenues to make payments under the Lease Agreement representing debt service payments on the Series 2024 Bonds. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the School at optimum levels for each grade level; decreases in the level of payments from the State of North Carolina, or other student enrollment-based funding by the federal or the State of North Carolina governments; decline in the ability of the Lessee and the School to provide education desired and accepted by the population served; general economic factors, including inflation and interest rates; economic developments in the affected service area, including loss of employment; diminishment of the standing of the Lessee or the School in its field; revocation of the Charter; competition from other educational institutions, including other charter schools, private schools, and public schools in the areas from which the School draws students; the lessened ability of the School to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Charter School Act; future claims for accidents or other torts and the extent of insurance coverage for such claims; and the occurrence of natural disasters.

State of North Carolina Budget; Change in State of North Carolina Budgeting Process

On September 22, 2023, the General Assembly ratified House Bill 259 ("HB 259"), which provides a budget for the State of North Carolina for the 2023-24 and 2024-25 biennium (the "Budget"). The Governor failed to approve HB 259 within the time prescribed by North Carolina law and, as a result, HB259 became law as Session Law 2023-134 on October 3, 2023. Expenditures for K-12 education represented the second largest expenditure in the General Fund budget. The Budget appropriates \$11.6 billion for the Fiscal Year ending June 30, 2024 and \$11.9 billion for the Fiscal Year ending June 30, 2025 to the North Carolina Department of Public Instruction ("DPI").

On April 24, 2024, Governor Roy Cooper presented his \$34.5 billion budget proposal for the fiscal year ending June 30, 2025 (the "Proposed Budget"), which represents an increase of approximately \$3.7 billion from the allocation for the such Fiscal Year under the Budget. The Proposed Budget includes an additional \$1 billion for public education, including an average 8.5% raise for teachers, a \$1,500 retention bonus, and the reinstatement of master's pay.

As described in APPENDIX C – "CHARTER SCHOOLS IN NORTH CAROLINA," for each recent historical fiscal year, a substantial percentage of North Carolina General Fund expenditures fund public education, so financial pressure on the General Fund could lead to reductions in spending on public schools, including charter schools. There can be no assurance that current levels of per pupil spending for public schools in North Carolina, including charter schools, will be maintained in future years.

The statutory deadline to pass the Budget for Fiscal Year 2024-25 was June 30, 2023. The General Assembly did not enact the Budget prior to such deadline and such deadline has not been satisfied in previous Fiscal Years. Furthermore, the State of North Carolina did not adopt a budget for fiscal years 2019-20 and 2020-21 with the result that spending levels for those years remained consistent with those in the 2018-19 budget, as required under State law. Any delay in passing the State budget in future fiscal years may delay the State of North Carolina's appropriation of

such funds and could negatively impact the ongoing viability of the Borrower and the Lessee and its ongoing ability to make payments representing debt service on the Series 2024 Bonds. See APPENDIX C – “CHARTER SCHOOLS IN NORTH CAROLINA.”

Additionally, the Lease Agreement provides that the Lessee shall be obligated to pay rent under the Lease Agreement payable from Revenues and any other legally available funds of the Lessee. Revenues include county payments and State Payments, which comprise approximately 82.87% of the total revenue in the Lessee’s operating budget for the School for the Fiscal Year ending June 30, 2024. Pursuant to North Carolina policy, as set forth in DPI’s “Financial Guide For Charter Schools,” revised September 2017, the Lessee must request disbursement of county payments and State Payments for the School’s operating expenses and must spend any funds disbursed within three business days of such request. As such, county payments and State Payments may not be held by the Lessee for the purpose of building cash reserves with respect to the School. Instead, all county payments and State Payments received by the Lessee for the benefit of the School are used to pay operating expenses within three business days of receipt and other Revenues of the Lessee with respect to the School are used, at the discretion of The Lessee, in part to build cash reserves. In light of the foregoing, while the Lessee pledges its Revenues as security for its obligations under the Lease Agreement, there can be no assurance that the portion of such Revenues comprising county payments and State Payments may lawfully be the subject of a lien or will be available as security for such obligations of the Lessee as a practical matter.

Changes in Law; Annual Appropriation; Inadequate State of North Carolina Payments

The North Carolina General Assembly has amended the charter school laws a number of times since they were first enacted in 1996. Past and future amendments to the law may adversely affect the Lessee by withholding a percentage of the state payments if a charter school is deemed not to be in compliance with contract or charter provisions or State of North Carolina and federal laws; by decreasing the charter term from ten years to some other shorter term; by requiring a State of North Carolina body to make an assessment of the School’s effectiveness every year; by limiting the number of students for which State of North Carolina funds are available; by mandating new facilities or programs which may increase costs beyond projections; by reducing the maximum amount payable by the State of North Carolina for students enrolled by the Lessee; by revising the relative responsibilities between public schools and North Carolina for financing schools (including charter schools); or by eliminating the authority for State of North Carolina-supported charter schools.

In addition, the North Carolina General Assembly must appropriate funds for public education—including charter schools—each year, and it may not appropriate sufficient funds to enable the Lessee to make Lease Payments and meet budgeted expenses. Similarly, the State of North Carolina allocation per student may be reduced or may not keep pace with expenses such that the aggregate State of North Carolina payments to the Lessee are inadequate to allow the Lessee to make Lease Payments and its operating expenses. Neither the Lessee nor the School has any taxing authority and each is substantially dependent upon the State of North Carolina to continue to provide funding for public education. If the State of North Carolina payments are insufficient, the Borrower may be unable to make the Loan Payments as and when required. See APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL –CERTAIN FINANCIAL INFORMATION – Statement of Net Position and Statement of Activities.”

On February 26, 2024, Catherine Truitt, Superintendent of DPI announced a proposal to overhaul the existing School Performance Grade accountability system for North Carolina public schools with a new accountability system (the “Proposed Accountability System”), as further described in APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SCHOOL – Academic Performance.” There can be no assurance that the Proposed Accountability System will be implemented as set forth in Appendix A, if at all. Any change to the accountability system for public schools in the State of North Carolina may result in lower grades for the School, which may have a material adverse effect on the ability of the Lessee to make the payments under the Lease Agreement representing debt service on the Series 2024 Bonds.

Disputes with Local School Administrative Units

Under State of North Carolina law, the local school administrative unit in which a child resides must transfer to the charter school an amount equal to the per pupil local current expense appropriation for that local school administrative unit for the fiscal year. Disputes between a charter school and the local school administrative unit(s) may arise. Although the North Carolina General Statutes allow for the use of mediation to resolve differences on

calculation and transference of the per pupil share of the local current expense fund, there have been instances when such disputes have resulted in prolonged and costly litigation.

Litigation

Schools are often the subject of litigation. Section 115C-218.20 of the North Carolina General Statutes specifically provides that “[t]he board of directors of a charter school may sue and be sued.” Educator’s professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against education providers such as the School. Litigation may also arise from the corporate and business activities of the School, the Lessee or any other Lessee-run schools or the Borrower as to employee-related matters. As with educator’s professional liability, many of these risks are covered by insurance, but some are not. For example, some business disputes and workers’ compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the Lessee or the Borrower if determined or settled adversely. Although the Lessee maintains insurance policies covering educator’s professional and general liability, The Lessee is unable to predict the availability, cost or adequacy of such insurance in the future. Any inability of the Lessee in the future to secure affordable, adequate insurance may expose the Lessee to litigation risks which may adversely affect the Lessee’s ability to make payments under the Lease Agreement representing debt service on the Series 2024 Bonds. See APPENDIX A - “THE LESSEE, THE BORROWER, AND THE SCHOOL – NO LITIGATION.”

Income and Property Tax Exemption

Under present federal and State of North Carolina law, regulations and rulings, the income and revenue of nonprofit, 501(c)(3) qualified exempt organizations are exempt from federal and state income tax, except for any unrelated business income as defined in the Code. The Lessee is a North Carolina nonprofit corporation and charter school, and the Lessee has received a determination letter from the IRS that the Lessee is a 501(c)(3) qualified tax-exempt organization. Under North Carolina General Statutes Section 105-275(46), real property that is occupied by a charter school and is wholly and exclusively used for educational purposes is exempt from real property tax regardless of the ownership of the property (although such property is subject to special assessments for local improvements to the property). The Financial Projections contained herein have been prepared assuming that no property taxes are currently owed or in the future will be levied on the Series 2024 Facilities.

In recent years, the State of North Carolina, county and local taxing authorities have been undertaking audits and reviews of the operations of nonprofit corporations with respect to their real property tax exemptions.

Series 2024 Account of the Debt Service Reserve Fund

The Indenture has established the Series 2024 Bonds subaccount of the Debt Service Reserve Fund, which is being funded with proceeds of the Series 2024 Bonds, for payment of principal and interest due to the Registered Owners of the Series 2024 Bonds, to the extent Loan Payments are insufficient to make such payments. Although the Borrower and the Lessee believe such reserves to be reasonable, and anticipates that Loan Payments will be sufficient to cover the debt service on the Series 2024 Bonds, there is no assurance that fund reserves and future Loan Payments will be sufficient to cover debt service on the Series 2024 Bonds.

Reputational Risk

The Lessee is subject to financial and other risks that differ from those of other for-profit and nonprofit institutions and public schools. These risks include, among others, (a) changes in the reputation of the Lessee or the School, its faculty or student body, either generally or with respect to certain academic or extracurricular areas which may affect enrollment; (b) litigation brought against the Lessee or the School by parents, civil authorities, students or former or potential employees; (c) the potential inability to raise funds through gifts, grants and donations; and (d) competition from other public, charter and private schools for students, trained faculty and administrative staff due to differences in salary and other costs. There can be no assurance that these or other factors will not adversely affect the Lessee’s financial condition and its ability to make payments under the Lease Agreement representing debt service on the Series 2024 Bonds.

Failure to Provide Ongoing Disclosure

The Borrower and the Lessee will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, LLC, as dissemination agent (the “Dissemination Agent”), pursuant to Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12), as amended (the “Rule”), in connection with the issuance of the Series 2024 Bonds. Failure to comply with the Continuing Disclosure Agreement and the Rule in the future may adversely affect the liquidity of the affected Series 2024 Bonds and their market price in the secondary market. For a description of the Prior Undertaking (defined herein), see “CONTINUING DISCLOSURE” and APPENDIX F – “SUBSTANTIALLY FINAL FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Campus Security

Schools are generally subject to risks related to campus security, including but not limited to bullying, abuse, and, in extreme cases, physical violence. While the Lessee believes that the Series 2024 Facilities are secure, instances of breaches of campus security in the future may have a materially adverse effect on the Lessee’s operations of the School and/or the Lessee’s or the School’s reputation, and may result in litigation, any of which could adversely affect the Lessee’s financial condition and its ability to make payments under the Lease Agreement representing debt service on the Series 2024 Bonds.

Cyber Security

Each of the Lessee’s and the School’s information technology services and systems may be critical to operations or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, students and others. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of the Lessee’s, the School’s or other third party data or systems; theft of sensitive, regulated, or confidential data including personal information and intellectual property; the loss of access to critical data or systems; service or system disruptions or denials of service.

Key Personnel

The School’s performance reflects the vision and commitment of a few key personnel who comprise its management and administration. Of particular significance to its operation is Dr. Mark Cockrell. Loss of Dr. Cockrell or other key personnel could adversely affect the Lessee’s operations and financial results. For more information regarding key personnel, see APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SCHOOL – School Administration.”

Teacher Shortage

The State of North Carolina has faced in the past, and may face in the future, a teacher shortage. If a shortage materializes in future years, the Lessee may have to pay increased salaries or incur increased costs in recruiting new teachers. Teacher salaries and benefits are significant operating expenses for the Lessee and increases in such expenses may decrease the amount of revenues of the Lessee available to pay its operating expenses and to meet its obligations under the Lease Agreement. Certain school districts in the State of North Carolina have implemented recruitment bonuses for certain teaching positions, including a \$2,000 signing bonus offered by Edgecombe County Public Schools to attract 6-12 Math and/or Science and K-12 Special Education teachers. Edgecombe County Public Schools may expand the recruitment bonus in the future, or other school districts or individual schools located near or in competition with the School may offer similar bonuses in the future, which may impact the School’s ability to attract and retain teachers.

Risk of Unionization

No employees of the Lessee currently are unionized. Should teachers or staff of the School become unionized, contractual terms with the unions could adversely affect the operational flexibility of the Lessee and/or increase the Lessee’s expense structure, thus adversely impacting the Lessee’s ability to make payments to the Borrower under the

Lease Agreement, and the Borrower to meet its obligations under the Loan Agreement and the Series 2024 Promissory Notes.

No Appraisal

None of the parties to the Series 2024 Bonds transaction has obtained an appraisal of the Series 2024 Facilities in connection with the offering of the Series 2024 Bonds.

Although the Borrower will grant the Trustee the Deed of Trust, it is not expected that value sufficient to redeem all of the Series 2024 Bonds would be realized by the Trustee in a foreclosure on the Mortgaged Property.

Damage or Destruction of the Series 2024 Facilities

The State of North Carolina has experienced significant property damage in recent years caused by severe adverse weather conditions. The Series 2024 Facilities are located in a region of the State of North Carolina that may be affected by hurricanes, and related high winds, tornadoes, flooding, and landslides. Further, the State of North Carolina and several bordering states contain seismically active zones. The occurrence of the foregoing weather or seismic conditions could result in substantial damage to the Series 2024 Facilities, which could adversely affect the ability of the Lessee to operate the Series 2024 Facilities and to make Lease Payments to the Borrower under the Lease Agreement, as well as the ability of the Borrower to meet its obligations under the Loan Agreement and the Series 2024 Promissory Notes.

The Loan Agreement and the Lease Agreement require the Series 2024 Facilities to be insured against certain risks. There can be no assurance that the amount of insurance required to be obtained will be available at commercially-reasonable rates in the near or long-term future, be adequate, or that the cause of any damage or destruction to the Series 2024 Facilities will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies from which insurance is obtained or that moneys made available by reason of any such occurrence will be sufficient to fully redeem the Series 2024 Bonds or replace such property. See APPENDIX D – “SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Damage, Destruction, Condemnation.”

Limitations Related to Remedies under the Deed of Trust

The Borrower’s obligations under the Loan Agreement are secured by the lien and security interest granted under the Deed of Trust. See “SECURITY FOR THE SERIES 2024 BONDS – The Deed of Trust.” The practical realization of value from the real property subject to the Deed of Trust upon any default will depend on the exercise of the remedies specified under the Deed of Trust, principally, foreclosure.

Statutory provisions (such as the federal bankruptcy laws) also may have the effect of delaying enforcement of the lien and security interest under the Deed of Trust in the event of a default. See “RISK FACTORS – Bankruptcy.” The effectiveness of the security interest pledged by the Borrower may be limited by a number of factors, including: (i) the absence of an express provision permitting assignment of receivables owed to the Borrower under its contracts, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Trustee, in the event of the bankruptcy of the Borrower, to collect and retain accounts receivable from certain governmental programs; (iii) commingling of a portion of the Trust Estate with other moneys of the Borrower not subject to the security interest in the Trust Estate; (iv) statutory liens; (v) rights arising in favor of the U.S. or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws or state insolvency laws which may affect the enforceability of the Deed of Trust or the security interest in the revenues of the Borrower which are earned by the Borrower within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against the Borrower; (viii) rights of third parties in the Trust Estate converted to cash and not in the possession of the Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed or other

documents are not executed in accordance with the North Carolina Uniform Commercial Code as from time to time in effect.

There exists, in addition to the foregoing, common law authority and authority under the State of North Carolina statutes pursuant to which the State of North Carolina courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purpose or has taken some action which renders it unable to carry out such purpose. Such court action may arise on the court's own motion pursuant to a petition of the North Carolina Attorney General or such other person(s) who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable use.

In addition to the foregoing, the realization of any rights under the Loan Agreement, the Indenture, the Lease Agreement, and the Deed of Trust upon a default depends upon the exercise of various remedies specified in the Loan Agreement, the Indenture, the Lease Agreement, and the Deed of Trust. These remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Indenture, the Loan Agreement, the Lease Agreement, the Control Agreement, and the Deed of Trust may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Indenture, the Loan Agreement, the Lease Agreement, the Control Agreement, or the Deed of Trust. Accordingly, the ability of the Authority or the Trustee to exercise remedies under the Indenture, the Loan Agreement, the Lease Agreement, the Control Agreement, or the Deed of Trust upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Special Purpose Buildings

The Series 2024 Facilities are subject to the lien of the Deed of Trust and the Series 2024 Facilities will not consist of general purpose buildings and may not be suitable for industrial or commercial use. If it were necessary to foreclose a judgment lien on the Series 2024 Facilities under "forced sale conditions" that are present in a foreclosure, it may be difficult to find a purchaser willing to occupy the Series 2024 Facilities, or the property may provide less than full value to the Trustee. There can be no assurance that foreclosure sale proceeds will be sufficient to pay the amounts then outstanding on the Series 2024 Bonds.

Bankruptcy

Bankruptcy or other insolvency or similar proceedings affecting the Borrower or the Lessee may delay and otherwise adversely affect the enforcement of rights in the property granted as security for the obligations related to Series 2024 Bonds, including those granted by the Indenture, the Loan Agreement, the Lease Agreement, the Control Agreement and the Deed of Trust. For example, if the Borrower or the Lessee became a debtor in bankruptcy proceedings under Federal bankruptcy law, those proceedings would stay any proceeding to foreclose the lien of the Deed of Trust pending further order of the bankruptcy court, and could affect the Trustee's ability to obtain direct payments pursuant to the Loan Agreement. If the Borrower's or the Lessee's obligations in connection with the Series 2024 Bonds exceeded the value of the collateral security for the obligations, then in Federal bankruptcy proceedings, the recovery for the Series 2024 Bondholders might be limited to the value of that collateral. In such a bankruptcy proceeding, a reorganization plan containing provisions, for example, backloading loan or bond payment amounts on the Series 2024 Bonds, could be confirmed and become effective even if the plan were not supported by some or all of the holders of the Series 2024 Bonds. Each of the legal opinions delivered in connection with the issuance of the Series 2024 Bonds will be qualified as to the effect of state and federal laws, rulings and decisions, including bankruptcy laws, affecting remedies and affecting the enforceability of remedies, creditors' rights generally, and the documents described herein.

Construction Risks

The Borrower will use a portion of the proceeds of the Series 2024 Bonds to finance the Construction Project. The Lessee entered into a contract for the construction of the New Money Improvements (the "Construction Contract"), for a stipulated sum. The Construction Project is expected to cost approximately \$5,700,000 and to be substantially completed in time for the intended use by the Lessee, which is not expected to affect enrollment. The

budget, the timeline and other relevant information relating to the Construction Project are further described in APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SERIES 2024 PROJECT – The Construction Project” attached hereto.

There are certain necessary permits and approvals for the Construction Project that have not been obtained, including the permit for the road improvements from the North Carolina Department of Transportation, each of which the Lessee expects to obtain on or prior to the commencement of applicable portions of the Construction Project. While the Lessee expects to obtain such permits and approvals by the date set forth in APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SERIES 2024 PROJECT – The Construction Project” there can be no assurance that the permits and approvals will be granted on or before such date or at all, or that the failure of the conditions necessary to obtain such permits will not have a material adverse effect on the budget or schedule for, or economic feasibility of, the Construction Project. The Lessee does not expect to obtain such permits and approvals on or before the Closing Date and it is not a condition to the issuance of the Series 2024 Bonds that such permits and approvals be obtained on or before the Closing Date. If there is a delay in the completion of the Construction Project, the Lessee does not expect that such delay will have a material adverse effect on the operations or financial performance of the Borrower or the Lessee.

The Construction Project is generally subject to all typical construction related risks. Such risks include, among others, labor disputes, defective building materials, schedule delays, shortages in various labor trades, prevailing wage requirements, fire or other property or casualty damage, unanticipated subsoil conditions and financial difficulties on the part of or disputes with the construction manager, key suppliers, contractors or subcontractors. There can be no assurance that construction problems of the types described above, or other problems, will not frustrate the planned completion of any part of the Construction Project.

No assurance can be given, however, that the Construction Project will be completed on schedule. Shortages of necessary labor, building materials or other supplies, on reasonable terms or on any terms, although currently not expected, could, if any were to arise, delay construction. Moreover, severe weather conditions could hamper construction speeds at various times of the year. Delays in the completion of the Construction Project, or the failure to complete the Construction Project at all, could have a material adverse impact on the Lessee’s operations, its financial status and the value of the collateral securing the Bonds.

For additional details on the Construction Project, see APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SERIES 2024 PROJECT – The Construction Project” attached hereto.

Environmental Regulation

The Series 2024 Facilities and any other properties the Lessee may acquire and lease or own are and will be subject to various federal, State of North Carolina, and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to the Series 2024 Facilities or such other properties, whether arising from pre-existing conditions or conditions arising as a result of activities conducted in connection with the ownership of and operations at the Series 2024 Facilities or such other properties. Costs incurred with respect to environmental remediation or liability could adversely affect the Lessee’s financial condition and its ability to generate revenues sufficient to make payments under the Lease Agreement representing debt service on the Series 2024 Bonds. Excessive costs in connection with any such environmental remediation or any such liability to third parties could also make it difficult to successfully re-let the Series 2024 Facilities.

An environmental consultant (the “Consultant”) conducted a Phase I Environmental Site Assessment of the Series 2024 Facilities and summarized its findings in a report dated November 3, 2023 (the “Phase I Report”). The Phase I Report revealed no evidence of recognized environmental conditions (“RECs”), controlled RECs, historical RECs, or business environmental risks (“BERs”) in connection with the Series 2024 Facilities. Based on the conclusions of the Phase I Report, the Consultant does not recommend any further investigations of the Series 2024 Facilities at the time of the Phase I Report.

The investigations that formed the basis for the Phase I Report were conducted more than 180 days prior to the Closing Date, and, as a result, certain parties involved in the issuance, sale, and delivery of the

Series 2024 Bonds, including the holders of the Series 2024 Bonds, may not be able to rely upon all or a portion of the Phase I Report to qualify for environmental liability protections under the Comprehensive Environmental Response, Compensation and Liability Act or similar laws if a claim is made related to a historical contamination issue.

After the Phase I Report was conducted, the Borrower installed two above-ground liquid propane storage tanks (“ASTs”) in connection with the Greenhouse and the Agricultural Storage Facility, which became operational in March 2024. The ASTs may constitute potential BERs including, but not limited to, ongoing monitoring, permitting, operation, maintenance, and abatement costs that may be associated with the ASTs in the future. There can be no assurance that BERs, if any, associated with the ASTs will not have a material environmental or environmentally driven impact on the operations of the Borrower or the Lessee at the Series 2024 Facilities.

Notwithstanding the foregoing, the Borrower and the Lessee each represent that there have been no actions taken since the Phase I Report was conducted that have had a material adverse effect or will have a material adverse effect on the environmental status of the Series 2024 Facilities.

See APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SERIES 2024 FACILITIES – Environmental Report” for more information regarding the Phase I Reports.

The intent of the Phase I environmental site assessment was to identify the potential for recognized environmental conditions; however, no environmental assessment can completely eliminate the uncertainty regarding the potential for recognized environmental conditions. In addition, observations and conclusions pertaining to environmental conditions are necessarily limited to the conditions observed, and or materials reviewed at the time the assessment was performed. In the event environmental enforcement actions are initiated, the Lessee could be liable for the costs of removing or otherwise treating pollutants or contaminants located at the Series 2024 Facilities. Such obligations could adversely affect the Lessee’s budget and cash flow and could adversely affect the Lessee’s ability to generate revenues sufficient to make payments under the Lease Agreement representing debt service on the Series 2024 Bonds. In addition, under certain environmental statutes, in the event an enforcement action is initiated, a lien could be attached to the Series 2024 Facilities, or a portion thereof. In the event of a foreclosure on the Deed of Trust, the Borrower may be held liable for costs and other liabilities relating to Hazardous Materials, if any, on the site of the Series 2024 Facilities, or any portion thereof, on a strict-liability basis, and such costs might exceed the value of such property.

Climate Change

The State of North Carolina, and in particular the southeastern region of the United States where the School is located, is susceptible to the effects of extreme weather events and natural disasters, including floods, tornadoes, rain events and hurricanes, which could result in negative economic impacts on the Series 2024 Facilities. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage the Series 2024 Facilities, or the local infrastructure that provides essential services to the School. The economic impacts resulting from such extreme weather events could include a loss of property values, a decline in revenue base, and escalated recovery costs. While the School has not experienced any flooding in the past five years or damage during the 2023 hurricane season, no assurances can be given that a future extreme weather event driven by climate change will not adversely affect the operations of the Borrower, the Lessee, or the School at the Series 2024 Facilities.

Additional Bonds

Under the Indenture, at the request of the Borrower, the Authority may, but shall not be obligated to, issue Additional Bonds in its sole and exclusive discretion on behalf of the Borrower from time to time, on a parity with the Series 2024 Bonds if certain conditions are met. See “SECURITY FOR THE SERIES 2024 BONDS – The Indenture – Additional Bonds.”

Incurrence of Additional Indebtedness

The Borrower and the Lessee contemplate incurring additional Indebtedness in the future, as further described under APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL – THE SCHOOL – Future Plans” attached hereto. The Lease Agreement permits the Lessee to incur additional indebtedness upon compliance with the provisions thereof. The incurrence of such additional indebtedness could increase the economic burden on the Lessee and thereby adversely affect the ability of the Lessee to generate revenues sufficient to make payments under the Lease Agreement representing debt service on the Series 2024 Bonds. See “SECURITY FOR THE SERIES 2024 BONDS – The Lease Agreement – Limitations on Indebtedness.”

Enforcement of Remedies

The remedies available to the Trustee or the registered owners of the Series 2024 Bonds upon an Event of Default under the Indenture, the Loan Agreement, the Deed of Trust, the Control Agreement or the Lease Agreement depend in many respects on judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Indenture, the Loan Agreement, the Deed of Trust, the Control Agreement and the Lease Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2024 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the sovereign powers of the State of Wisconsin and the State of North Carolina and the constitutional powers of the U.S., State of North Carolina foreclosure laws, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Risks Related to Limited Duties of the Trustees

The Trustee has no duty to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Loan Agreement, Lease Agreement or of any of the documents executed in connection with the Series 2024 Bonds or as to the existence of an Event of Default under the Loan Agreement, Lease Agreement or the Indenture. In addition, neither the Trustee nor any of its directors, officers, employees, agents or affiliates will be responsible for nor have any duty to monitor the performance or any action of the Issuer, the Borrower, or any of their directors, members, officers, agents, affiliates or employee, nor will the Trustee have any liability in connection with the malfeasance or nonfeasance by any such party. As such, the Trustee may only be able to identify and declare an Event of Default in connection with (i) a non-payment under the Loan Agreement or (ii) non-payment of principal or interest due on the Series 2024 Bonds pursuant to the Indenture.

In addition, the Indenture permits moneys in all funds and accounts established under the Indenture, to be invested and reinvested by the Trustee, at the direction of the Borrower, in Investment Obligations only. The Trustee will rely solely on the written direction of the Borrower in investing and reinvesting such moneys, without further investigation or independent determination as to whether such investments constitute Investment Obligations. As such, there is a risk that the Trustee may invest or reinvest such moneys in investments that do not constitute Investment Obligations based on a faulty written direction of the Borrower.

Determination of Taxability

If a Determination of Taxability were to occur, the Series 2024A Bonds would be subject to mandatory redemption, as a whole at the principal amount thereof, plus accrued interest thereon to the date of redemption, plus a three percent (3%) premium. Under the Indenture, the corresponding redemption date shall be the earliest practicable date selected by the Trustee, after consultation with the Borrower, but in no event later than six months following the finalization of the Determination of Taxability. See “THE SERIES 2024A BONDS – Prior Redemption – Redemption of Bonds Upon Occurrence of Certain Events – Determination of Taxability.” The IRS has authority to audit tax-exempt bonds, and has indicated in public statements and pronouncements that it intends to enforce compliance with statutory and regulatory provisions related to tax-exempt bonds by simultaneously pursuing bondowners, borrowers and issuers. No assurance can be given that the IRS will not examine the Series 2024A Bonds. If the Series 2024A Bonds are examined, it may have an adverse impact on their marketability and price. The tax-exempt status for federal income tax purposes of interest on the Series 2024A Bonds depends on continued compliance by the Authority, the Borrower and the Lessee with certain covenants relating generally to restrictions on use of the Series 2024 Facilities, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply

with such covenants could cause interest on the Series 2024A Bonds to become subject to federal income taxation retroactive to the date of issuance of the Series 2024A Bonds.

Loss of Tax-Exempt Status

The Lessee represents that it is a tax-exempt organization described in Section 501(c)(3) of the Code and is exempt from taxation under Section 501(a) of the Code, and the Borrower represents that it is a disregarded entity for federal tax purposes. As a tax-exempt, charitable organization, the Lessee and its operations are subject to various requirements specified by the Code and the regulations promulgated thereunder. The Borrower and Lessee must comply with those requirements in order to maintain the Lessee's tax-exempt status and the Borrower's disregarded entity status. The Borrower and Lessee may be audited by the IRS. Although each of the Borrower and Lessee represents that it believes it is in compliance with applicable tax laws, an IRS audit of the Borrower or the Lessee ultimately could affect either the Lessee's tax-exempt status or the Borrower's disregarded entity status. Loss of tax-exempt status by the Lessee, or loss of disregarded status by the Borrower, could result in a change in the Borrower's or Lessee's status under State of North Carolina law, including changes that could adversely affect the Lessee's ability to operate the School or to do so on the terms described herein, or could result in loss of tax exemption for federal income tax purposes of interest on the Series 2024A Bonds, possibly from their date of issuance.

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). Each of the Borrower and the Lessee currently reports no UBTI. The Borrower or the Lessee may in the future participate in activities which generate UBTI. If so, each of the Borrower and the Lessee believes it would properly account for and report UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect their tax-exempt or disregarded entity statuses.

Legislation adopted by Congress in 1996 provides the IRS with an "intermediate" sanctions system of federal excise taxes to address violations by tax-exempt organizations of the private inurement prohibition of the Code. Before this "intermediate sanctions law," the IRS could punish such violations only through revocation of an entity's tax-exempt status. Intermediate sanctions may be imposed where there is an "excess benefit transaction," defined to include a disqualified person (*i.e.*, an insider) (i) engaging in a non-fair market value transaction with the tax-exempt organization, (ii) receiving unreasonable compensation from the tax-exempt organization, or (iii) receiving payment in an arrangement that violates the private inurement proscription. Intermediate sanctions may be imposed by the IRS either in lieu of or in addition to revocation of exemption. The legislation is potentially favorable to taxpayers in that it provides the IRS with a punitive option short of exemption revocation to deal with incidents of private inurement. However, the standards for tax exemption have not been changed and the IRS still has the authority to revoke tax-exempt status in appropriate circumstances.

Risks Related to Tax Reform

From time to time there are legislative proposals in the U.S. Congress and the State of North Carolina Legislature that, if enacted, could alter or amend the federal and State of North Carolina income tax matters with respect to the Series 2024 Bonds, adversely affect the market value or liquidity of the Series 2024 Bonds, impact the Lessee's or the Borrower's income tax status or impact how the State of North Carolina funds public schools, including charter schools. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment or the status of tax exempt entities. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or liquidity of the Series 2024 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Series 2024 Bonds or the market value or liquidity thereof would be impacted thereby. Purchasers of the Series 2024 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Purchasers of the Series 2024 Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively affect such investors' federal, state or local tax liability. In all such events, the market

value of the Series 2024 Bonds may be impacted and the ability of holders to sell the Series 2024 Bonds in the secondary market may be reduced.

Bond Audits

Internal Revenue Service (“IRS”) officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Series 2024 Bonds may be, from time to time, subject to audits by the IRS. The Lessee believes that the Series 2024 Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion that under existing laws, regulations, judicial decisions and rulings, interest on the Series 2024 Bonds is excludable from gross income pursuant to Section 103 of the Code for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, as described under the caption “TAX MATTERS” herein. No ruling with respect to the tax-exempt status of the Series 2024 Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts and are not guarantees. There can be no assurance that an audit of the Series 2024 Bonds will not adversely affect the Series 2024 Bonds.

Rating Changes

The rating assigned to the Series 2024 Bonds by Moody’s is provided as of the date of this Official Statement, based upon, among other things, certain financial, economic, operational and managerial information provided to Moody’s by the Borrower and the Lessee. The rating assigned to the Series 2024 Bonds will be based solely upon the independent judgment of Moody’s.

There is no assurance that a particular rating will continue for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of Moody’s, circumstances so warrant. Any downward revision, qualification or withdrawal of any such rating could have an adverse effect on the market price of the Series 2024 Bonds.

Limited Market

The Series 2024 Bonds have no active trading market and neither the Borrower nor the Lessee intends to list the Series 2024 Bonds on any securities exchange. There can be no assurance that a market for the Series 2024 Bonds will develop, or that investors will be able to resell the Series 2024 Bonds at the offering price or at any price. Accordingly, an investor must bear the economic risk of its investment in the Series 2024 Bonds for an indefinite period of time.

Compliance with Securities Laws

The Series 2024 Bonds may be sold by Bondholders only in compliance with the registration provisions, or certain exemptions therefrom, of the Securities Act of 1933, as amended (the “Securities Act”) and applicable state securities acts (which may be prohibitively expensive if registration is required and may not be possible in any event). In some states, specific conditions must be met or approval of a state securities commission is required in order to qualify for an exemption from registration.

Risk of Early Redemption

The Series 2024 Bonds are subject to early redemption upon the option of the Borrower, upon the occurrence of certain events, and pursuant to mandatory sinking fund requirements. See “THE SERIES 2024 BONDS – Prior Redemption.” Any person who purchases a Series 2024 Bond should consider the fact that the redemption price for the redeemed Series 2024 Bonds may be more or less than the market price of the Series 2024 Bonds at such time.

Risk of Loss from Nonpresentment upon Redemption

The rights of the registered owners of the Series 2024 Bonds to receive interest will terminate on the date, if any, on which the Series 2024 Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Indenture.

Legal Opinions

The various legal opinions to be delivered concurrently with the delivery of the Series 2024 Bonds will express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

In addition, such opinions will be qualified as to the enforceability of the various legal instruments by, among others, limitations imposed by North Carolina, Wisconsin and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2024 Bonds. In order for potential investors to identify risk factors and make an informed decision, potential investors should be thoroughly familiar with this entire Official Statement including the appendices hereto.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system has been obtained from DTC. The Authority, the Borrower, the Lessee, the Trustee and the Underwriter assume no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), will act as securities depository for the Series 2024 Bonds. The Series 2024 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 Series 2024 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 SERIES 2024 BONDS, REFERENCES HEREIN TO BONDHOLDERS OR OWNERS OF THE SERIES 2024 BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024 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 S&P 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 Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2024 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 Series 2024 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2024 Bond documents. For example, Beneficial Owners of Series 2024 Bonds may wish to ascertain that the nominee holding the Series 2024 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 Series 2024 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borrower as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2024 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 Borrower on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Trustee, Authority, Borrower or the Lessee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borrower, 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 securities depository with respect to the Series 2024 Bonds at any time by providing reasonable notice. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2024 Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository); in that event, the 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 believed to be reliable, but neither the Authority, the Borrower nor the Lessee assumes any responsibility for the accuracy thereof.

THE AUTHORITY, THE BORROWER, THE LESSEE, THE TRUSTEE AND THE UNDERWRITER WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2024 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 SERIES 2024 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 SERIES 2024 BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE SERIES 2024 BONDS.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but the Authority, the Borrower, the Lessee, the Trustee and the Underwriter take no responsibility for the accuracy thereof, and neither Participants nor Beneficial Owners should rely on the foregoing information with respect to such matters. Instead, they should confirm the same with DTC or the Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

LEGAL MATTERS

General

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2024 Bonds by the Authority are subject to the approving opinion of McGuireWoods LLP, Bond Counsel, whose approving opinion will be delivered with the Series 2024 Bonds, and the proposed form of which is set forth in APPENDIX E – "SUBSTANTIALLY FINAL FORM OF BOND COUNSEL OPINION." Such bond counsel opinion delivered may vary from that form if necessary to reflect facts and law on the date of delivery. Certain legal matters will be passed upon by McGuireWoods LLP, as counsel to the Borrower and the Lessee; by Attolles Law, s.c., as counsel to the Authority; and by Ice Miller LLP, as counsel to and solely for the benefit of the Underwriter.

The various legal opinions to be delivered concurrently with the delivery of the Series 2024 Bonds will speak only as of their dates of delivery and will be qualified in certain customary respects, including as to the enforceability of the various legal instruments by limitations imposed by state and federal law affecting remedies and by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, the application of equitable principles and the exercise of judicial discretion in appropriate cases. The legal opinions express the professional judgment of counsel rendering them, but are not binding on any court or other governmental agency and are not guarantees of a particular result. Certain fees paid to Bond Counsel and the Underwriter for services rendered are contingent upon the issuance and delivery of the Series 2024 Bonds.

Pending and Threatened Litigation

No Proceedings Against the Borrower or the Lessee

In connection with the issuance of the Series 2024 Bonds, the Borrower and the Lessee will deliver certificates which will state that, as of the date of issuance of the Series 2024 Bonds, to the best of their knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the Borrower or the Lessee, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Indenture, any Borrower Document, any Lessee Document, or this Official Statement, the validity and enforceability of the Indenture, any Borrower Document, any Lessee Document, or the Series 2024 Bonds or the operations (financial or otherwise) of the Borrower or the Lessee.

No Proceedings Against the Authority

To the Authority's knowledge, as of the date of this Official Statement there is not pending or overtly threatened, any litigation restraining or enjoining the issuance or delivery of the Series 2024 Bonds or questioning or affecting the validity of the Series 2024 Bonds or the proceedings or authority under which they are to be issued or which in any manner questions the right of the Authority to enter into the Indenture or the Loan Agreement or to secure the Series 2024 Bonds in the manner provided therein.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest – Series 2024A Bonds

Bond Counsel's opinion regarding the federal income tax status of the interest on the Series 2024A Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Series 2024A Bonds (i) is excludable from the gross income of the owners thereof for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. In addition, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See APPENDIX E – "SUBSTANTIALLY FINAL FORM OF BOND COUNSEL OPINION."

Bond Counsel's opinion speaks as of its date, is based on current provisions of the Code, and other current legal authority and precedent, and covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the Series 2024A Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Authority, the Borrower or the Lessee or about the effect of future changes in the Code, the applicable regulations, or the interpretation or the enforcement thereof by the IRS and the courts. The Authority, the Borrower and the Lessee have covenanted, however, to comply with the requirements of the Code.

Although Bond Counsel is of the opinion that interest on the Series 2024A Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024A Bonds may otherwise affect the federal tax liability of an owner of the Series 2024A Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the Series 2024A Bonds should consult their own tax advisors with respect thereto.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the federal income tax treatment of interest on the Series 2024A Bonds, Bond Counsel is relying upon certifications of representatives of the Authority, the Borrower, the Lessee, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified, and the opinion of counsel to the Borrower and the Lessee that the Lessee is an organization described in Section 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code and that the Borrower is a disregarded entity

for tax purposes, and to the best of such counsel's knowledge, after investigation, the Borrower and the Lessee have not engaged in conduct inconsistent with the Lessee's status as an exempt organization.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the Authority, the Borrower and the Lessee. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2024A Bonds in order for interest on the Series 2024A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, the requirement that the Lessee maintain its status as an organization described in Section 501(c)(3) of the Code, restrictions on the use, expenditure and investment of the proceeds of the Series 2024A Bonds and the use of the property financed by such Series 2024A Bonds, limitations on the source of the payment of and the security for such Series 2024A Bonds and the obligation to rebate certain excess earnings on the gross proceeds of such Series 2024A Bonds to the United States Treasury. The Indenture, the Loan Agreement, the Lease Agreement and the Tax Certificate and Agreement to be entered into by the Authority, the Borrower and the Lessee (the "Tax Agreement") with respect to the Series 2024A Bonds contain covenants for the benefit of the owners of the Series 2024A Bonds (the "Covenants") under which the Authority, the Borrower and the Lessee have agreed to comply with such requirements. Failure by the Authority, the Borrower or the Lessee to comply with the Covenants could cause interest on the Series 2024A Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure were to occur, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2024A Bonds from becoming includable in gross income for federal income tax purposes. Compliance by the Authority with its respective Covenants does not require the Authority to make any financial contribution for which it does not receive funds from the Borrower or the Lessee.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2024A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Indenture, the Loan Agreement, the Lease Agreement and the Tax Agreement, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in the Tax Agreement. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2024A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Original Issue Discount

In general, a Series 2024A Bond purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "original issue discount." Each such Series 2024A Bond is referred to below as an "OID Bond." The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official

Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the Series 2024A Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond, the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bonds should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

Information Reporting and Backup Withholding

Prospective purchasers should be aware that the interest on the Series 2024A Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2024A Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an "exempt recipient" and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the Series 2024A Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Internal Revenue Service Audits

The IRS has established 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 Series 2024A Bonds, the IRS will, under its current procedures, treat the Authority as the taxpayer. As such, the beneficial owners of the Series 2024A Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2024A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2024A Bonds.

Opinion of Bond Counsel – North Carolina Income Tax Status of Interest

Bond Counsel's opinion will state that interest on the Series 2024 Bonds is not exempt from income taxes in North Carolina or Wisconsin. Prospective purchases of the Series 2024 Bonds should consult their own tax advisors

regarding the tax status of interest on the Series 2024 Bonds in a particular state or local jurisdiction other than North Carolina or the State of Wisconsin.

Changes in Federal and State Tax Law and Regulations

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

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations to interpret and apply the provisions of the Code and state law and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2024A Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the Series 2024A Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2024A Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2024A Bonds.

Prospective purchasers of the Series 2024A Bonds should consult their own tax advisors regarding the potential consequences of any such proposed or pending federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – Federal Income Tax Status of Interest – Series 2024B Bonds

Bond Counsel's opinion with respect to the Series 2024B Bonds will state that, based on current law, interest on the Series 2024B Bonds is includable in the gross income of the owners thereof for purposes of federal income taxation. See APPENDIX E – "SUBSTANTIALLY FINAL FORM OF BOND COUNSEL OPINION".

Summary

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series 2024B Bonds as of the date hereof. Each prospective purchaser of the Series 2024B Bonds should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2024B Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the Series 2024B Bonds that are "U.S. holders," as hereinafter defined, deals only with Series 2024B Bonds held as "capital assets" within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors (including nonresident alien individuals, foreign corporations and foreign financial institutions), cash method taxpayers, dealers in securities, currencies or commodities, bank thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold Series 2024B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of the Series 2024B Bonds.

As used herein, a “U.S. holder” is a “U.S. person” that is a beneficial owner of Series 2024B Bonds. A “non-U.S. investor” is a holder (or beneficial owner) of Series 2024B Bonds that is not a U.S. person. For these purposes, a “U.S. person” is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more U.S. persons have the authority to control all of the trust’s substantial decisions.

Interest on the Series 2024B Bonds

The Series 2024B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, stated interest on the Series 2024B Bonds will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the Series 2024B Bonds who or which allocate a basis in the Series 2024B Bonds that is greater than the principal amount of the Series 2024B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the Series 2024B Bonds for an amount that is less than the principal amount of the Series 2024B Bonds, and such difference is not considered to be de minimis, then such discount will represent original issue discount that ultimately will constitute ordinary income (and not capital gain). U.S. holders of the Series 2024B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income).

Sale or Other Disposition of the Series 2024B Bonds

Unless a nonrecognition provision of the Code applies, upon the sale, exchange, redemption, retirement or other disposition of a Series 2024B Bond, an owner generally will recognize gain or loss on its interest in the Series 2024B Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such interest in the Series 2024B Bonds. Such gain or loss generally will be capital gain (although any gain attributable to accrued original issue discount on the Series 2024B Bonds not yet taken into income will be ordinary) or loss. The adjusted basis of the owner in an interest in the Series 2024B Bonds will (in general) equal its original purchase price increased by any original issue discount previously included in the gross income of the owner with respect to the Series 2024B Bonds and decreased by any amortized premium.

Defeasance

Defeasance of the Series 2024B Bonds may result in a deemed exchange thereof, in which event an owner will generally recognize taxable gain or loss as described in the preceding paragraph.

Backup Withholding

Under current U.S. federal income tax laws, a 24% backup withholding tax requirement may apply to certain payments of interest on, and the proceeds of a sale, exchange or redemption of, the Series 2024B Bonds. Certain persons making such payments are required to submit information returns (that is, IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

Medicare Tax

For taxable years beginning after December 31, 2014, an additional 3.8% tax will be imposed on the “net investment income” of certain individuals, estates and trusts that have “modified adjusted gross income” above a certain threshold. Net investment income includes but is not limited to, the interest on the Series 2024B Bonds and

gains from the disposition of a Series 2024B Bond. Prospective investors should consult their tax advisors regarding the possible applicability of this tax to an investment in the Series 2024B Bonds.

CONTINUING DISCLOSURE

The Borrower, the Lessee and the Dissemination Agent will enter into and deliver a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with respect to the Series 2024 Bonds. In connection with the Series 2019 Bonds, the Lessee entered into continuing disclosure undertaking (the “Prior Undertaking”).

Certain instances of noncompliance with the Prior Undertaking include:

1. Posting the audited financial statements of the Lessee one (1) day late;
2. Posting the annual information of the Lessee, which includes including enrollment counts, student retention rates, and operating covenants, between three (3) and seventy-three (73) days late; and
3. Posting the quarterly financial information of the Lessee, which includes quarterly financial statements and enrollment statistics, between one (1) and seventy-six (76) days late.

The Continuing Disclosure Agreement is made for the benefit of the Registered Owners and Beneficial Owners of the Series 2024 Bonds and in order to assist the Underwriter in complying with its obligations pursuant to the Rule. See APPENDIX F – “SUBSTANTIALLY FINAL FORM OF CONTINUING DISCLOSURE AGREEMENT.”

No financial or operating data concerning the Authority is material to an evaluation of the offering of the Series 2024 Bonds or to any decision to purchase, hold or sell any Series 2024 Bonds and the Authority will not provide any such information. The Authority shall have no liability to the Holders of the Series 2024 Bonds or any other person with respect to the Rule.

The Dissemination Agent provides its clients with automated filing of rating events, templates consolidating all outstanding filing requirements that accompany reminder notices of annual or interim mandatory filings, review of all template filings by professional accountants, as well as a time and date stamp record of each filing along with the unique ID from EMMA accompanying the copy of the actual document filed. The Dissemination Agent also offers its clients a series of training webinars each year qualified for 10-15 NASBA certified CPE credits, as well as model secondary market compliance policies and procedures.

FINANCIAL ADVISOR

Specialized Public Finance, Inc. (the “Financial Advisor”) is employed as the financial advisor to the Borrower and the Lessee in connection with the issuance of the Series 2024 Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2024 Bonds is contingent upon the issuance and delivery of the Series 2024 Bonds. The Financial Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2024 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

FINANCIAL STATEMENTS

The audited financial statements of the Lessee for the Fiscal Years ended June 30, 2021, 2022, and 2023, included in this Official Statement in APPENDIX B – “FINANCIAL STATEMENTS,” have been audited by Sharpe & Patel, PLLC (the “Auditor”) to the extent and for the periods indicated in its reports thereon. Such financial statements have been included in reliance upon the report of the Auditor. The Lessee is not aware of any facts that would make such financial statements misleading. These financial statements were prepared using the standards applicable to governmental entities. The audited financial statements included in APPENDIX B are an integral part hereof and should be read in their entirety.

Certain unaudited financial statements of the Lessee for the nine-month periods ended March 31, 2023 and 2024 are included in APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL.” Such unaudited financial statements have been prepared by the Lessee and have not been examined or reviewed by the Auditor or any other independent certified public accountant. See “RISK FACTORS.”

FINANCIAL PROJECTIONS

The Lessee has prepared the Financial Projections for the Lessee for each of the five Fiscal Years ending June 30, 2024 through 2029 included in APPENDIX A – “THE LESSEE, THE BORROWER, AND THE SCHOOL” with the assistance of Acadia. The Financial Projections constitute “forward-looking” statements of the type described in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934.

The Financial Projections are based upon assumptions made by the Lessee. There are usually differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Factors that could cause actual results to differ from those expected include, but are not limited to, general economic conditions; the willingness of North Carolina to fund public schools, including charter schools, at present or increased levels; competitive conditions within the School’s service area; lower-than-projected enrollment; unanticipated expenses; changes in government regulation including changes in the law governing charter schools in North Carolina; future claims for accidents against the Lessee, the Borrower, or the School and the extent of insurance coverage for such claims; and other risks discussed in this Official Statement.

See “RISK FACTORS.”

CERTAIN RELATIONSHIPS

Ice Miller LLP has previously represented or currently represents the Authority, Trustee, and the Underwriter in transactions unrelated to the issuance of the Series 2024 Bonds. Ice Miller LLP is serving as counsel to the Underwriter in connection with the issuance of the Series 2024 Bonds. McGuireWoods LLP is serving as bond counsel and as counsel to the Lessee and the Borrower in connection with the Series 2024 Bonds.

RATING

Moody’s Investors Service (“Moody’s”) has assigned its municipal bond rating of “Baa3” to the Series 2024 Bonds. The rating reflects only the views of Moody’s and an explanation of the significance of the ratings may be obtained only from Moody’s.

There is no assurance that a particular rating will continue for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of Moody’s, circumstances so warrant. Any downward revision, qualification or withdrawal of any such rating could have an adverse effect on the market price of the Series 2024 Bonds.

UNDERWRITING

The Series 2024 Bonds will initially be purchased by the Underwriter. The Underwriter has agreed to purchase the Series 2024 Bonds at a purchase price resulting in an Underwriter’s discount of \$429,900, subject to the terms of a bond purchase agreement among the Authority, the Borrower, the Lessee and the Underwriter (the “Bond Purchase Agreement”). The Bond Purchase Agreement provides that the Underwriter shall purchase all Series 2024 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The right of the Underwriter to receive compensation in connection with the Series 2024 Bonds is contingent upon the actual sale and delivery of the Series 2024 Bonds. The Underwriter has initially offered the Series 2024 Bonds to the public at the prices set forth on page (i) of this Official Statement. Such prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Series 2024 Bonds to the public. The Borrower and the Lessee have agreed under the Bond Purchase Agreement to indemnify the Underwriter and the Authority against certain liabilities, including certain liabilities under federal and state securities laws.

MISCELLANEOUS

Registration of Series 2024 Bonds

Registration or qualification of the offer and sale of the Series 2024 Bonds (as distinguished from registration of the ownership of the Series 2024 Bonds) is not required under the Securities Act. The Authority assumes no responsibility for qualification or registration of the Series 2024 Bonds for sale under the securities laws of any jurisdiction in which the Series 2024 Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred.

Additional Information

The summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Official Statement do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the Underwriter: Robert W. Baird & Co., Incorporated, 210 University Blvd., Suite 800, Denver, Colorado 80206, Attention: Brian Kelso, Managing Director.

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Certification

The preparation of this Official Statement and its distribution and use have been approved by the Borrower and the Lessee. This Official Statement is not to be construed as an agreement or contract between the Authority, the Borrower or the Lessee and any purchaser, owner or holder of any Series 2024 Bond.

NECP HOLDINGS, LLC

By: North East Carolina Preparatory School, Inc., as its sole member

By: /s/ Mark Lee Cockrell
Mark Lee Cockrell, Executive Director

NORTH EAST CAROLINA PREPARATORY SCHOOL, INC.

By: /s/ Anne Yancey Mann
Anne Yancey Mann, Chair

APPENDIX A
THE LESSEE, THE BORROWER, AND THE SCHOOL

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APPENDIX A THE LESSEE, THE BORROWER AND THE SCHOOL

INTRODUCTION

General

North East Carolina Preparatory School, Inc. (the “Lessee”) is a North Carolina nonprofit corporation, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and the sole member of NECP Holdings, LLC (the “Borrower”), a North Carolina limited liability company. The Lessee operates a public charter school known as North East Carolina Preparatory School (the “School”) pursuant to a charter granted by the North Carolina State Board of Education (the “SBE”) effective for a ten-year term commencing July 1, 2022 through June 30, 2032 (the “Charter”). The original Charter was effective for a ten-year term commencing July 1, 2012 through June 30, 2022.

The Lessee commenced operations of the School for the 2012-13 school year and since that time has operated as the only charter school in Edgecombe County, North Carolina, serving approximately 400 students in grades K-8 during its first year. Since that time, its enrollment has grown, and as of the 20th day average daily membership (“ADM”) count for the 2023-24 school year, the School served 1,018 students in grades K-12. The School began its pre-kindergarten (“pre-K”) program for the 2019-20 school year, and for the 2023-24 school year, the School has approximately 30 students enrolled in pre-K program as of February 26, 2024. See “THE SCHOOL – Educational Philosophy and Curriculum” and – “Historical, Current and Projected Enrollment” herein for additional details on the enrollment at the School and the pre-K program.

Under the Charter Schools Act, the School is subject to regulation and ongoing oversight by the SBE, the North Carolina Department of Public Instruction (“DPI”) and the North Carolina Office of Charter Schools (“OCS”), which work together to manage charter schools in the State of North Carolina (“North Carolina” or the “State”). The SBE is the authorizer of all charter schools in the State, including the School. OCS makes annual visits to every charter school in the State, with more frequent visits required if operational issues arise.

Prior Bonds

In June 2019, the Authority¹ issued its Charter School Revenue Bonds (North East Carolina Preparatory School Project) Series 2019A in the original aggregate principal amount of \$22,000,000 and its Charter School Revenue Bonds (North East Carolina Preparatory School Project) Series 2019B (Subordinate) in the original aggregate principal amount of \$1,000,000 (collectively, the “Series 2019 Bonds”). The proceeds of the Series 2019 Bonds were used to (a) finance the acquisition of an educational facility (the “School Facility”) located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the “Campus”) used by the Lessee for the operation of the School, (b) fund a debt service reserve fund and (c) pay for costs of issuance.

See “THE SERIES 2024 PROJECT – The Series 2024 Facilities” herein for more information regarding the School Facility and the Campus.

Governing Board

The business and affairs of the Lessee are managed by the board of directors (the “Board”). The Board must consist of no less than five and no more than seven directors (each, a “Director”). Each Director serves a three-year term, each year beginning July 1 and ending June 30. There is no limit to the number of terms a Director can serve.

The Board holds an annual meeting the first week of June for the purpose of electing officers and Directors, if necessary, and for the transaction of other business. Regular meetings are held monthly from July through May of

¹ Capitalized terms used but not defined in this Appendix A shall have the meanings set forth in the forepart of the Limited Offering Memorandum.

each fiscal year. Special meetings may be called at the request of the Chairman or any two Directors, with at least three calendar days' notice. All Board meetings are held in accordance with the Open Meetings law.

A majority of Directors then in office immediately before a meeting begins constitutes a quorum for the transaction of business.

The officers of the Lessee consist of the Chairperson of the Board, the Vice Chairperson of the Board, an Executive Director, a Secretary and a Treasurer, who is the Chairperson of the Lessee's Finance Committee. Officers are elected at the annual meeting and serve for three-year terms.

Directors. The Board is currently comprised of five Directors. The table below shows certain details of the Directors, followed by brief biographies.

Name	Title	Profession	Employer	Year Joined	Term Ends
Anne Mann	Chairman	Finance	Town of Tarboro	2020	2025
Cara Archer	Vice Chairman	Banking	Truist Bank	2021	2026
Linda Knight	Director	Business & Education	Think & Grow Child Care Center	2019	2024
Ella Batts	Director	Education	Retired	2023	2026
Beatriz Ward	Director	Education	Nash-Rocky Mount Schools	2020	2025

Anne Mann, Chairman – Anne Mann has been the Finance Officer for the Town of Tarboro, North Carolina since 2015. Before her time with the Town of Tarboro, she was the Director of Finance for the Town of Nashville, North Carolina. Ms. Mann earned a Bachelor of Science in Mathematics and Computer Science from Elon University and a Master of Science in Accounting from East Carolina University. She is a certified public accountant (“CPA”) registered by the North Carolina State Board of CPA Examiners.

Cara Archer, Vice Chairman – Cara Archer is a Senior Product Development Manager at Truist Bank, formed by the merger of BB&T and SunTrust. Prior to her current position, she was the Truist Contact Center Group Manager, CB Cluster Market Leader III, “BB&T@Work” Coordinator and Relationship Manager. She earned a Bachelor of Science in Public Relations, Advertising, and Applied Communications, and a master's degree in Organizational Professional Communication Development from Ball State University. Ms. Archer also attended BB&T Banking School at Wake Forest University.

Lisa Knight, Director – Lisa Knight is the owner and operator of Think & Grow Child Care Center in Tarboro. She is a founder and board member of the Community Enrichment Organization and Edgecombe County Entrepreneurs Organization and has served on the board of directors for North Carolina Community Foundation, Tarboro Development Corporation, DREAM Social and Civic Club, Michael's Angels, and Down East Partnership for Children. Mrs. Knight has received several awards such as the Guiding Light Service Award from DREAM Social and Civic Club, Entrepreneur of the Year from Edgecombe County Entrepreneurs Organization, and Super Citizen Award from Community Enrichment Organization. Mrs. Knight earned a Bachelor of Arts in Liberal Arts from North Carolina Agricultural and Technical State University.

Ms. Knight does not expect to remain on the Board after her current term ends in June 2024. The Board plans to appoint a replacement Director in July 2024, but has not identified the Director to be added.

Ella Batts, Director – Ella Batts was an educator and school leader at Nash-Rocky Mount Schools for 31 years. In her career at Nash-Rocky Mount Schools, Mrs. Batts was a teacher, principal, and the director of curriculum and instruction, director of personnel and executive director of human resources. Mrs. Batts earned a Bachelor of Science in Elementary Education and Master of Arts in School Administration from East Carolina University.

Beatriz Ward, Director – Beatriz Ward is a World Language educator at Nash-Rocky Mount Schools and is the 2023-24 Teacher of the Year for Nash Rocky Mount Early College High School. Mrs. Ward has 22 years of teaching experience and has taught English, Spanish and French as world languages. She is currently a member of the University of North Carolina Duke Area Studies K-12 Teacher Advisory Board and the northeastern representative for the North Carolina Department of Public Instruction Parent Advisory Committee. Mrs. Ward earned a bachelor's degree in Foreign Language Teaching from Benito Juarez Autonomous University of Oaxaca, Mexico and a Master of Arts in Teaching English to Speakers of Other Languages from Greensboro College.

Committees. The Board has established the following four committees, each of which meet quarterly:

- Governance Committee: reviews Board policies and provides direction to the Lessee.
- Nominating Committee: oversees the acceptance of applications for potential new Directors and their selection by the existing Board.
- Finance Committee: monitors the Lessee's finances and is comprised of Directors, the Finance Officer, the Chairman, and the Executive Director.
- Executive Committee: hears all grievances that may reach the Board and student discipline appeals.

School Administration

The Lessee's key administrators consist of the Executive Director, the Principal and two Assistant Principals, each of which are employees of the School. A brief biography for each administrator is provided below.

Dr. Mark Cockrell, Executive Director – Dr. Cockrell is a 36-year veteran of public education, including teaching, coaching, and elementary, middle, and high school principalships. Dr. Cockrell joined the Lessee in 2021 as Executive Director of the School. Prior to his current role, he served as an executive director for middle school and secondary school education, a county athletic director, and a chief academic officer for Nash-Rocky Mount Schools. Dr. Cockrell earned a Bachelor of Science in Physical Education, a Master of Arts in Physical Education, Educational Specialist in Educational Leadership and doctorate degree in Educational Leadership, all from East Carolina University. He has also completed an Administrative Certification from East Carolina University.

Fate Franks, pre-K-12 Principal – Mr. Franks joined the School in 2021 and has been in the field of education for the last 14 years. Prior to the School, he has held administration positions including Principal for the Darden School, Beddingfield High School, and Wilson County Schools. Mr. Franks earned a Bachelor of Science in Education from Barton College and a Master of Education from East Carolina University.

Jemal Bone, pre-K-7 Assistant Principal – Mr. Boone joined the School in 2017 as a teacher and has been the pre-K-7 grade assistant principal since 2021. Prior to joining the School, Mr. Boone was a middle school social studies teacher for KIPP ENC Public Schools and Halifax County Public Schools. He also was an elementary reading and mathematics tutor for Sylvan Learning Center. He was awarded "Teacher of the Year" in the 2015-16 and 2019-20 school years. Mr. Boone earned a Bachelor of Arts in Philosophy from Morehouse College and a Master of Arts in Executive Leadership from Gardner-Webb University. He also holds a certification in Middle Grades Lateral Entry.

Wayne Miller, 8-12 Assistant Principal – Mr. Miller joined the School in 2015 as an Exceptional Education Teacher and was promoted to his current position in November 2023. Mr. Miller has been in education for 39 years and served as a teacher, high school principal and assistant principal, middle school principal and assistant principal and elementary principal. He earned a Bachelor of Arts in Psychology from the University of North Carolina at Chapel Hill and a Master's in School Administration and a certification in exceptional children from East Carolina University.

Fiscal Policies

Budget and Financial Management. The fiscal year of the Lessee is July 1 of each year through June 30 of the following year. The School's Executive Director, in consultation with the Finance Committee and Acadia (as defined herein), prepares the annual budget. See "Third-Party Service Providers" herein for more information on

Acadia. The Board reviews the proposed budget each year against actual expenses and revenues for the previous fiscal year. As DPI provides updated revenue forecasts throughout the school year, the School's Executive Director and external accountant report budget changes to the Board on a periodic basis. See "CERTAIN FINANCIAL INFORMATION – Budgeting and Accounting Principles" herein for more information on the budget.

Conflict of Interest. The Board has adopted a conflicts of interest policy (the "COI Policy") that governs all related party transactions. Under the COI Policy, interested directors must disclose the existence of a financial interest and be given the opportunity to disclose all material facts to the Board and/or members of committees with board-delegated powers considering the proposed transaction or arrangement. Further, the Chairman of the Board or the chair of the committee, if a committee meeting is appropriate, shall appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement. After exercising due diligence, the Board or committee will determine whether the Lessee can obtain, with reasonable efforts, a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of disinterested members whether the transaction or arrangement is in the Lessee's best interest, for its own benefit, and whether it is fair and reasonable. Only then shall the Board enter into the transaction or arrangement.

Third-Party Service Providers

The Lessee entered into two service contracts with Acadia Northstar, LLC ("Acadia") to provide financial accounting services (the "Acadia Financial Contract") and student information management services (the "Acadia Student Information Contract" and together with the Acadia Financial Contract, the "Acadia Contracts"). In the fall of 2023, Acadia was acquired by Prestige School Solutions, LLC. As of the date of this Official Statement, Acadia expects to continue operating under its current tradename and Acadia does not expect to make any material changes to the Acadia Contracts as a result of the acquisition.

The Acadia Financial Contract has a term of July 1, 2022 through June 30, 2025 and will renew automatically for successive one year renewals thereafter unless either party provides timely notice of its intent not to renew the Acadia Financial Contract. The Acadia Financial Contract includes the following "base services": account reconciliation, accounts payable actions, periodic State and federal reporting, payroll functions, monthly budgeting reports, and other financial, budget and other reports requested by the Borrower. For its financial accounting services, Acadia is compensated on a monthly basis based on the greater of \$90 per ADM or \$15,000 each fiscal year paid in equal monthly increments of 1/12 of the total amount (the "Financial Contract Base Fee"). Since the ADM for each fiscal year is normally determined after July 1, the Financial Contract Base Fee is initially based on the prior year's ADM until such time as the actual ADM is determined. If the ADM count for a given school year exceeds 900, the Financial Contract Base Fee will be calculated with an ADM count of 900, if applicable.

The Acadia Student Information Contract has a term of July 1, 2021 through June 30, 2024 and will renew automatically for successive one year renewals thereafter unless either party provides timely notice of its intent not to renew the Acadia Student Information Contract. The Acadia Student Information Contract includes services performed through the software system known as "PowerSchool," which includes (i) student activities prior to school opening such as, the enrollment or withdrawal of students, the addition or removal of staff, preparation of a master schedule, training, (ii) activities during the school year such as, ongoing maintenance of the PowerSchool database, monthly invoicing for local school districts, prepare submission reports for the DPI, report card formatting and templates, and year end processes required by the State. For its student information services, the Lessee pays Acadia \$2,916.67 per month for the term of the contract (the "Student Information Contract Base Fee"). The parties to the Acadia Student Information Contract agree that the Student Information Contract Base Fee will not increase if the ADM count of the School increases, but the Student Information Contract Base Fee may be reduced if the ADM count of the School drops below 800 students for a given year during the term of the Acadia Student Information Contract.

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THE SERIES 2024 PROJECT

General

The proceeds of the Series 2024 Bonds will be loaned by the Authority to the Borrower for the purpose of (a) refinancing the outstanding principal amount of the Series 2019 Bonds, (b) financing the New Money Improvements, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Series 2024 Bonds.

On the Closing Date, the Borrower will apply a portion of the proceeds of the Series 2024 Bonds to fully refund the Series 2019 Bonds. See “PLAN OF FINANCE – General” in the Official Statement for more information.

The Borrower will lease the Series 2024 Facilities to the Lessee pursuant to the Lease Agreement.

The Series 2024 Facilities

The School Facility. The School Facility consists of two one-story buildings and one two-story building collectively containing approximately 111,240 square feet (the “Academic Buildings”) and a one-story building containing the gymnasium that is used by the School for assemblies and physical education classes. The Academic Buildings collectively contain approximately 77 classrooms. The Academic Buildings contain the main administrative offices, teacher’s lounges, a primary kitchen, a secondary kitchen, and three computer labs. There are an additional 20 rooms throughout the Academic Buildings that are used as offices, closets, electrical rooms, and custodian closets.

The Lessee has completed the construction of an agricultural storage facility (the “Agricultural Storage Facility”) with an attached greenhouse (the “Greenhouse”). The construction of the Agricultural Storage Facility was funded by COVID-19 funds and donations from community partners, including NC Farm Bureau Insurance and the Rotary Club of Tarboro, who donated a total of \$125,000. The Agricultural Storage Facility will serve as a holding area for animals so students can have real life experiences and a vocational shop area in which the School’s curriculum offerings can be expanded. The addition of the Greenhouse, which is approximately 1,760 square feet, also provides students in grades pre-K-12 a hands on learning experience as it relates to grade level specific curricula. See “THE SCHOOL – Educational Philosophy and Curriculum” herein for more information regarding the School’s use of the Agricultural Storage Facility and the Greenhouse.



Photograph of the School Facility

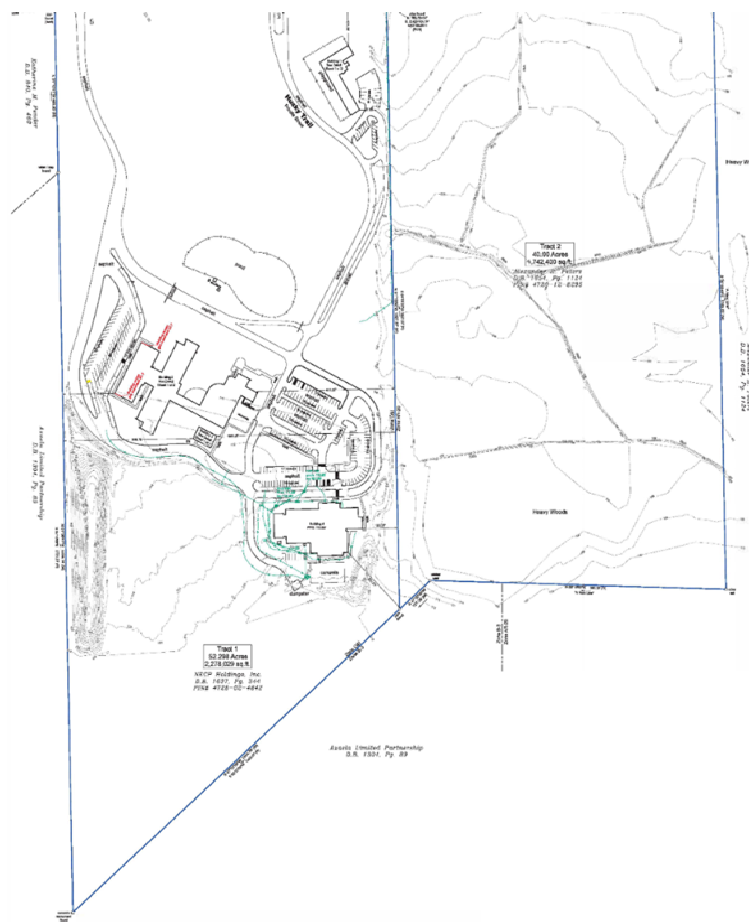
The New Money Improvements. The New Money Improvements will consist of an 8,000 square foot multi-purpose facility including a cafeteria for upper school students, a wrestling area, and two large locker rooms for outdoor sports (the “Multi-Purpose Facility”). The New Money Improvements will also consist of a multi-purpose athletic field for soccer and football, with a 400-meter track and home and visitor bleachers (the “Athletics Facilities”). The New Money Improvements will allow the School to move its soccer and wrestling programs to the Campus and the track will allow the School to begin a middle and high school track program and host track meets. See “The Construction Project” below for more information.

The Campus sits on approximately 92.31 acres of land and consists of the School Facility, the Agricultural Storage Facility, the Greenhouse, a pond, a storage shed, playgrounds, athletic fields, and asphalt-paved parking areas, and will consist of the New Money Improvements. There are two private driveways on the Campus to access the Series 2024 Facilities and upon completion of the Construction Project, a new entrance to the Series 2024 Facilities will be added with a student parking lot for approximately 100 vehicles.

The Series 2024 Facilities have an enrollment capacity of not less than 1,300 students. The Agricultural Storage Facility and Greenhouse do not add, and the New Money Improvements will not add, additional enrollment capacity to the Series 2024 Facilities. The Lessee believes that the New Money Improvements, in addition to other recent improvements at the Campus as described above, will increase the desirability of the School resulting in increased student enrollment. See “THE SCHOOL – Historical, Current and Projected Enrollment” herein for the projected student enrollment.

The Lessee anticipates constructing additional improvements at the Series 2024 Facilities in the future. See “THE SCHOOL – Future Plans” herein for additional information.

Topographical Survey of the Campus. The following image shows the topographical survey of the Campus.



The Construction Project

General. On or about the Closing Date, the Borrower and the Lessee will commence construction of the New Money Improvements (the “Construction Project”). The Construction Project is expected to cost approximately \$5,700,000 and to be substantially completed in time for the intended use by the Lessee, which is not expected to affect enrollment (the “Substantial Completion Date”). If there is a delay in the completion of the Construction Project, the Lessee does not expect that such delay will have a material adverse effect on the operations or financial performance of the Borrower or the Lessee. See “RISK FACTORS – Construction Risks.”

The Lessee entered into an AIA Document A141-2014 Standard Form of Agreement Between Owner and Design-Builder (the “Construction Contract”), by and between the Lessee and Smithson Inc. (the “Contractor”) for a stipulated sum of \$5,200,000 (the “Contract Price”). In addition to the foregoing, approximately \$500,000 will be used to reimburse the Lessee for expenses associated with the Construction Project, and such amount is not included in the Contract Price.

The table below shows the estimated construction budget, as prepared by the Contractor.

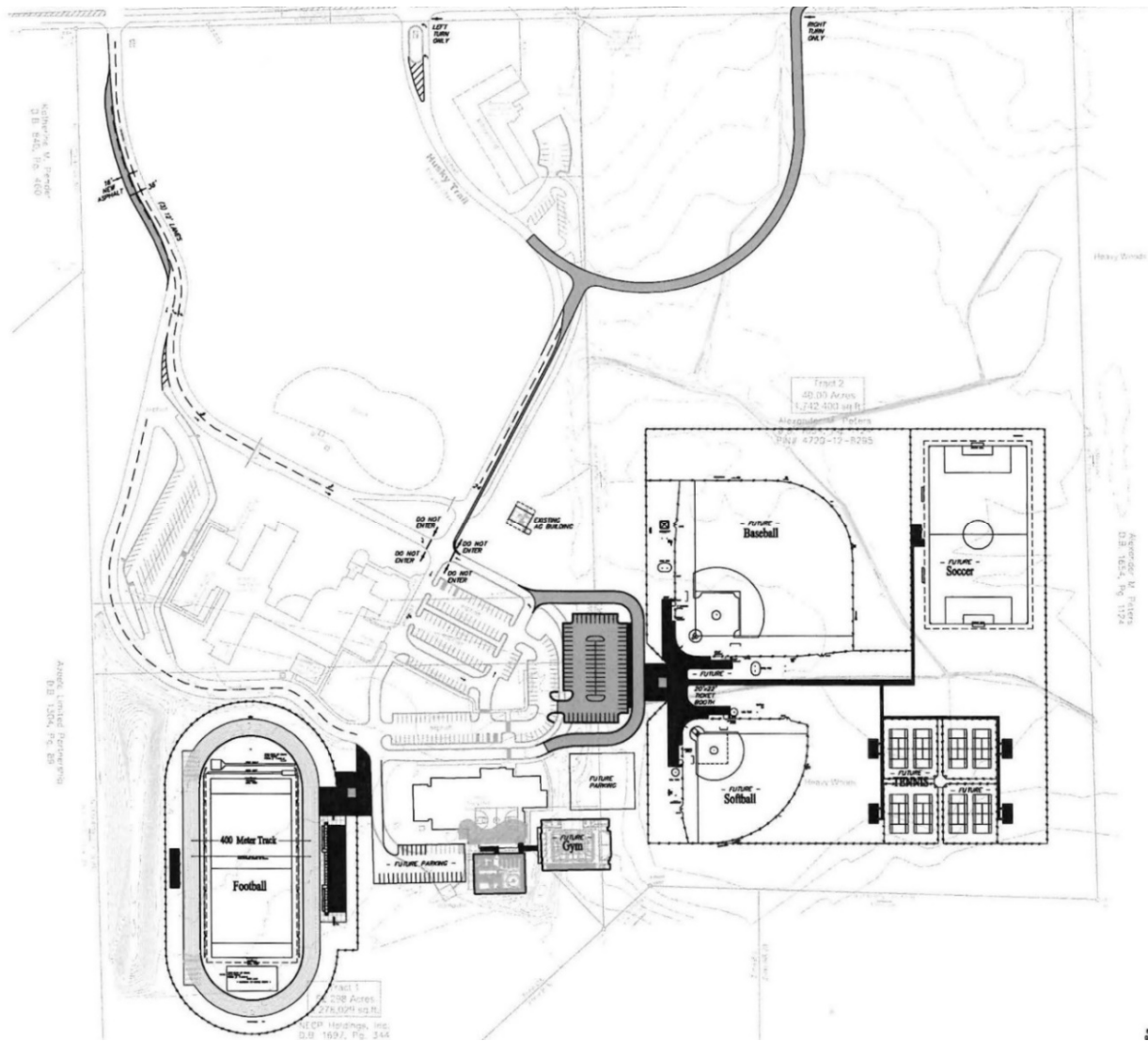
Budget Component	Budgeted Amount (\$)
<i>Costs included in the Contract Price</i>	
Hard Costs	4,704,946
Soft Costs	495,054
<i>Total costs included in the Contract Price</i>	<i>5,200,000</i>
<i>Costs outside of the Contract Price</i>	
Reimbursements	500,000
<i>Total costs outside of the Contract Price</i>	<i>500,000</i>
TOTAL PROJECT COSTS	5,700,000

The Construction Contract requires (i) liquidated damages of \$250 per day for each day that the Construction Project is not completed after the Substantial Completion Date and (ii) payment and performance bonds and certain other contingencies to cover any additional costs associated with the Construction Project, including those related to permits and approvals not yet obtained.

There are certain necessary permits and approvals for the Construction Project that have not been obtained, including the permit for the road improvements from the North Carolina Department of Transportation, each of which the Lessee expects to obtain on or prior to the commencement of applicable portions of the Construction Project. While the Lessee expects to obtain such permits and approvals by the date set forth in the table above, there can be no assurance that the permits and approvals will be granted on or before such date or at all, or that the failure of the conditions necessary to obtain such permits will not have a material adverse effect on the budget or schedule for, or economic feasibility of, the Construction Project. See “RISK FACTORS – Construction Risks.” The Lessee does not expect to obtain such permits and approvals on or before the Closing Date and it is not a condition to the issuance of the Series 2024 Bonds that such permits and approvals be obtained on or before the Closing Date.

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Construction Project Site Plan. The following image shows the site plan for the Construction Project and the Future Construction Projects (as defined herein). See “THE SCHOOL – Future Plans” herein for more information regarding Future Construction Projects, including anticipated costs and the scope of work.



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The Contractor. The Contractor was founded in 1979 and has completed projects internationally and throughout the United States, though its heaviest concentration of projects are in the Southeast region of the United States. The table below shows the recent education projects that the Contractor has completed or is in the process of completing.

Completion Date	Client	Location	Project Description	Approximate Size (sq. ft.)
2017	Southern Nash High School	Bailey, NC	Construction of an agricultural storage facility	3,000
2018	College Prep & Leadership Academy	High Point, NC	Renovation of an existing educational facility	82,000
2019	College Prep & Leadership Academy	High Point, NC	Construction of a new facility, gym and classrooms	30,000
2021	Carter G. Woodson School	Winston Salem, NC	Construction of a cafeteria and classroom additions	3,500
Ongoing	Quality Education Academy	Winston Salem, NC	Construction of a 2 story classroom addition	16,000
Ongoing	Rocky Mount Preparatory School	Rocky Mount, NC	Construction of a school campus	100,000

The Mortgaged Property

The Borrower and the Lessee will execute a Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing dated as of the first day of the month in which the Series 2024 Bonds are issued (the “Deed of Trust”) from the Borrower and the Lessee to the deed of trust trustee named therein for the benefit of the Trustee. The Mortgaged Estate, which includes the Series 2024 Facilities, is subject to the Deed of Trust.

No Appraisal

None of the parties to the Series 2024 Bonds transaction has obtained an appraisal of the Series 2024 Facilities in connection with the offering of the Series 2024 Bonds.

Although the Borrower will grant the Trustee the Deed of Trust, it is not expected that value sufficient to redeem all of the Series 2024 Bonds would be realized by the Trustee in a foreclosure on the Mortgaged Property.

Environmental Report

An environmental consultant (the “Consultant”) conducted a Phase I Environmental Site Assessment of the Series 2024 Facilities and summarized its findings in a report dated November 3, 2023 (the “Phase I Report”). The Phase I Report revealed no evidence of recognized environmental conditions (“RECs”), controlled RECs, historical RECs, or business environmental risks (“BERs”) in connection with the Series 2024 Facilities. Based on the conclusions of the Phase I Report, the Consultant does not recommend any further investigations of the Series 2024 Facilities at the time of the Phase I Report.

The investigations that formed the basis for the Phase I Report were conducted more than 180 days prior to the Closing Date, and, as a result, certain parties involved in the issuance, sale, and delivery of the Series 2024 Bonds, including the holders of the Series 2024 Bonds, may not be able to rely upon all or a portion of the Phase I Report to qualify for environmental liability protections under the Comprehensive Environmental Response, Compensation and Liability Act or similar laws if a claim is made related to a historical contamination issue.

After the Phase I Report was conducted, the Borrower installed two above-ground liquid propane storage tanks (“ASTs”) in connection with the Greenhouse and the Agricultural Storage Facility, which became operational in March 2024. The ASTs may constitute potential BERs including, but not limited to, ongoing

monitoring, permitting, operation, maintenance, and abatement costs that may be associated with the ASTs in the future. There can be no assurance that BERs, if any, associated with the ASTs will not have a material environmental or environmentally driven impact on the operations of the Borrower or the Lessee at the Series 2024 Facilities.

Notwithstanding the foregoing, the Borrower and the Lessee each represent that there have been no actions taken since the Phase I Report was conducted that have had a material adverse effect or will have a material adverse effect on the environmental status of the Series 2024 Facilities.

The Phase I Report speaks only as of its date, and the Consultant has not been asked to perform any additional assessments of a subject property since the time of the assessment described in the Phase I Report. Further, the Phase I Report is subject to the limitations specified therein. More generally, no environmental assessment can completely eliminate uncertainty regarding the potential for RECs in connection with a subject property. Potential investors must refer to the complete Phase I Report for a full understanding of such limitations and for additional information pertinent to the assessment. Costs incurred by the Borrower or the Lessee with respect to environmental remediation or liability could adversely affect the financial condition thereof.

See “RISK FACTORS – Environmental Regulation.”

THE SCHOOL

The Charter

The Lessee operates the School under the Charter and pursuant to the requirements of the Charter School Act. The original Charter was effective for a ten-year term commencing July 1, 2012 through June 30, 2022 and, in 2022, the Charter was renewed for a ten-year term commencing July 1, 2022 through June 30, 2032.

The Lessee has applied to the SBE to expand the Charter to include a virtual academy at the School (the “Virtual Academy”). The Lessee does not expect to incur any additional expenses related to the Virtual Academy, if approved and pursued, and expects that it would generate revenue based solely on student participation in the Virtual Academy. However, the Financial Projections contained herein under the section titled “CERTAIN FINANCIAL INFORMATION – Financial Projections” do not account for any expenses or revenues associated with the Lessee’s operation of the Virtual Academy, if approved and pursued.

Charter compliance is monitored by SBE, the DPI, and OCS, which work together to manage charter schools in North Carolina. SBE is the authorizer of all charter schools in North Carolina, including the School. OCS is the communication liaison between SBE and the School. Charter schools are required to submit final annual compliance reports to OCS.

At least 60% of a charter school’s students must meet growth standards as defined by SBE. If a charter school does not meet growth standards in two years of each three-year period, such charter school is put on “notice” by SBE and receives a letter advising the charter school of its deficiency. Any such notice precipitates OCS visits to a charter school each semester, quarter or month, depending on the severity of the deficiency and requires that the charter school provide a plan to correct the deficiency. OCS then provides feedback on such plan. Should the charter school fail to pass the proficiency evaluations for an additional year, SBE may terminate the charter school’s charter.

Achievements and Accolades

For the academic year 2021-22, the School had the third highest growth, 97%, in North Carolina, which includes all public and charter schools in the State. The School is also one of two schools in the State that offers agricultural education in grades K-12. US News and World Report has named the School as #98-131 in North Carolina Charter Elementary Schools and #92-123 in North Carolina Charter Middle Schools.

For the 2022-23 school year, the School received the following accolades:

- Highest growth score among area charter schools;
- Top five percent highest growth in the State among all charter schools;
- Top seven percent highest growth of all State public schools out of 2,531 schools; and
- Highest growth score in Edgecombe County.

Future Plans

As part of their future plans for the School, the Borrower and the Lessee may expand the Series 2024 Facilities in phases to construct a gymnasium, a small field house for locker rooms, and baseball, softball, and soccer fields on the Campus (the “Future Construction Projects”). Although there are no definitive plans to do so at this time and no resources have been contractually committed thereto, the Borrower and the Lessee expect to undertake the Future Construction Projects in the next two-to-five years if projected enrollment materializes and economic factors such as construction costs and projected revenues and expenses make it feasible.

As of the date of this Official Statement, the Lessee estimates that the Future Construction Projects would cost approximately \$2,500,000 for construction and furniture, fixtures, and equipment. The Future Construction Projects, as currently contemplated, would be cash-funded by the Lessee beginning in the Fiscal Year ending June 30, 2027; however, such funding is not contemplated in the Financial Projections included under the section titled “CERTAIN FINANCIAL INFORMATION – Financial Projections” herein, because there are no definitive plans for the Future Construction Project at this time.

The incurrence of additional Indebtedness and/or the spend-down of cash by the Borrower or the Lessee in connection with any potential project, including the Future Construction Projects, may decrease the Coverage Ratio and/or Days Cash on Hand of the Lessee for one or more Fiscal Years. See “SECURITY FOR THE SERIES 2024 BONDS – Loan Agreement – Limitations on Indebtedness.”

Service Area

General. Pursuant to and in accordance with North Carolina law, the School may serve students from across North Carolina. The School is located in the Town of Tarboro (“Tarboro”), in the school district served by Edgecombe County Public Schools. Approximately 70% of the students who attend the School live in Edgecombe County, where the School is located. Approximately 10% reside in Halifax County, which is approximately 25 miles from the School. Of the remaining students, the students residing the greatest distance from the School reside approximately 40 miles from the School. The School is located less than one mile from US Route 64. The Lessee’s goal is to attract students from outside of Edgecombe County, but the Lessee expects that increased enrollment at the School will primarily be from students in Edgecombe County.

Demerger of Edgecombe County and Nash County School Systems. In September 2022, the Edgecombe County Board of Commissioners approved a motion to trigger a county-line demerger of the Nash County school system. The county-line demerger will transition four schools located on the Edgecombe County side of Rocky Mount to the Edgecombe County school system. Starting in the 2024-25 school year, approximately 1,700 students who live on the Edgecombe County side of Rocky Mount will transition from attending Nash County Public Schools to attending Edgecombe County Public Schools.

In N.C. Sess. Law 2023-37 (SB 248) (“SB 248”), filed on March 8, 2023, the General Assembly of North Carolina approved the demerger and effective July 1, 2024, the boundaries of the Nash School Administrative Unit will be identical of the boundaries of Nash County. SB 248 notes that any territory that was previously part of the Nash School Administrative Unit that is located outside of the boundaries of Nash County will be annexed to the school administrative unit of the county in which the territory is located. In addition, the “Nash-Rocky Mount School Administrative Unit” was renamed to “Nash School Administrative Unit” and the “Nash-Rocky Mount Board of Education” will be renamed to “Nash Board of Education.”

By November 15, 2023, the boards of Nash and Edgecombe counties, in consultation with their respective county commissioners, were required to submit a written plan to transfer the employment of personnel, student assignment, budgetary considerations, real encumbered and unencumbered properties, assets and liabilities, buses, band equipment, furnishing, textbooks, and instructional materials and supplies from Nash County Schools to Edgecombe County Schools for implementation by July 1, 2024. The written plan was completed by the November 15, 2023 deadline.

The Lessee expects that the demerger will provide an opportunity for parents to enroll their children at the School instead of Edgecombe County Schools. Historically, Edgecombe County Schools have performed lower than Nash County Schools, teacher turnover has been higher, and school facilities are older. The table below shows a comparison between Edgecombe County Schools and Nash County Schools for the 2022-23 school year.

	Number of Schools	Total Enrollment	School Performance Grades (number of schools)					School Growth Status (number of schools)		
			A	B	C	D	F	Exceeded	Met	Not Met
Edgecombe County Schools	14	5,203	1	-	2	9	2	5	6	3
Nash County Schools	30	14,245	1	1	10	10	7	10	10	5

Population and Demographic Information. The table below shows the U.S. Census Bureau demographic estimates for Tarboro, Edgecombe County, and the State.

	Tarboro	Edgecombe County	The State
Population, estimate, 2023	N/A	N/A	10,835,491
Population, estimate, 2022	10,668	48,301	10,695,965
Population, Census, 2020	10,721	48,900	10,439,388
Population, Census, 2010	11,415	45,552	9,535,483
Population change (2010-22) (%)	(6.5)	6.0	12.2
Population change (2010-20) (%)	(6.1)	7.3	9.5
Population change (2020-22) (%)	(0.5)	(1.2)	2.5
Persons <5 years, 2022 (%)	5.4	5.9	5.6
Persons <18 years, 2022 (%)	22.0	22.6	21.4

The table below shows the North Carolina Office of Budget and Management's estimated population projections for the State and Edgecombe County, from 2020 through 2050, updated as of December 15, 2023.

Geographic Area	2020	2050	Net Growth (Loss)
The State	10,472,553	14,241,032	3,768,479
Edgecombe County	48,824	39,493	(9,331)

Housing. The table below shows select housing demographics for Tarboro, Edgecombe County, and the State. The information detailed below has been provided by the U.S. Census Bureau.

	Tarboro	Edgecombe County	The State
Housing units, 2022	N/A	23,331	4,892,662
Households, 2018-22*	4,776	19,350	4,105,232
Median value of owner-occupied housing units, 2018-22* (\$)	145,600	106,200	234,900
Owner-occupied housing unit rate, 2018-22* (%)	58.1	61.9	66.2
Median gross rent, 2018-22* (\$)	657	779	1,093
Building permits, 2022	N/A	108	91,852

* Yearly average over five-year period.

Income and Employment. The table below shows the access to distance learning, income, poverty rate, and employment statistics for Tarboro, Edgecombe County, and the State.

	Tarboro	Edgecombe County	The State
Households with a computer, 2018-22* (%)	84.5	84.4	93.1
Households with a broadband internet subscription, 2018-22* (%)	79.1	75.7	87.0
In civilian labor force, total, percent of population 16+ years (2018-22*)	50.3	56.5	61.4
Median household income, 2018-22* (\$)	43,523	46,370	66,186
Total employment, 2021	N/A	11,971	3,903,814
Persons in poverty, 2022 (%)	24.0	20.8	12.8

* Yearly average over five-year period.

The tables below show detailed information on personal income and its change year-to-year for the State and Edgecombe County, from the Bureau of Economic Analysis, U.S. Department of Commerce.²

Description	The State				
	2018	2019	2020	2021	2022
Personal Income (\$mils)	473,093	501,587	541,078	599,134	621,706
Population (# persons)	10,275,806	10,370,550	10,449,445	10,565,885	10,698,973
Per Capita Personal Income (\$)	46,040	48,366	51,781	56,705	58,109

Description	Edgecombe County				
	2018	2019	2020	2021	2022
Personal Income (\$K)	1,781,308	1,832,549	1,971,859	2,132,625	2,101,422
Population (# persons)	50,251	49,472	48,777	48,370	48,301
Per Capita Personal Income (\$)	35,448	37,042	40,426	44,090	43,507

Employers. The table below lists the top ten employers in the County, as reported by North Carolina's Department of Commerce Labor and Economic Analysis, as of the second quarter 2023.

Rank	Company	Industry	# of Employees
1	City of Rocky Mount	Public Administration	1000+
2	Edgecombe Tarboro Board of Education	Educational Services	500-999
3	Sara Lee Frozen Bakery LLC	Manufacturing	500-999
4	Edgecombe County	Public Administration	500-999
5	Vidant Medical Center	Health Care and Social Assistance	250-499
6	Air System Components Inc	Manufacturing	250-499
7	Abb Inc	Manufacturing	250-499
8	Keihin North America, Inc.	Manufacturing	250-499
9	HC Composites LLC	Manufacturing	250-499
10	Wal-Mart Associates Inc.	Retail Trade	250-499

² State and county statistics were last updated in September 2023 and November 2023, respectively.

Education. The table below shows the ADM for Edgecombe County Schools and surrounding school districts for the 2020-21 through 2022-23 school years, as reported by the DPI.

School District	2020-21	2021-22	2022-23
Edgecombe County Schools	5,311	5,278	5,203
Bertie County Schools	1,797	1,739	1,730
Halifax County Schools	2,017	2,029	2,060
Martin County Schools	2,605	2,521	2,493
Nash-Rocky Mount Schools ³	13,958	14,074	14,245
Pitt County Schools	22,466	22,967	23,347
Roanoke Rapids City Schools	2,543	2,585	2,632
Weldon City Schools	657	669	636
Wilson County Schools	10,082	10,137	10,045

Competitive Schools. The table below shows certain basic information on the School and the schools selected by the Lessee as the School's primary competition. See "Academic Performance" for additional information about the performance data for the School and selected competitors.

School	Distance (miles)	Grades	Type	City
The School	-	K-12	Charter	Tarboro
Tarboro High	1.7	9-12	District	Tarboro
Stocks Elementary	2.8	K-5	District	Tarboro
Edgecombe Early College	3.1	9-13	District	Tarboro
Martin Millennium Academy	3.1	K-8	District	Tarboro
W.A. Pattillo Middle School	3.9	6-8	District	Tarboro
Princeville Elementary	4.4	K-5	District	Tarboro
SouthWest Edgecombe High	8.1	9-12	District	Pinetops
North Edgecombe High	9.0	9-12	District	Tarboro
Coker-Wimberly Elementary	9.6	PreK-5	District	Battleboro
West Edgecombe Middle	9.7	6-8	District	Rocky Mount
G.W. Carver Elementary	9.7	PreK-5	District	Pinetops
G.W. Bullock Elementary	9.9	PreK-5	District	Rocky Mount
South Edgecombe Middle	10.0	6-8	District	Pinetops
Phillips Middle	12.0	6-8	District	Battleboro
Hobgood Charter	16.1	K-10	Charter	Hobgood
Rocky Mount Academy	18.8	PreK-12	Private	Rocky Mount
Rocky Mount Preparatory	20.1	K-12	Charter	Rocky Mount
Oakwood School	25.6	K-12	Private	Greenville
Bear Grass Charter	32.9	6-12	Charter	Williamston

³ Upon the demerger of the Edgecombe County and Nash County school systems (as further described herein), Nash-Rocky Mount Schools will become part of the Nash County Public Schools and ADM statistics for Nash-Rocky Mount Schools are not expected to be reported after the 2023-24 school year.

Map of the School Location

The following map shows the location of the Series 2024 Facilities.



Transportation

The Lessee currently owns and operates 10 buses serving the entire attendance zone covering the counties of Edgecombe, Halifax, Nash, Martin, Wilson and Pitt, North Carolina. Door to door stops are not feasible due to the size of the attendance zone, so the Lessee uses “cluster stops” to pick up and drop off students at the School from general drop off areas. The Lessee can modify the number and location of the cluster stops to respond to enrollment at the School as needed. All bus drivers are employed by the School either as a bus driver only or bus driver and teacher assistant.

Faculty and Employees

The table below shows the staffing for the School for each of the listed school years.

	Historical			Current 2023-24	Projected				
	2020- 21	2021- 22	2022- 23		2024- 25	2025- 26	2026- 27	2027- 28	2028- 29
Teacher	62	60	60	62	65	67	69	71	73
Teacher Assistants	11	11	11	11	11	12	13	13	14
Support Staff	58	57	53	53	53	54	54	55	56
Administration	5	5	4	4	4	4	4	4	4
Total Staffing	136	133	128	130	133	137	140	143	147

The table below shows the School's teacher retention for the listed school years. Teacher retention is calculated based on the percentage of teachers who returned to the School from the prior year. In order to remain competitive with neighboring schools, the Lessee provided staff with a 6% salary increase in the 2022-23 school year and a one-time bonus of 2% for each staff member for the 2023-24 school year.

	2020-21	2021-22	2022-23	2023-24
Teacher Retention Rate	89%	90%	83%	97%

The table below shows the percentage of teachers at the School who have earned the listed type of degree as their highest level of education as of the 2023-24 school year. There are three employees that are national board certified.

Bachelor's	Master's	Doctorate
76%	22%	2%

The table below shows the number of certified teachers at the School with the listed years of experience for the listed school years. The Lessee attributes the turnover of teachers with 6-10 years of experience between the 2021-22 and 2022-23 school years to the transition from the prior leadership at the School.

	2021-22	2022-23	2023-24
Beginning Teachers	2	11	13
1-5 Year of Experience	0	0	1
6-10 Years of Experience	11	2	2
More than 10 Years of Experience	37	36	37

The table below shows the average teacher salaries for the School and North Carolina for the listed school years. For the 2023-24 school year, the average teacher salary at the Edgecombe County Public Schools is \$40,916 a year.

	2020-21	2021-22	2022-23	2023-24
The School	\$40,487	\$42,897	\$43,714	\$44,588
North Carolina	\$57,292	\$53,644	\$54,512	\$54,863

Educational Philosophy and Curriculum

Mission. The mission of the School is to teach and inspire through a challenging curriculum that integrates technology, experiential learning and critical thinking skills, promotes diversity, emphasizes involvement of students, parents and a highly trained staff and creates student leaders, all in preparation for post- secondary success.

Vision. The vision of the School is to nurture students' natural curiosity and joy of learning while they achieve academic excellence through a challenging, interdisciplinary, global curriculum. The School's students, parents, teachers, and staff will create a stimulating learning community that develops critical and compassionate thinkers, confident and open-minded communicators, resourceful and responsible citizens, and leaders of our local and global communities.

Core Values. The School's students first core values:

- Be Respectful: We will respect others and their property at all times. We will listen to each other, knowing that we have individual differences that make us unique and valuable.

- Be Responsible: We will accept responsibility for our words and actions. We will treat others as we would like to be treated.
- Be Prepared: We will come to school with our learning supplies at all times. We will honor the motto, “Every Teacher has the right to teach and every Student has the right to learn.”

Curriculum. The School’s curriculum focuses on academic achievement, academic structure, and vertical/horizontal planning to best help students master the curriculum across grade levels.

In grades K-6, teachers have common planning times to foster teamwork and allow for consistency across the grade-level. Six-week pacing guides have been developed to align instruction with the North Carolina Standard Course of Study. The School’s curriculum is aligned to assessments that measure mastery of goals and objectives. The assessments provided by DPI for the State, NC Check Ins, are used to assess student progress and the data from those tests are used to address learning deficiencies. NC Check Ins are used for courses that have an End of Course (“EOC”) exam, English II, Biology, Math I and Math III or and End of Grade (“EOG”) test, reading and math in grades 3-8 and science in grades 5 & 8.

Students in pre-K through third grade are assessed individually using iStation. iStation is an award-winning, comprehensive e-learning program for Reading, Math and Spanish Literacy used by millions of students around the world. Research shows that iStation helps students grow with diverse instructional approaches that include flexible lesson plans and supportive tools, computer-adaptive assessments and game-like instruction.

The Lessee has spent considerable time and resources reviewing and vetting resources to ensure all subjects have the appropriate resources. The foundational reading skills in grades pre-K-2 are taught using the Heggerty Phonemic Awareness Curriculum which provides students with consistent and repeated instruction, and this transfers to developing a student’s decoding and encoding skills. All students participate in the lessons as part of the Tier 1 curriculum in preschool, kindergarten, 1st grade, and some 2nd grade classrooms. In addition, teachers in grades pre-K-2 have implemented guided reading groups, and students are encouraged to read at home each night. Beginning in grade 3 instruction evolves into comprehension using iStation, IXL Reading, and supporting digital resources. Collections Books (Houghton Mifflin Publishers) and Common Lit are used for English I, II, III, and IV.

The foundational math skills in grades pre-K-2 are taught using the Pearson Envision textbook supported by other digital platforms. Pearson Envision Math provides students with instruction, practice and assessments in mathematics. Teachers have full digital access to additional online materials. The Envision Math program emphasizes interactive lessons, research-based instructional approaches, best practices, and differentiated instructional strategies. Math instruction in grades 3-8 is centered around IXL math. Beginning in the 2023-24 school year, teachers in grades 8-12 now create their own math textbooks and materials through the CK-12 for Teachers program (“CK-12”).

The foundational science skills in grades pre-K-2 are taught using Scholastic materials featuring Science Weekly. Beginning in the 2023-24 school year, science teachers in grades 3-8 now create their own textbooks and materials through CK-12 for earth science, chemistry, physical science, and biology.

The foundational skills for social studies for grades pre-K-5 are taught using Scholastic materials. Beginning in grade 6, print and digital materials are used for instruction.

The School offers a robust Academically Gifted Program (“AIG”) for grades 3-8, which is currently being expanded. During the 2022-23 school year, the School competed in the local “Battle of the Books” competition and a STEM Design Challenge. Students in grades 3-7 participated in a competition where the project-based design theme was based on the novel *Divergent*. The projects included coding a Cue Robot, STEM design using K’Nex pieces, and incorporating the novel’s factions into their design phase. Students designed their K’Nex builds to represent factions or objects from the novel. The Cue Robot was programmed to navigate around objects with precision. Additionally, AIG students attended daily classes to prepare for this competition.

Also, the School offers a science, technology, engineering, arts, and math (“STEAM”) elective, where students in grades 3-5 participate in daily lessons centered on these topics. For the 2022-23 school year, students

participated in the Brick City Challenge at Nash Community College. There were 41 teams competing for first, second and third place. Students were presented with 4 challenges: (1) draw a Blueprint and design a dream house, (2) read four books and take an assessment, (3) create a design using STEAM products, and (4) program a Spike Robot to complete a task. Teams had the opportunity to collaborate in their constructive design process and produce a product following a rubric that was provided.

The School is one of two schools in the State to offer a pre-K-12 agricultural program. Students in pre-K-5 experience the agricultural program through student elective offerings. The teachers follow the State’s standard course of study for these grade levels which lead into the more advanced middle school curriculum and the ability to join the School’s Future Farmers of America (“FFA”) club in grade 6. Students in grades 6-12 that participate in the agricultural program are encouraged to join the School’s FFA club. The School’s chapter of FFA focuses on teaching students premier leadership skills, personal growth techniques, and career success tips for their future. Students that participate in the FFA club enjoy a variety of activities at the local, state, and national level including contests, leadership conferences, and field trips. In connection with the Schools pre-K-12 agricultural program, the Lessee recently completed the Agricultural Storage Facility and the Greenhouse. See “THE SERIES 2024 PROJECT – The Series 2024 Facilities” herein for more information about the Agricultural Storage Facility and the Greenhouse.

For the 2023-24 school year, the Lessee conducts parent conferences once a month to keep parents informed of their child’s progress. Additionally, the Lessee also informs parents student progress via progress reports, newsletters, teacher websites, phone calls, texts, and the School’s Facebook page. A weekly “Husky Happenings” is published to also keep parents abreast of all School events.

In the 2022-23 school year, the School began transitioning to a one-to-one technology approach. Students in grades 3-12 will be assigned a laptop to begin full technology integration. Students will be able to carry these laptops home to complete their studies and research nightly. Students in grades pre-K-2 will have laptop carts at their disposal for instruction during the day.

The School offers a full array of elective courses to meet the diverse interests of students, which include drama, visual arts, public speaking, animal science, horticulture, stem, robotics, yearbook, and creative writing. Remediation classes in reading and math are also electives in grades 7-12. AP classes are also offered in biology, language and composition, literature, statistics, US history and government. Honor classes are being taught in middle school and high school math, science, ELA, social studies, and Spanish. After school tutoring is offered in all core subjects.

The School also offers dual enrollment with Edgecombe Community College (located three miles away from the Series 2024 Facilities), which provides the students at the School with a unique opportunity to take college level classes and receive college credits. Approximately 90% of the School’s seniors complete their high school experience by taking community college courses. In some cases, these classes begin in grade 9. The School’s Individual College / Career Action Plan (“ICAP”) is an initiative that sets the School apart from its competitors. The ICAP director begins meeting with students and parents in grade 8 to begin formulating a plan of action so students can take advantage of dual enrollment classes. The table below shows the percentage of students that graduated from the School with a high school diploma and an associate degree in science or college transfer credits.

2020-21	2021-22	2022-23
85.11%	86.15%	77.78%

For the 2023-24 school year, the Lessee partners with Cummins Inc. which designs, manufactures, and distributes engines and filtration and power generation products, where students at the School work a limited number of hours after school to obtain real-world work experiences, at no cost to the School or the students. The Lessee is exploring similar partnerships with other area industries to offer additional opportunities to ensure that students leave the School academically ready and with the hands-on real-life work experiences required to build a robust talent pipeline for the community.

Graduation. All graduating students are required to meet the requirements shown in the table below. The requirements help to make certain the School's high school students that graduate are globally competitive for work and postsecondary education and prepared for life in the 21st century.

Subjects	Courses	Credits
English	English I-IV	4 units
Mathematics	Math I-III, with a higher-level math course with Math III as a prerequisite	4 units
Science	Physical Science; Biology; and Earth Environmental Science	3 units
Social Studies	World History; Civics and Economics; American History I-II (or AP US History and additional Social Studies course)	4 units
Health and Physical Education		1 unit
Electives	Two electives must be of the same foreign language	6-12 units
CPR training		n/a (completion)
Total	28 total are required for graduation out of a possible 32	

Athletics and Extracurriculars

The School offers students several opportunities to stay involved on campus outside of instructional hours. The table below shows the current clubs and athletics offered for the 2023-24 school year.

<u>Clubs</u>		
<u>Elementary School</u>		
Jr. Beta Club		
<u>Middle School</u>		
Jr. Beta Club	Battle of the Books	Student Government Association
Future Farmers of America		
<u>High School</u>		
National Senior Beta Club	International Thespian Society	Future Farmers of America
American Sign Language Honor Society	Newspaper	

<u>Athletics</u> <u>(Middle and High School students)</u>		
<u>Fall</u>	<u>Winter</u>	<u>Spring</u>
Cross Country	Basketball	Women's Soccer
Men's Soccer	Swimming	Baseball
Volleyball	Wrestling	Softball
Men's Tennis	Cheerleading	Track
		Women's Tennis
		Golf

As of the 2023-24 school year, the School began to offer before school care for families who have obligations before the school drop-off time. There is a minimal fee due for each before school care and parents can pay by the week or by the day depending on their needs.

Admissions Policy and Waitlist

The School maintains a marketing plan that promotes diversity in enrollment and openly invites attendees from central and surrounding counties. The students from the counties of Edgecombe, Halifax, Nash, Wilson, Martin, and Pitt, North Carolina are the School's targeted population, and the School partners with daycares and preschools in those counties to establish viable relationships with its targeted population, as well as to develop an outlet for regular discourse with the community at large. Additionally, the School is actively involved in community outreach, participating in many events local to the School and serving as a member of the Edgecombe County Chamber of Commerce. Furthermore, the School uses its website, its social media presence and certain newspapers and television stations that are local to the School to reach students outside of the School's targeted population.

The School's enrollment policy abides by State laws governing admission, enrollment, waitlist and lottery procedures of charter schools. Enrollment to the School is open to all students who are residents of the State. Current students wishing to remain at the School are asked to sign a letter of intent for the coming year during the first week of February. Prior to the start of the open enrollment period, the School selects the planned number of open slots for each grade, with Board approval, and makes those numbers publicly available. Once available space for the subsequent academic year is determined, the School offers admission through an open enrollment period (January 15 – March 15) and a lottery system if necessary (prior to March 31).

Students not accepted by the lottery are placed on a waitlist. When it is determined that an admitted student will not be attending the School, the next person on the waiting list for their grade will be offered a position in the School. The School has not maintained a waitlist historically and was able to accommodate all students that applied to the School. As of April 11, 2024, the School has a waitlist of 10 students for the 2024-25 school year, including one student in grade 1 and nine students in grade 7. The Lessee expects to enroll each waitlisted student at the School for the 2024-25 school year.

Student Demographics

The table below shows certain demographic information for the School, including free/reduced lunch ("FRL"), English language learners ("ELL"), and special education students for the listed school years. Historical demographic statistics are as of June of the listed year and demographic statistics for the 2023-24 school year are as of February 26, 2024.

	2020-21	2021-22	2022-23	2023-24
American Indian/Alaska Native	0%	0%	0%	1%
Asian	1%	1%	1%	1%
Black/African American	36%	33%	33%	33%
Hawaiian/Pacific Islander	1%	1%	1%	1%
White	48%	48%	48%	49%
Hispanic/Latino	11%	14%	13%	13%
Two or more races	3%	3%	3%	2%
Unspecified	0%	0%	0%	0%
FRL	52%	54%	71%	58%
ELL	1%	1%	1%	1%

Commencing with the 2023-24 school year, the School participates in the Community Eligibility Provision program ("CEP"), which is a non-pricing meal service option for schools and school districts in low-income areas. To be eligible for CEP, schools must (i) meet a minimum level of "identified students" (*i.e.*, students certified for free meals through means other than individual household applications) for free meals in the year prior to participating in CEP; (ii) agree to serve free breakfasts and lunches to all students; and (iii) agree to cover with non-federal funds any costs of providing free meals to students above the amounts provided by Federal assistance.

Under CEP, schools use only direct certification data on identified students and no longer collect household applications to determine the amount of Federal reimbursement. Reimbursement for each school participating in CEP is based on the number of identified students as a percentage of school enrollment (the “CEP Reimbursement”). To calculate the CEP Reimbursement, schools multiply the identified student percentage by a factor defined by the USDA. The final value represents the percentage of total student breakfast and lunch meals reimbursed at the free meal rate. The remaining percentage is reimbursed at the paid meal rate. Schools with an identified student percentage of 62.5% or greater will receive free meal reimbursement for all breakfast and lunch meals served to students. The CEP Reimbursement established in the first year for a school may be used for four school years and may be increased if the percentage of identified students rises for the school.

Due to the School participating in CEP, the FRL percentage is lower in the 2023-24 school year because families who would qualify for and be enrolled in FRL no longer have to report such status in order to for their children to receive FRL. Therefore, the School’s FRL percentage is under-reported compared to the actual number of students who otherwise would qualify for FRL. The Lessee does not expect its federal funding to decrease materially from prior years as a result of its participation in CEP.

Historical, Current and Projected Enrollment

The table below shows the School’s historical enrollment for the 2020-21 through 2022-23 school years, the current enrollment for the 2023-24 school year, and the projected enrollment for the 2024-25 through 2028-29 school years. Historical enrollment counts and the enrollment count for the 2023-24 school year are each as of the 20th day ADM for grades K-12. As of April 23, 2024, the School has 1,116 students enrolled for the 2024-25 school year in grades Pre-K-12. The School expects to enroll additional students from the waitlist for the 2024-25 school year. See “Admissions Policy and Waitlist” herein for more information of the School’s waitlist.

Grades	Historical			Current	Projected				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Pre-K	8	9	20	30	35	40	45	45	45
K	51	52	53	91	95	100	100	100	100
1	56	54	60	53	95	100	100	100	100
2	59	52	66	75	65	100	100	100	100
3	54	63	60	77	75	70	100	100	100
4	69	60	54	63	80	80	75	100	100
5	80	71	73	72	65	85	85	80	90
6	100	80	82	106	75	80	90	90	90
7	90	89	85	82	100	80	85	95	95
8	93	86	90	94	85	100	85	90	90
9	94	96	89	88	90	90	100	90	90
10	74	65	77	88	90	95	95	100	100
11	78	64	65	68	90	95	95	100	100
12	51	59	55	61	70	90	95	100	100
Total	957	900	929	1,048	1,110	1,205	1,250	1,290	1,300

The Lessee expects to meet the enrollment projections shown in the table above by growing the pre-K program to stabilize enrollment in Kindergarten at 100 students starting with the 2025-26 school year, thus proportionally increasing enrollment at each grade level in subsequent school years. Furthermore, upon completion of the Construction Project and the expanded athletics program at the School, the Lessee expects to retain certain high school students that have historically transferred from the School to traditional schools for additional athletics offerings. The Lessee generally enrolls more middle school students as parents choose to enroll their children at the

School due to poor performance from surrounding local school districts. As such, the Lessee expects that the historical trends for the middle school students enrolling at the School will continue in future school years.

Although pre-K enrollment is listed in the preceding table, the School does not receive State funding for students enrolled in pre-K. Parents with children enrolled in the pre-K program pay \$125 per week in tuition.

Student Attendance Rate. The table below shows the historical student attendance of the School for the listed school years.

	2020-21	2021-22	2022-23
Student Attendance	71.0%	73.2%	92.6%

Student Retention. The table below shows student retention of the School for the 2020-21 through the 2023-24 school years. The student retention percentage is calculated based on the number of students who re-enrolled at the School from the prior school year. The Lessee believes that student retention for the 2021-22 school year was lower than other school years due to the COVID-19 pandemic.

	2020-21	2021-22	2022-23	2023-24
Student Retention	80%	72%	84%	89%

Academic Performance

School Performance Grades. SBE assigns each public school an A through F School Performance Grade (“SPG”) each year. SPGs are based on two overall components (i) a school’s achievement score, which is calculated using a composite method that includes the sum of points earned by a school on all indicators measured for that school (the “Achievement Score”) and (ii) the students’ academic growth, which compares the actual performance of a school’s students to their expected performance based on the students’ prior testing results (the “Growth Score”).

SPGs are calculated based on 80% of the Achievement Score and 20% of the Growth Score. SPGs are based on a 15-point scale with an A equal to 85 to 100, B equal to 70 to 84, a C equal to 55 to 69, a D equal to 40 to 54 and an F equal to less than 40. Schools that qualify for an A and do not have significant achievement gaps receive an A+ grade. For each of the 2021-22 and 2022-23 school years, the School earned a “C”. The School did not receive an SPG for the 2020-21 school year because SPGs were suspended during the COVID-19 pandemic, as further describe below.

Achievement Score. Public schools in the State take (i) EOG tests in reading and math for grades 3-8; (ii) EOG tests in science for grades 5 and 8; (iii) and EOC tests in English II, Math I, and Biology, among other measurements such as ACTs and graduation rates, for students in grades 9-12, which comprise a school’s Achievement Score. The percent of students identified as ELLs who meet the progress standard on the English proficiency assessment is also factored into the Achievement Score as of the 2017-18 school year.

EOG reading exams are scored on a scale from Level 1 to Level 5. Students are considered “college-and-career-ready” if they score at a Level 4 (solid command of knowledge and skills) or Level 5 (superior command of knowledge and skills). A Level 3 score indicates that the student meets on-grade-level proficiency, but that they are not college-and-career ready. EOG math exams are scored on a scale of not proficient, 3, 4, or 5. Scores of 4 and 5 are considered to be college-and-career-ready, while scores of 3 are considered to be meeting on-grade level proficiency standard.

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The following tables show student proficiency scores in math and reading for the School, Edgecombe County Schools, Nash County Schools, and the State for the 2020-21 through 2022-23 school years, as presented by the North Carolina Report Card website. The School has outperformed Edgecombe County Schools and Nash County Schools for the listed years.

Math Performance (Proficiency in Subject Area)						
	2020-21		2021-22		2022-23	
	Levels 3-5	Levels 4-5	Levels 3-5	Levels 4-5	Levels 3-5	Levels 4-5
The School	20.6%	7.9%	45.4%	18.4%	48.2%	24.9%
Edgecombe County Schools	19.5%	7.4%	28.5%	13.5%	33.1%	15.3%
Nash County Schools	18.7%	7.9%	28.9%	14.2%	35.5%	17.4%
The State	40.0%	23.9%	49.8%	32.1%	53.0%	34.9%

Reading Performance (Proficiency in Subject Area)						
	2020-21		2021-22		2022-23	
	Levels 3-5	Levels 4-5	Levels 3-5	Levels 4-5	Levels 3-5	Levels 4-5
The School	35.4%	20.3%	46.1%	26.2%	53.4%	30.4%
Edgecombe County Schools	26.1%	13.2%	29.6%	12.8%	30.7%	14.7%
Nash County Schools	30.8%	15.8%	31.7%	15.1%	35.0%	17.7%
The State	45.6%	28.9%	48.4%	29.3%	50.2%	30.9%

Growth Score. The Growth Score is a measure of how well a school has done in advancing student achievement during the year, regardless of each student’s level of proficiency, derived by comparing the actual performance of a school’s students to their expected performance based on their prior testing performance. The Growth Score is comprised of end-of-grade and end-of-course assessment data that measures the amount of growth certain groups of students make in a year. There are three Growth Score designations: “Exceeds” expected growth, “Meets” expected growth, or “Does Not Meet” expected growth. Meeting or Exceeding a school’s expected growth indicates that students have demonstrated more than a year’s worth of learning advancement during the school year. For the 2022-23 school year, the Growth Score designation for the School was “Exceeded”.

One Year Waiver of Testing and Accountability Requirements. Due to the COVID-19 pandemic, the SBE applied for and received a one-year waiver from the U.S. Department of Education (“DOE”) for federal student testing and accountability requirements for the 2019-20 school year because of school closures associated with the COVID-19 pandemic. As a result, all EOG and EOC tests were waived for the 2019-20 school year, including EOG tests in reading and math in grades 3 through 8, and science tests in grades 5 and 8. Further, the DOE approved a waiver for the SBE for the accountability, school identification, and related reporting requirements for the 2020-21 school year. Although students took the standard tests at the end of the 2020-21 school year, the focus of the testing was to provide information about student performance and to help target resources and support such students. The SBE is not required to display school report card information for the 2020-21 school year based on data from the 2019-20 school year.

Proposed Changes to the SPG Accountability System for North Carolina Public Schools.

On February 26, 2024, Catherine Truitt, Superintendent of DPI (the “Superintendent”) announced a proposal to overhaul the existing SPG accountability system for North Carolina public schools with a new accountability system (the “Proposed Accountability System”). The Proposed Accountability System would be built upon the following four pillars (i) “Academics” which measures proficiency in math, reading, and science; (ii) “Progress” which measures growth using the same evaluation metrics as the existing SPG accountability system; (iii) “Readiness” which measures post-secondary preparation; and (iv) “Opportunity” which measures chronic absenteeism, school climate, and intra/extracurricular activities. The Proposed Accountability System would report four distinct grades for schools in the State each year. As the State already tracks school achievement and growth data under the existing SPG accountability system, the Superintendent does not expect to make any changes to track the Academics and Progress pillars. However, DPI would need to create new tracking systems for certain metrics within the Readiness and Opportunity pillars.

The Superintendent is requesting that lawmakers introduce legislation for a three-year pilot program for the Proposed Accountability System. The pilot program would commence for the 2024-25 school year, where volunteer school districts would implement both the existing SPG accountability system and the Proposed Accountability System. In the second year of the pilot program, all school districts in the State, with support from DPI, would implement both the existing SPG accountability system and the Proposed Accountability System. In the third year of the pilot program, only the Proposed Accountability System would be used to track school accountability data.

There can be no assurance that the Proposed Accountability System or the pilot program will be implemented as set forth above, if at all. Any change to the accountability system for public schools in the State of North Carolina may result in lower grades for the School, which may have a material adverse effect on the ability of the Lessee to make the payments under the Lease Agreement representing debt service on the Series 2024 Bonds.

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The tables below show SPG data and other academic performance indicators for the School and the schools the Lessee indicated as competitors for the 2022-23 and 2021-22 school years.

<u>2022-23 School Year</u>																					
Schools	SPG	<u>School Performance Grades</u>				<u>EOG Testing - Reading</u>					<u>EOG Testing - Mathematics</u>					<u>Reading & Math (EOG/EOC)</u>					
		School Performance Score	Achievement Score	Growth Score	Growth Status	Letter Grade	Overall Score	Achievement Score	Growth Score	Growth Status	Letter Grade	Overall Score	Achievement Score	Growth Score	Growth Status	Reading & Math (EOG/EOC)	Science EOG Score	4-Year Graduation Rate	Biology EOC Score	ACT/ACT WorkKeys Assessments	Passing NC Math 3 Course
The School	C	63	56	92	E	C	61	53	92	E	C	56	48	87	E	51	77	87	40	49	>95
Tarboro High	D	52	46	78	M	-	-	-	-	-	-	-	-	-	-	34	-	71	25	24	92
Stocks Elementary	D	50	41	89	E	D	44	33	89	E	D	52	44	83	M	39	53	-	-	-	-
Edgecombe Early College	A	88	88	92	E	-	-	-	-	-	-	-	-	-	-	91	-	>95	78	68	>95
Martin Millennium Academy	D	44	33	88	E	D	42	33	81	M	F	39	26	91	E	29	52	-	-	-	-
W.A. Pattillo Middle School	F	30	22	65	NM	F	30	19	72	M	F	31	20	76	M	20	34	-	-	-	-
Princeville Elementary	D	48	41	77	M	D	44	36	74	M	D	48	40	80	M	39	56	-	-	-	-
SouthWest Edgecombe High	C	56	51	76	M	-	-	-	-	-	-	-	-	-	-	37	-	75	39	18	94
North Edgecombe High	D	53	46	82	M	-	-	-	-	-	-	-	-	-	-	32	-	83	10	16	>95
Coker-Wimberly Elementary	D	46	36	85	E	F	39	30	77	M	D	43	32	90	E	31	67	-	-	-	-
West Edgecombe Middle	D	48	37	91	E	D	41	31	80	M	F	39	27	86	E	29	75	-	-	-	-
G.W. Carver Elementary	C	56	54	65	NM	D	49	44	72	M	C	62	61	66	NM	52	62	-	-	-	-
G.W. Bulluck Elementary	F	35	27	66	NM	F	28	20	61	NM	F	35	26	74	M	23	57	-	-	-	-
South Edgecombe Middle	D	46	39	74	M	D	44	36	78	M	D	47	38	81	M	37	49	-	-	-	-
Phillips Middle	D	44	35	80	M	D	43	34	80	M	D	42	32	81	M	33	44	-	-	-	-
Hobgood Charter	C	61	55	85	M	D	54	47	81	M	C	68	62	89	E	54	72	-	-	-	-
Rocky Mount Preparatory	F	35	29	57	NM	F	33	27	59	NM	F	28	18	71	M	24	36	89	17	<5	94
Bear Grass Charter	C	63	64	59	NM	D	53	51	63	NM	C	60	56	77	M	56	77	>95	74	44	>95

* Met = M, NM = Not Met, E = Exceeded, and a dash = not applicable or available.

2021-22 School Year

Schools	<u>School Performance Grades</u>					<u>EOG Testing - Reading</u>					<u>EOG Testing - Mathematics</u>					-	-	-	-	-	-
	SPG	School Performance Score	Achievement Score	Growth Score	Growth Status	Letter Grade	Overall Score	Achievement Score	Growth Score	Growth Status	Letter Grade	Overall Score	Achievement Score	Growth Score	Growth Status	Reading & Math (EOG/EOC)	Science EOG Score	4-Year Graduation Rate	Biology EOC Score	ACT/ACT WorkKeys Assessments	Passing NC Math 3 Course
The School	C	60	50	97	E	C	55	46	90	E	C	56	46	96	E	45	71	86	41	26	>95
Tarboro High	D	47	41	72	M	-	-	-	-	-	-	-	-	-	-	20	-	74	16	23	94
Stocks Elementary	F	38	31	68	NM	F	33	24	66	NM	F	37	28	73	M	26	61	-	-	-	-
Edgecombe Early College	A	89	87	96	E	-	-	-	-	-	-	-	-	-	-	88	-	>95	73	68	>95
Martin Millennium Academy	F	35	27	64	NM	F	39	30	78	M	F	30	20	71	M	25	39	-	-	-	-
W.A. Pattillo Middle School	F	24	16	56	NM	F	28	18	68	NM	F	22	13	58	NM	15	23	-	-	-	-
Princeville Elementary	F	37	30	63	NM	D	40	31	74	M	F	33	25	66	NM	28	44	-	-	-	-
SouthWest Edgecombe High	C	56	49	80	M	-	-	-	-	-	-	-	-	-	-	33	-	76	32	28	93
North Edgecombe High	D	50	43	77	M	-	-	-	-	-	-	-	-	-	-	26	-	74	30	13	>95
Coker-Wimberly Elementary	D	40	30	80	M	F	39	28	81	M	F	33	23	73	M	26	53	-	-	-	-
West Edgecombe Middle	D	45	36	81	M	D	43	34	49	M	F	34	25	74	M	29	76	-	-	-	-
G.W. Carver Elementary	C	57	54	73	M	D	47	40	44	M	C	65	63	72	M	52	67	-	-	-	-
G.W. Bulluck Elementary	F	31	25	54	NM	F	31	25	57	NM	F	31	24	58	NM	25	30	-	-	-	-
South Edgecombe Middle	D	49	41	83	M	D	45	36	80	M	D	46	37	83	M	36	65	-	-	-	-
Phillips Middle	D	45	34	90	E	F	27	26	82	M	D	44	32	92	E	29	60	-	-	-	-
Hobgood Charter	C	55	53	60	NM	C	59	56	74	M	D	52	50	62	NM	52	64	-	-	-	-
Rocky Mount Preparatory	F	35	29	61	NM	D	41	32	79	M	F	25	15	67	NM	23	26	90	14	18	91
Bear Grass Charter	C	64	65	60	NM	C	63	62	67	NM	C	62	60	70	M	60	88	>95	54	38	>95

* Met = M, NM = Not Met, E = Exceeded, and a dash = not applicable or available.

NO LITIGATION

As of the date of the Official Statement, neither the Borrower nor the Lessee is the subject of any litigation or administrative proceeding related to its operations. Litigation may arise in the normal course of business of either the Borrower or the Lessee. See “RISK FACTORS – Litigation” for an explanation of risks associated with any potential litigation that may arise in the normal course of business for the Borrower or the Lessee.

CERTAIN FINANCIAL INFORMATION

COVID-19 and ESSER Funding

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Securities (“CARES”) Act. Funds were awarded in response to COVID-19 pandemic and the Lessee does not anticipate such grants to be offered or awarded in the future. The Lessee does not expect to expend any CARES Act funds for the 2024-25 school year, as the remaining funds are being used during the 2023-24 school year for the construction of the Agricultural Storage Facility. See “THE SERIES 2024 PROJECT – The Series 2024 Facilities” herein for more information on the Agricultural Storage Facility. For the 2023-24 school year, the Lessee hired a full-time grant writing specialist and as of the date of this Official Statement, the Lessee has obtained approximately 20 grants totaling over \$200,000 through the grant writer’s work.

The table below shows the COVID-19-related federal funding received by the Lessee through the CARES Act.

Funding	Amount	Purpose	Revenue Fiscal Year(s)	Expended Fiscal Year(s)
<u>CARES FUNDING – ESSER I</u>				
PRC 163	\$170,340	Purchase of mobile hot spots for students.	2020-21	2020-21
<u>ESSER II</u>				
PRC 171 (CRRSA)	\$757,849	\$51,267 extended day salaries and expenses; \$706,583 purchase of buses.	2021-22	2021-22
PRC 173 (CRRSA)	\$5,300	Contracted social worker services to provide additional mental health support services for students in response to COVID-19.	2021-22	2021-22
PRC 174	\$6,698	Bonus pay for teachers.	2021-22	2021-22
<u>ESSER III</u>				
PRC 181 (ARPA)	\$1,050,854	\$419,721 salaries and bonuses for teacher and instructional support; \$61,052 purchase of instructional materials and workshop expenses; \$184,148 purchase of non-instructional equipment, replace broken/lost Chromebooks and software; \$385,934 purchase of buses and wheelchair lift. The remaining funds will be used to complete the Agricultural Storage Facility.	2022-23	2023-24
PRC 192 & PRC 193 (ARP)	\$6,195	Contracted with Gaggle.net for technology to mitigate cyberbullying, monitor student internet activity, and assist with suicide prevention services.	2022-23	2022-23
PRC 203 (ARP)	\$64,590	Bonus to eligible teachers.	2021-22	2021-22
<u>CARES FUNDING – GEER I</u>				
PRC 169	\$24,766	Specialized instructional support for an instructional coach for grades pre-K-7.	2020-21	2020-21 – 2021-22
PRC 170	\$12,379	Supplemental instructional services hired for in-classroom monitoring.	2021-22	2021-22

Budgeting and Accounting Principles

The School's Executive Director, in consultation with the Board's Finance Committee and Acadia, prepares the annual budget. See section "Fiscal Policies – Budget and Financial Management" and "INTRODUCTION - Third-Party Service Providers" for additional information regarding the budget.

Pursuant to its Charter School Contract or applicable State law, the School is required to conduct an annual financial audit, which is submitted to the North Carolina Local Government Commission for approval. Financial reporting is provided in a manner consistent with the basis of accounting as determined by the School's GAAP, consistent with either GASB or FASB. In addition, the School provides its data and information in a manner consistent with school finance budgeting, accounting and auditing standards set by the SBE and OCS. See "APPENDIX C – CHARTER SCHOOLS IN NORTH CAROLINA – *General Operating Requirements*" in the Official Statement.

Indebtedness

Upon the issuance of the Series 2024 Bonds, the Borrower will not have any long-term indebtedness other than the Series 2024 Bonds. For more information regarding the Future Construction Projects that the Lessee may undertake, see "THE SCHOOL – Future Plans" herein. The Borrower and the Lessee are permitted to incur additional Indebtedness under certain circumstances. See APPENDIX D – "SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS – The Loan Agreement – Limitations on Incurrence of Additional Indebtedness."

Financial Information

Financial Statements. The audited financial statements of the Lessee for the Fiscal Years ended June 30, 2021, 2022, and 2023, included in this Official Statement in APPENDIX B – "FINANCIAL STATEMENTS," have been audited by Sharpe & Patel, PLLC (the "Auditor"), to the extent and for the periods indicated in its reports thereon. Such financial statements have been included in reliance upon the report of the Auditor. The Lessee is not aware of any facts that would make such financial statements misleading. These financial statements were prepared using the standards applicable to governmental entities. The audited financial statements included in Appendix B are an integral part hereof and should be read in their entirety.

Certain unaudited financial statements of the Lessee for the nine-month periods ended March 31, 2023 and 2024 are included below. Such unaudited financial statements have been prepared by the Lessee and have not been examined or reviewed by the Auditor or any other independent certified public accountant.

See "RISK FACTORS – State of North Carolina Budget; Change in State of North Carolina Budgeting Process" and "– Changes in Law; Annual Appropriation; Inadequate State of North Carolina Payments."

Sources of Revenues. The Lessee's primary source of revenues is education aid (provided by the State for all public schools) which the Lessee receives for operating the School, including amounts paid to the Lessee by (a) the SBE and (b) each county in the State in which a student of the School resides in connection with the Lessee's operation of the School. As a public charter school, the School may not charge tuition. For more information, See "APPENDIX C – CHARTER SCHOOLS IN NORTH CAROLINA – Charter School Finance – State of North Carolina and Local Funds." The amount of State aid received with respect to any individual school is based on a variety of factors, including the School's enrollment and average daily attendance. It is anticipated that such amounts the Lessee receives for operating the School will be sufficient to allow it to make the required payments under the Lease and to pay its operation and maintenance costs.

Statement of Net Position and Statement of Activities. The following Statement of Net Position for the Lessee presents a summary of the audited financial position as of the end of the Lessee's fiscal year. The Statement of Activities for the Lessee presents a summary of the financial activities for the Lessee during the fiscal year reported, thereby reconciling the beginning and end of period net asset positions contained in the Statement of Net Position. Such summary statements are based on the audited financial statements of the Lessee for the fiscal years ended June 30, 2021, 2022, and 2023.

Statement of Net Position

	As of		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(Audited)	(Audited)	(Audited)
Assets			
Cash and cash equivalents	\$ 1,865,825	\$ 2,432,260	\$ 3,112,921
Restricted cash and cash equivalents	-	-	1,727,939
Due from other governments	91,483	96,624	212,812
Receivables, net	795	3,402	1,945
Lease receivable	-	-	-
Accrued lease interest receivable	-	-	-
Prepaid items	232,653	53,292	46,495
Capital assets:			
Right to use lease assets, net of amortization	-	18,654,352	-
Capital assets, net of depreciation	197,756	1,209,572	19,251,617
Lease receivable, non-current	-	-	-
Total assets	2,388,512	22,449,502	24,353,729
Liabilities			
Accounts payable	40,635	71,659	63,088
Prepaid rent	-	-	-
Accrued interest	-	78,272	-
Unearned revenues	-	-	-
Long-Term Liabilities:			
Due within one year	2,712	553,207	1,200,168
Due in more than one year	-	22,302,261	20,634,091
Net OPEB liability	-	-	-
Total liabilities	43,347	23,005,399	21,897,347
Deferred Outflows of Resources	3,440	3,496	3,021
Total Deferred Outflows of Resources	3,440	3,496	3,021
Net Position			
Net investment in capital assets	195,044	1,209,572	(2,582,642)
Unrestricted	2,146,681	(1,768,965)	3,308,064
Restricted	-	-	1,727,939
Total Net Position	2,341,725	(559,393)	2,453,361
Total Liabilities and Net Position	\$ 2,385,072	\$ 22,446,006	\$ 24,350,708

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Statement of Activities**Fiscal Year Ended**

	June 30,		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
	(Audited)	(Audited)	(Audited)
Revenue			
Unrestricted county appropriations	\$ 1,151,318	\$ 988,908	\$ 1,124,729
Unrestricted State appropriations	7,237,931	7,666,936	7,938,897
Unrestricted federal appropriations	-	-	-
Donations-general	5,322	4,103	68,931
Operating grants and contributions	780,463	2,677,808	1,349,689
Charges for services	22,159	37,334	279,188
Miscellaneous, unrestricted	<u>52,367</u>	<u>1,166</u>	<u>186,160</u>
Total Revenues	9,249,560	11,376,255	10,947,594
Expenses			
Governmental activities:			
Instructional services	\$ 5,630,551	\$ 11,052,859	\$ 6,675,180
System-wide support services	2,738,725	1,334,281	1,697,629
Community services	500	60,333	3,375
Interest on long-term debt	978	1,137,997	1,283,567
Business-type activities:			
School food service	172,795	483,214	523,137
Before/after school care	<u>33,039</u>	<u>34,000</u>	<u>56,605</u>
Total Expenses	8,576,588	14,102,684	10,239,493
Change in Net Position	672,972	(2,726,429)	708,101
Beginning net position, as previously stated	1,668,753	2,341,725	(559,393)
Restatement	-	(174,689)	2,304,653
Beginning net position, as restated	1,668,753	2,167,036	1,745,260
Ending net position	\$ 2,341,725	\$ (559,393)	\$ 2,453,361

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The following tables present certain unaudited financial statements of the Lessee for the nine-month periods ended March 31, 2023 and 2024 are set forth herein. Such unaudited financial statements have been prepared by the Lessee and have not been examined or reviewed by the Auditor or any other independent certified public accountant. The summaries of the audited financial statements and the unaudited financial statements differ in their reporting format and, therefore, cannot be directly compared.

Statement of Revenues, Expenditures, and Changes in Fund Balance

	Nine Months Ended	
	March 31,	
	<u>2023</u>	<u>2024</u>
	(Unaudited)	(Unaudited)
Revenue		
State Revenue	\$6,026,642	\$6,470,312
Local Revenue	769,182	870,557
Federal Revenue	690,454	683,007
Business Type Revenue	409,389	507,920
Total Revenues	\$7,895,667	\$8,531,797
Expenses		
Salaries & Wages	\$3,133,769	\$3,419,063
Benefits	524,714	560,142
Books & Supplies	77,027	159,085
Contracted Student Services	53,334	95,674
Staff Development	9,604	16,152
Administrative Services	254,693	260,052
Insurances	125,290	149,460
Rents & Debt Service	1,309,779	1,253,899
Facilities	205,996	391,271
Utilities	143,121	124,928
Transportation & Travel	80,236	46,983
Technology	72,362	91,822
Non-Cap Equipment & Leases	48,821	52,405
Cap Equipment & Purchases	73,223	488,176
Athletic Programs	41,301	68,840
Nutrition & Food	388,086	405,734
Before & After Care	-	1,972
Preschool Program	40,333	47,443
Federal Grant Related Expenditures	690,454	692,960
Total Expenses	\$7,272,142	\$8,326,061
Net Surplus/(Deficit)	\$623,525	\$205,736

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Balance Sheet

	Nine Months Ended	
	March 31,	
	<u>2023</u>	<u>2024</u>
	(Unaudited)	(Unaudited)
Assets		
Cash and Cash Equivalents	\$3,069,124	\$3,494,809
Accounts Receivable	4,811	1,525
Prepaid Expenses	<u>41,283</u>	<u>14,538</u>
Total Assets	\$3,115,218	\$3,510,873
Liabilities		
EES Repayment to School	\$-	\$3,873
Unearned Revenue	<u>(18,830)</u>	<u>(167)</u>
Total Liabilities	(\$18,830)	(\$167)
Reserves and Equity		
Fund Equity	<u>\$2,510,523</u>	<u>\$3,301,430</u>
Total Reserves and Equity	\$2,510,523	\$3,301,430
Net Gain (Loss)	\$623,525	\$205,736
Total Liabilities / Reserves / Income	\$3,115,218	\$3,510,873

Summary of Management Discussion and Analysis

Fiscal Year Ending June 30, 2022. The School's total net position decreased by \$2,726,429, primarily due to the implementation of GASB 87, which required the School to record its building lease as a right to use leased asset, and a lease liability. Due to the implementation of GASB 87, the School has recorded a right-to-use leased asset for its leased buildings totaling \$18,654,352, net of amortization, with the related lease liability recorded as a long-term obligation, in the amount of \$22,855,468. The School's long-term debt outstanding consists solely of the building lease liability. The Borrower, which exists exclusively to hold title to the Schools buildings and facilities, is a discretely presented component unit of the School, and is presented as if it were a proprietary fund in the School's financial statements. The Borrower's long-term debt consists of the Series 2019 Bonds, which were outstanding in the aggregate total amount of \$22,234,573 as of June 30, 2022.

Fiscal Year Ending June 30, 2023. During the Fiscal Year ended June 30, 2023, the Borrower was required to be blended with the School instead of being presented discretely, as was done in prior Fiscal Years. This resulted in a restatement of previous net position of \$2,304,653. The School's net position increased by \$708,101 for the fiscal year ended June 30, 2023, compared to a decrease of \$2,726,429 in 2022, which was primarily due to the implementation of GASB 87, which required the School to record its building lease as a right-to-use leased asset and lease liability.

See "APPENDIX B – Financial Statements" attached hereto for the complete Management Discussion and Analysis and notes to each of the Lessee's audited financial statements for the Fiscal Years ended June 30, 2021, 2022, and 2023.

Financial Projections

Information contained herein concerning the Lessee, the Borrower, the School, and the Series 2024 Facilities has been obtained from the Lessee and has not been independently verified by the Authority or the Underwriter. Much of the information regarding the Lessee, the Borrower, the School, and the Series 2024 Facilities involves predictions of future events, such as student enrollment and the availability of Charter Revenues at a level sufficient to maintain a positive coverage ratio. Such information is, by its nature, not subject to verification.

The Lessee's projections of revenues and expenses for the Fiscal Years ending June 30, 2024 through 2029 (the "Financial Projections"), were prepared by the Lessee with the assistance of Acadia, and are contained below. The Financial Projections are based upon information provided by the Lessee and are derived from the historical operation of the School, forecasts for the Series 2024 Facilities and assumptions about future North Carolina funding levels, student enrollment and expenses. There are usually differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the Financial Projections relate only to the Fiscal Years ending June 30, 2024 through 2029, and consequently do not cover the entire period that the Series 2024 Bonds may be outstanding. Prospective investors in the Series 2024 Bonds should read the Financial Projections in their entirety.

No feasibility studies have been conducted with respect to operations of the Lessee, the Borrower, the School, or the Series 2024 Facilities. The Financial Projections contain "forward-looking statements" and are subject to the general qualifications and limitations described on the cover of this Official Statement. The Underwriter has not independently verified the Financial Projections, and makes no representations nor gives any assurances that such forecasted information, or the underlying assumptions are complete or correct.

THE LESSEE HAS PREPARED THE FINANCIAL PROJECTIONS, WITH THE ASSISTANCE OF ACADIA, BASED ON THE LESSEE'S OPERATING HISTORY WITH RESPECT TO THE SCHOOL AND THE LESSEE'S ASSUMPTIONS ABOUT FUTURE NORTH CAROLINA FUNDING LEVELS AND FUTURE OPERATIONS OF THE SCHOOL, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE LESSEE'S ASSUMPTIONS UNDERLYING SUCH FINANCIAL PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE FINANCIAL PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE FINANCIAL PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED NORTH CAROLINA OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "INTRODUCTION – CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS," ABOVE, FOR QUALIFICATIONS AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

See "RISK FACTORS – Reliance on Financial Projections."

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North East Carolina Preparatory School
Financial Forecast

Fiscal Year	Historical 2021-2022	Historical 2022-2023	Projected 2023-2024	Projected 2024-2025	Projected 2025-2026	Projected 2026-2027	Projected 2027-2028	Projected 2028-2029
Actual/Projected Enrollment ⁽¹⁾	900	929	1,048	1,110	1,205	1,250	1,290	1,300
Average State Revenue per Student	\$ 8,323	\$ 8,288	\$ 8,534	\$ 8,499	\$ 8,584	\$ 8,670	\$ 8,756	\$ 8,844
Average Local Revenue per Student	1,305	1,579	1,499	1,514	1,529	1,544	1,560	1,575
Average Federal Revenue per Student (Non-ESSER)	571	608	696	625	631	638	644	650
Average Enterprise Revenue per Student	617	569	473	529	535	540	546	551
Base Funding Projected Increase								
Revenues					1.0%	1.0%	1.0%	1.0%
State Revenue	\$ 7,490,928	\$ 7,699,897	\$ 8,943,316	\$ 9,433,549	\$ 10,343,335	\$ 10,836,896	\$ 11,295,514	\$ 11,496,906
Special Program State Revenue	176,008	239,000	-	-	-	-	-	-
Local Revenue	1,174,349	1,466,993	1,570,772	1,680,336	1,842,390	1,930,305	2,011,995	2,047,868
Federal Revenue - Non ESSER	514,300	564,605	729,079	693,708	760,610	796,905	830,630	845,439
Federal Revenue - ESSER	1,645,359	412,974	550,069	-	-	-	-	-
Enterprise Revenue	555,584	528,773	495,562	587,743	644,426	675,177	703,750	716,298
Total Revenues	\$ 11,556,528	\$ 10,912,242	\$ 12,288,798	\$ 12,395,337	\$ 13,590,761	\$ 14,239,283	\$ 14,841,889	\$ 15,106,512
Expenses								
Salaries and Wages	\$ 4,442,344	\$ 4,195,493	\$ 4,452,561	\$ 4,687,051	\$ 5,139,077	\$ 5,384,303	\$ 5,612,166	\$ 5,712,228
Employer Taxes and Benefits	740,283	712,916	793,363	804,387	881,964	924,049	963,155	980,327
Instructional Books and Supplies	170,778	119,451	176,059	179,903	195,300	202,593	209,076	212,212
Contracted Student Services	107,695	90,353	146,600	132,972	144,352	149,743	154,535	156,853
Staff Development	19,600	10,389	20,700	21,925	23,801	24,690	25,480	25,862
Administrative Services	286,950	352,497	367,949	360,701	395,487	414,359	431,895	438,373
Insurance (Including Wcomp)	145,541	164,224	169,349	118,409	129,829	136,024	141,780	143,907
Rents and Leases	12,614	1,790	1,000	1,500	1,500	1,500	1,500	1,523
Facilities, Property, Plant & Equip	224,051	365,568	433,426	394,709	428,491	444,493	458,716	465,597
Utilities	213,115	188,371	230,700	243,909	264,784	274,672	283,462	287,714
Student Transportation	92,894	97,351	62,800	97,630	105,985	109,943	113,461	115,163
Computer Technology	63,933	88,556	101,500	97,994	106,381	110,353	113,885	115,593
Non Capitalized Equipment (Incl. Equip Leases)	82,181	62,156	72,550	73,000	74,460	75,949	77,468	78,630
Capitalized Equipment and Purchases	3,500	272,464	43,323	45,000	45,000	45,000	45,000	45,000
Athletics	53,206	56,481	94,065	78,612	85,340	88,526	91,359	92,730
Student Nutrition Enterprise Program	477,585	528,467	535,152	594,625	645,517	669,623	691,051	701,417
Preschool Enterprise Program	39,674	54,588	65,275	62,277	68,283	71,541	74,569	75,898
Federal Program Expenditures - Non ESSER	514,300	564,605	729,079	693,708	760,610	796,905	830,630	845,439
Federal Program Expenditures - ESSER	1,645,359	412,974	550,069	-	-	-	-	-
Special Programs	-	44,224	-	-	-	-	-	-
Total Expenses ⁽²⁾	\$ 9,335,605	\$ 8,382,918	\$ 9,045,520	\$ 8,688,310	\$ 9,496,159	\$ 9,924,266	\$ 10,319,188	\$ 10,494,466
Net Available for Debt Service	\$ 2,220,923	\$ 2,529,324	\$ 3,243,278	\$ 3,707,026	\$ 4,094,602	\$ 4,315,016	\$ 4,522,701	\$ 4,612,045
Debt Service	1,682,392	1,738,418	1,754,874	-	-	-	-	-
Principal - All Series	-	-	-	380,000	465,000	495,000	520,000	540,000
Interest - All Series	-	-	-	1,513,698	1,427,880	1,396,958	1,371,000	1,348,900
Capitalized Interest	-	-	-	-	-	-	-	-
Total Net Debt Service Payments	\$ 1,682,392	\$ 1,738,418	\$ 1,754,874	\$ 1,893,698	\$ 1,892,880	\$ 1,891,958	\$ 1,891,000	\$ 1,888,900
Debt Service Coverage (Annual Debt Service)	1.32 x	1.45 x	1.85 x	1.96 x	2.16 x	2.28 x	2.39 x	2.44 x
Maximum Annual Debt Service	\$ 1,893,800	\$ 1,893,800	\$ 1,893,800	\$ 1,893,800	\$ 1,893,800	\$ 1,893,800	\$ 1,893,800	\$ 1,893,800
Debt Service Coverage (MADS)	1.17 x	1.34 x	1.71 x	1.96 x	2.16 x	2.28 x	2.39 x	2.44 x
Days Cash on Hand Calculation								
Beginning Cash - All Funds	\$ 1,776,849	\$ 2,315,380	\$ 3,106,287	\$ 4,594,691	\$ 6,408,019	\$ 8,609,741	\$ 11,032,800	\$ 13,664,501
Surplus / (Deficit) Net of Debt Service	538,531	790,907	1,488,404	1,813,329	2,201,722	2,423,059	2,631,701	2,723,145
Ending Unrestricted Cash ⁽⁵⁾	2,315,380	3,106,287	4,594,691	6,408,019	8,609,741	11,032,800	13,664,501	16,387,646
Days Cash on Hand	91	135	185	229	288	356	427	505

Footnotes:

1. Actual ADM is denoted in 2021-2022 regardless of State Hold-Harmless provision.
2. Depreciation excluded from total expenses. Capitalized Purchases are included in DCOH.
3. Debt service payments reflects monthly payments to the trustee.
4. MADS is calculated using combined semi-annual fiscal year payments on the Series 2024 Bonds.
5. Ending cash provided by School.

APPENDIX B
FINANCIAL STATEMENTS

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SHARPE
PATEL CPA

NORTH EAST CAROLINA PREPARATORY SCHOOL TARBORO, NORTH CAROLINA

Financial Statements and Supplementary Information

As of and for the Years Ended June 30, 2023

NORTH EAST CAROLINA PREPARATORY SCHOOL

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June 30, 2023

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit (NECP Holdings, LLC), each major fund, and the aggregate remaining fund information of North East Carolina Preparatory School as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise North East Carolina Preparatory School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of North East Carolina Preparatory School, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North East Carolina Preparatory School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North East Carolina Preparatory School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North East Carolina Preparatory School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North East Carolina Preparatory School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North East Carolina Preparatory School's basic financial statements. The accompanying budgetary schedules as well as the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act., are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2023, on our consideration of North East Carolina Preparatory School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of North East Carolina Preparatory School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North East Carolina Preparatory School's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina

October 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

North East Carolina Preparatory School

Management's Discussion and Analysis

For the Year Ended June 30, 2023

As management of North East Carolina Preparatory School (the "School"), we provide these financial statements and this narrative overview and analysis of the School's financial position at June 30, 2023, and its operations for the year then ended. We encourage readers to review the discussion presented herein in conjunction with additional information included in the financial statements and notes, which follow this section.

Financial Highlights

- During the year ended June 30, 2023, the component unit, NECP Holdings, LLC (the "LLC"), was required to be blended with North East Carolina Preparatory School instead of being presented discretely, as was done in the past. This resulted in a restatement of previous net position of \$2,304,653, and a restatement of the beginning fund balance for fiscal year 2023 of \$1,644,677.
- The assets of the School exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,453,361 (*net position*).
- The School's total net position increased by \$708,101, primarily due to an increase in the governmental activities' net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$4,949,404, an increase of \$859,271 after the aforementioned restatement of \$1,644,677.
- The State funded Average Daily Membership (ADM) totals were: 909 in 2018-19, 962 in 2019-20, 962 in 2020-21, 948 in 2021-22, and 890 in the current fiscal year.
- The LLC's long-term debt consists of two Public Finance Authority Charter School Revenue Bonds, which total \$21,834,259, at June 30, 2023, a decrease of \$400,313 compared with the prior year.

Overview of the Financial Statements

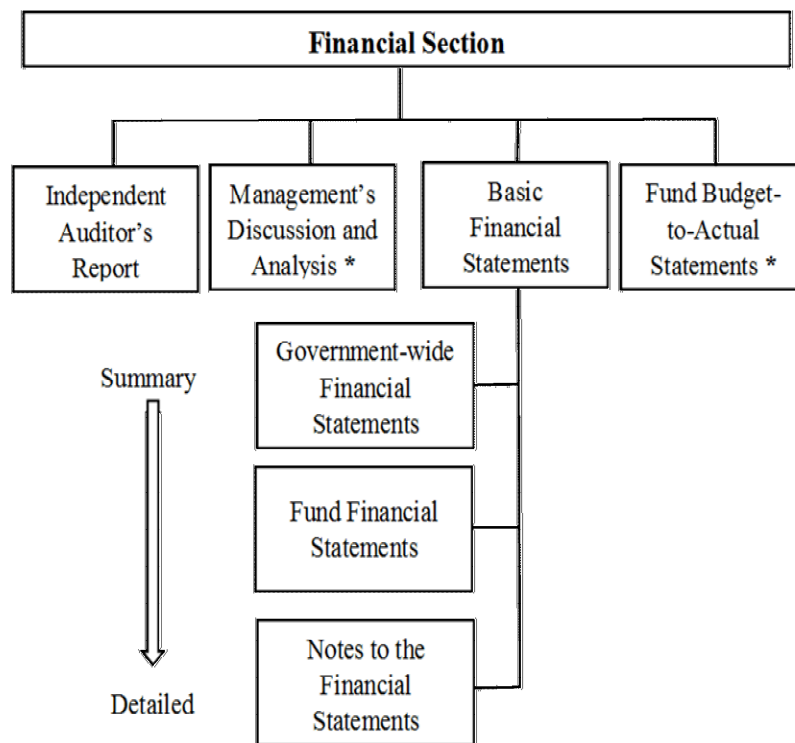
This discussion and analysis is intended to serve as an introduction to North East Carolina Preparatory School's basic financial statements. The School's basic financial

statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two different views of the School through the use of the government-wide statements and the fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of the School.

The chart in Figure 1 outlines the relationships of the components of the annual financial report.

Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position is the difference between the School's total assets minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the School Food Service, and Before and After School Care activities carried out by North East Carolina Preparatory School.

The condensed government-wide financial statements are provided in Figures 2 and 3 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. North East Carolina Preparatory School, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of North East Carolina Preparatory School can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – North East Carolina Preparatory School has two proprietary funds, which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The School uses enterprise funds to account for its School Food Service, and Before and After School Care functions.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2023, cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 12.5% and 1.1% of total government-wide assets, respectively. Restricted cash and cash equivalents accounted for 7.1% of total government-wide assets. During the 2023 fiscal year, the School completed leasehold improvements totaling \$203,861, which accounted for 73.1% of the current year's additions to depreciable capital assets. The School's capital assets,

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2023

net of accumulated depreciation, accounted for 79.3% of total assets. Long-term liabilities represent 99.7% of total liabilities.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of North East Carolina Preparatory School exceeded liabilities and deferred inflows of resources by \$2,453,361, as of June 30, 2023. At June 30, 2022, the net position of the School stood at (\$559,393). The School's net position increased by \$708,101 for the fiscal year ended June 30, 2023, compared to a decrease of \$2,726,429 in 2022, which was primarily due to the implementation of GASB 87, which required the School to record its building lease as a right-to-use leased asset and lease liability. The amount of (\$2,582,642) represents the School's investment in capital assets (e.g. building, leasehold improvements, equipment, furniture and fixtures, and vehicles) less outstanding debt issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Of the remaining net asset amount, \$1,727,939 is restricted, leaving \$3,308,064 unrestricted. In 2022, the amount of net investment in capital assets was \$1,209,572, with unrestricted net position standing at (\$1,768,965).

A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position at June 30, 2023 and 2022 is as follows:

North East Carolina Preparatory School's
Condensed Statement of Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Cash and cash equivalents	\$ 3,027,687	\$ 2,368,962	\$ 85,234	\$ 63,298	\$ 3,112,921	\$ 2,432,260
Restricted cash and cash equivalents	1,727,939	-	-	-	1,727,939	-
Other current assets	259,250	151,374	2,002	1,944	261,252	153,318
Right to use assets, net of amortization	-	18,654,352	-	-	-	18,654,352
Capital assets, net of depreciation	19,237,429	1,209,572	14,188	-	19,251,617	1,209,572
Total assets	24,252,305	22,384,260	101,424	65,242	24,353,729	22,449,502
Current and other liabilities	62,451	149,656	637	275	63,088	149,931
Long-term liabilities	21,834,259	22,855,468	-	-	21,834,259	22,855,468
Total liabilities	21,896,710	23,005,124	637	275	21,897,347	23,005,399
Deferred inflows of resources	3,021	3,496	-	-	3,021	3,496
Net position:						
Net investment in capital assets	(2,596,830)	1,209,572	14,188	-	(2,582,642)	1,209,572
Restricted	1,727,939	-	-	-	1,727,939	-
Unrestricted	3,221,465	(1,833,932)	86,599	64,967	3,308,064	(1,768,965)
Total net position	\$ 2,352,574	\$ (624,360)	\$ 100,787	\$ 64,967	\$ 2,453,361	\$ (559,393)

**Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2023**

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with meeting the educational needs of the student population.
- Overall, state and local per-pupil allocations increased this fiscal year.

Revenues, expenses, transfers, and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2023 and 2022:

**North East Carolina Preparatory School's
Condensed Statement of Activities
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Operating grants and contributions	\$ 977,578	\$ 2,159,658	\$ 372,111	\$ 518,150	\$ 1,349,689	\$ 2,677,808
Charges for services	122,527	-	156,661	37,334	279,188	37,334
County and State funds	9,063,626	8,655,844	-	-	9,063,626	8,655,844
Donations	68,931	4,103	-	-	68,931	4,103
Unrestricted grants and contributions	186,160	1,166	-	-	186,160	1,166
Total revenues	10,418,822	10,820,771	528,772	555,484	10,947,594	11,376,255
Expenses:						
Instructional services	6,675,180	11,052,859	-	-	6,675,180	11,052,859
System-wide support services	1,697,629	1,334,281	-	-	1,697,629	1,334,281
Community services	3,375	60,333	-	-	3,375	60,333
Interest on long-term debt	1,283,567	1,137,997	-	-	1,283,567	1,137,997
School food service	-	-	523,137	483,214	523,137	483,214
Before and after school care	-	-	56,605	34,000	56,605	34,000
Total expenses	9,659,751	13,585,470	579,742	517,214	10,239,493	14,102,684
Increase (decrease) in net position before transfers	759,071	(2,764,699)	(50,970)	38,270	708,101	(2,726,429)
Transfers	(86,790)	(9,631)	86,790	9,631	-	-
Change in net position	672,281	(2,774,330)	35,820	47,901	708,101	(2,726,429)
Net position, July 1, previously stated	(624,360)	2,324,659	64,967	17,066	(559,393)	2,341,725
Restatement	2,304,653	(174,689)	-	-	2,304,653	(174,689)
Net position, July 1, as restated	1,680,293	2,149,970	-	-	1,745,260	2,167,036
Net position, June 30	\$ 2,352,574	\$ (624,360)	\$ 100,787	\$ 64,967	\$ 2,453,361	\$ (559,393)

Governmental activities. Governmental activities increased the School's net position by \$759,071 before a transfer to support business-type activities. County and State funds of \$9,063,626 increased by 4.7%, and make up 87.0% of total revenues. Instructional

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North East Carolina Preparatory School
June 30, 2023**

services and related expenses of \$6,675,180 account for 69.1% of total expenses, and decreased by 39.6%. Net position after transfers increased 40.0% in comparison with the prior year, after a restatement of \$2,304,653.

Business-type activities. Business-type activities consist of the School Food Service and Before and After School Care functions. The School Food Service activities recorded an operating loss of \$72,501, before a transfer of \$86,790 was received from governmental activities. The Before and After School Care activities increased the School's net position by \$21,531, accounting for 3.0% of the total increase in net position.

The School elects to continue to operate the School Food Service fund to meet the daily dietary demands of the student population. The school considers a nutritional program an essential part of a healthy learning environment. The School received \$372,111 of federal reimbursement funds in the School Food Service fund this past year, a 28.2% decrease compared with the prior year.

By adopting a budget for each of the enterprise funds that comprise the business-type activities, the Board can monitor the School's revenues and expenditures and adjust their estimates as needed during the year.

Financial Analysis of the School's Funds

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of North East Carolina Preparatory School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents, and restricted cash and cash equivalents, which accounted for 60.4% and 34.5% of total fund assets, respectively. Accounts payable accounted for 95.4% of General Fund liabilities. The unassigned fund balance of the General Fund was \$3,176,972, or 64.2% of total fund balance, which reached \$4,949,404, an increase of \$859,271, after the beginning fund balance for fiscal year 2023 was restated by \$1,644,677. The primary source, 74.8%, of General Fund revenue was \$1,123,387 in reimbursements by various counties for their students attending the School. An additional \$8,916,475 was provided by the State of North Carolina and the Federal government, accounting for 85.6% of total Governmental Fund revenue. Expenditures for capital outlay totaled \$13,895, or 2.5% of General Fund expenditures. Additional instructions-related services of \$367,437, system-wide support services of \$90,637, and debt service

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North East Carolina Preparatory School
June 30, 2023

of \$84,317 accounted for 66.0%, 16.3%, and 15.2% of General Fund expenditures, respectively.

At June 30, 2023, the governmental funds of North East Carolina Preparatory School reported a combined fund balance of \$4,949,404, a 21.0% increase over last year, after a restatement of \$1,644,677.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service fund at the end of the fiscal year amounted to \$60,927, while the total change in net position was \$14,289, after a transfer of \$86,790 was received from the governmental fund. Unrestricted net position of the Before and After School Care fund at the end of the fiscal year amounted to \$25,672, while the total growth in the fund's net position was \$21,531. Other factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. North East Carolina Preparatory School's investment in capital assets for its governmental and business-type activities totals \$19,251,617 (net of accumulated depreciation), as of June 30, 2023. Capital assets include a building, leasehold improvements, vehicles, equipment, furniture and fixtures, and kitchen equipment. Computer equipment is fully depreciated.

The major capital asset transactions during the year include the following:

- Expending \$203,861 on leasehold improvements;
- Purchasing buses totaling \$37,534;
- Purchasing equipment totaling \$37,602; and
- Expending \$14,428 on kitchen equipment.

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June 30, 2023

The following schedule summarizes the School's capital assets at June 30, 2023 and 2022:

North East Carolina Preparatory School's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Building	\$ 17,925,710	\$ 18,615,160	\$ -	\$ -	\$ 17,925,710	\$ 18,615,160
Leasehold improvements	403,975	217,242	-	-	403,975	217,242
Vehicles	861,477	978,283	-	-	861,477	978,283
Equipment	40,401	6,328	14,188	-	54,589	6,328
Furniture and fixtures	5,866	7,718	-	-	5,866	7,718
Capital assets, net	<u>\$ 19,237,429</u>	<u>\$ 19,824,731</u>	<u>\$ 14,188</u>	<u>\$ -</u>	<u>\$ 19,251,617</u>	<u>\$ 19,824,731</u>

Additional information about the School's capital assets can be found in note II.A.2. of the Basic Financial Statements.

Long-term Debt. The School's long-term debt is comprised of two Public Finance Authority Charter School Revenue Bonds, which total \$21,834,259 at June 30, 2023, a decrease of \$400,313 from the prior year.

The School's outstanding debt at June 30, 2023 and 2022 is summarized in the following schedule:

North East Carolina Preparatory School's
Long-term Obligations
Figure 5

	Governmental Activities	
	2023	2022
Revenue bonds	\$ 21,834,259	\$ 22,234,572
Total long-term obligations	<u>\$ 21,834,259</u>	<u>\$ 22,234,572</u>

Additional information about the School's long-term obligations can be found in note II.B.3. of the Basic Financial Statements.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- North East Carolina Preparatory School continues to attract families in the Tarboro community and surrounding areas due to its commitment to its students' success, providing them with a challenging curriculum that integrates technology, experiential learning, and critical thinking. Edgecombe County, the School's main source for local revenue, increased its per pupil allocation by \$114 this fiscal year, a 10.9% increase.
- The State of North Carolina increased its per pupil funding by \$390.66 per ADM compared to the previous year. This equated to an increase of 5.53%.
- The School received supplementary Federal monies to support educating its exceptional children population.

Impact of Coronavirus on the School. During the fiscal year, the School expended \$412,974 in Elementary and Secondary School Emergency Relief Funds (ESSER) in its continued efforts to mitigate the ongoing effects of the COVID-19 pandemic. The ESSER funds were used primarily for purchasing technology equipment and instructional supplies for its students, and paying salaries to staff providing additional instructional support to students experiencing learning loss due to the pandemic. The School also purchased additional buses to ensure the health and safety of its students while in transit. The School continues to monitor its expenses related to the coronavirus to ensure that state and federal funds are being allocated in the manner that best meets the needs of its students and staff.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, North East Carolina Preparatory School, 274 Husky Trail, Tarboro, North Carolina, 27886, telephone (252) 641-0464. Additional information is available at the School's website, www.necprepschool.com.

BASIC FINANCIAL STATEMENTS

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Net Position
June 30, 2023

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,027,687	\$ 85,234	\$ 3,112,921
Restricted cash and cash equivalents	1,727,939	-	1,727,939
Due from other governments	212,812	-	212,812
Receivables, net	1,945	-	1,945
Prepaid items	44,493	2,002	46,495
Total current assets	<u>5,014,876</u>	<u>87,236</u>	<u>5,102,112</u>
Capital assets (Note III.A) 2):			
Capital assets, net of depreciation	<u>19,237,429</u>	<u>14,188</u>	<u>19,251,617</u>
Total capital assets	<u>19,237,429</u>	<u>14,188</u>	<u>19,251,617</u>
Total assets	<u><u>\$ 24,252,305</u></u>	<u><u>\$ 101,424</u></u>	<u><u>\$ 24,353,729</u></u>
LIABILITIES			
Accounts payable	\$ 62,451	\$ 637	\$ 63,088
Long-term liabilities:			
Due within one year	1,200,168	-	1,200,168
Due in more than one year	<u>20,634,091</u>	<u>-</u>	<u>20,634,091</u>
Total liabilities	<u>21,896,710</u>	<u>637</u>	<u>21,897,347</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,021</u>	<u>-</u>	<u>3,021</u>
NET POSITION			
Net investment in capital assets	(2,596,830)	14,188	(2,582,642)
Unrestricted	3,221,465	86,599	3,308,064
Restricted	<u>1,727,939</u>	<u>-</u>	<u>1,727,939</u>
Total net position	<u><u>\$ 2,352,574</u></u>	<u><u>\$ 100,787</u></u>	<u><u>\$ 2,453,361</u></u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Activities
For the Year Ended June 30, 2023

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instructional services	\$ 6,675,180	\$ 122,527	\$ 973,123	\$ (5,579,530)	\$ -	\$ (5,579,530)
System-wide support services	1,697,629	-	1,080	(1,696,549)	-	(1,696,549)
Community services	3,375	-	3,375	-	-	-
Interest on long-term debt	1,283,567	-	-	(1,283,567)	-	(1,283,567)
Total governmental activities	<u>9,659,751</u>	<u>122,527</u>	<u>977,578</u>	<u>(8,559,646)</u>	<u>-</u>	<u>(8,559,646)</u>
Business-type activities:						
School food service	523,137	78,525	372,111	-	(72,501)	(72,501)
Before/after school care	56,605	78,136	-	-	21,531	21,531
Total business-type activities	<u>579,742</u>	<u>156,661</u>	<u>372,111</u>	<u>-</u>	<u>(50,970)</u>	<u>(50,970)</u>
Total primary government	<u>\$ 10,239,493</u>	<u>\$ 279,188</u>	<u>\$ 1,349,689</u>	<u>(8,559,646)</u>	<u>(50,970)</u>	<u>(8,610,616)</u>
General revenues:						
Unrestricted county appropriations				1,124,729	-	1,124,729
Unrestricted State appropriations				7,938,897	-	7,938,897
Donations- general				68,931	-	68,931
Miscellaneous, unrestricted				186,160	-	186,160
Transfers				(86,790)	86,790	-
Total general revenues				<u>9,231,927</u>	<u>86,790</u>	<u>9,318,717</u>
Change in net position				672,281	35,820	708,101
Beginning net position, as previously stated				(624,360)	64,967	(559,393)
Restatement				<u>2,304,653</u>	<u>-</u>	<u>2,304,653</u>
Beginning net position, as restated				<u>1,680,293</u>	<u>64,967</u>	<u>1,745,260</u>
Ending net position				<u>\$ 2,352,574</u>	<u>\$ 100,787</u>	<u>\$ 2,453,361</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2023**

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 3,027,687	\$ -	\$ -	\$ 3,027,687
Restricted cash and cash equivalents	1,727,939	-	-	1,727,939
Due from other governments	212,812	-	-	212,812
Accounts receivable	1,945	-	-	1,945
Prepaid items	44,493	-	-	44,493
Total assets	<u>\$ 5,014,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,014,876</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 62,451	\$ -	\$ -	\$ 62,451
Unearned revenue	3,021	-	-	3,021
Total liabilities	<u>65,472</u>	<u>-</u>	<u>-</u>	<u>65,472</u>
Fund balances:				
Nonspendable:				
Prepaid items	44,493	-	-	44,493
Unassigned	3,176,972	-	-	3,176,972
Restricted	1,727,939	-	-	1,727,939
Total fund balances	<u>4,949,404</u>	<u>-</u>	<u>-</u>	<u>4,949,404</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,014,876</u>	<u>\$ -</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	19,237,429
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	<u>(21,834,259)</u>
Net position of governmental activities	<u>\$ 2,352,574</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

Exhibit 4

	Major Funds			Total
	General	State Public	Federal Grants	Governmental
		School		Funds
REVENUES				
State of North Carolina	\$ -	\$ 7,938,897	\$ -	\$ 7,938,897
Boards of Education	1,123,387	-	-	1,123,387
U.S. Government	-	-	977,578	977,578
Contributions and donations	68,931	-	-	68,931
Fines and forfeitures	1,342	-	-	1,342
Student activities and fees	122,527	-	-	122,527
Other	186,160	-	-	186,160
Total revenues	<u>1,502,347</u>	<u>7,938,897</u>	<u>977,578</u>	<u>10,418,822</u>
EXPENDITURES				
Current:				
Instructional services	367,437	4,510,854	930,589	5,808,880
System-wide support services	90,637	1,605,912	1,080	1,697,629
Community services	-	-	3,375	3,375
Capital outlay	13,895	222,568	42,534	278,997
Debt service:				
Principal	-	400,313	-	400,313
Interest and other charges	84,317	1,199,250	-	1,283,567
Total expenditures	<u>556,286</u>	<u>7,938,897</u>	<u>977,578</u>	<u>9,472,761</u>
Excess (deficiency) of revenues over expenditures	<u>946,061</u>	<u>-</u>	<u>-</u>	<u>946,061</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	<u>(86,790)</u>	<u>-</u>	<u>-</u>	<u>(86,790)</u>
Total other financing sources (uses)	<u>(86,790)</u>	<u>-</u>	<u>-</u>	<u>(86,790)</u>
Net change in fund balance	<u>859,271</u>	<u>-</u>	<u>-</u>	<u>859,271</u>
Beginning fund balance, as previously stated	2,445,456	-	-	2,445,456
Restatement	<u>1,644,677</u>	<u>-</u>	<u>-</u>	<u>1,644,677</u>
Beginning net position, as restated	<u>4,090,133</u>	<u>-</u>	<u>-</u>	<u>4,090,133</u>
Ending fund balance	<u>\$ 4,949,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,949,404</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Exhibit 5

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

Net changes in fund balances- total governmental funds	\$ 859,271
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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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(587,303)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	<u>400,313</u>
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Total change in net position of governmental activities	<u><u>\$ 672,281</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Net Position
Proprietary Funds
June 30, 2023

Exhibit 6

	Enterprise Funds		
	Major Fund	Non-Major Fund	
	School Food	Before/After	
	Service	School Care	Total
ASSETS			
Current assets:			
Cash	\$ 59,562	\$ 25,672	\$ 85,234
Prepaid expenses	2,002	-	2,002
	<u>61,564</u>	<u>25,672</u>	<u>87,236</u>
Capital assets (Note III.A) 2):			
Capital assets, net of depreciation	14,188	-	14,188
Total capital assets	<u>14,188</u>	<u>-</u>	<u>14,188</u>
Total assets	<u>\$ 75,752</u>	<u>\$ 25,672</u>	<u>\$ 101,424</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 637	\$ -	\$ 637
Total current liabilities	<u>637</u>	<u>-</u>	<u>637</u>
NET POSITION			
Net investment in capital assets	14,188	-	14,188
Unrestricted	60,927	25,672	86,599
Total net position	<u>\$ 75,115</u>	<u>\$ 25,672</u>	<u>\$ 100,787</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

Exhibit 7

	Enterprise Funds		
	Major Fund	Non-Major Fund	
	School Food Service	Before/After School Care	Total
OPERATING REVENUES			
Food sales	\$ 78,525	\$ -	\$ 78,525
Child care fees	-	78,136	78,136
Total operating revenues	78,525	78,136	156,661
OPERATING EXPENSES			
Purchase of food	214,098	-	214,098
Salaries and benefits	273,820	51,519	325,339
Materials and supplies	30,711	5,086	35,797
Contracted services	2,909	-	2,909
Repairs and maintenance	1,359	-	1,359
Other	240	-	240
Total operating expenses	523,137	56,605	579,742
Operating income (loss)	(444,612)	21,531	(423,081)
NONOPERATING REVENUES			
Federal reimbursements	372,111	-	372,111
Total nonoperating revenues	372,111	-	372,111
Transfers from other funds	86,790	-	86,790
Change in net position	14,289	21,531	35,820
Total net position - beginning	60,826	4,141	64,967
Total net position - ending	\$ 75,115	\$ 25,672	\$ 100,787

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

Exhibit 8

	Enterprise Funds		
	Major Fund	Non-Major Fund	
	School Food Service	Before/After School Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 78,525	\$ 78,136	\$ 156,661
Cash paid for goods and services	(248,773)	(5,086)	(253,859)
Cash paid to employees for services	(273,820)	(51,519)	(325,339)
Net cash provided (used) by operating activities	(444,068)	21,531	(422,537)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(14,428)	-	(14,428)
Net cash provided by investing activities	(14,428)	-	(14,428)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	372,111	-	372,111
Transfer in (out)	86,790	-	86,790
Net cash provided by noncapital financing activities	458,901	-	458,901
Net increase (decrease) in cash and cash equivalents	405	21,531	21,936
Balances - beginning of year	59,157	4,141	63,298
Balances - end of year	\$ 59,562	\$ 25,672	\$ 85,234
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (444,612)	\$ 21,531	\$ (423,081)
Depreciation	240	-	240
Adjustments to reconcile operating loss to net cash used by operating activities:			
(Increase) decrease in prepaid expense	(58)	-	(58)
Increase (decrease) in accounts payable	362	-	362
Net cash provided (used) by operating activities	\$ (444,068)	\$ 21,531	\$ (422,537)

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

NOTES TO THE FINANCIAL STATEMENTS

NORTH EAST CAROLINA PREPARATORY SCHOOL

Notes to the Financial Statements

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of North East Carolina Preparatory School (the School) conforms to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as North East Carolina Preparatory School. Because of the authority of the State Board of Education (the "SBE") to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies.

A) Reporting Entity

The North East Carolina Preparatory School is a North Carolina non-profit corporation incorporated in October 2011. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), North East Preparatory School, Inc. has been approved to operate the North East Carolina Preparatory School, a public school serving approximately 890 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2032 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charter will be renewed in the ordinary course of business.

The school has been recognized by the Internal Revenue Service as exempt from Federal income taxation under 501(a) if the Internal Revenue Code as an organization described in section 501(c)(3).

NECP Holdings, LLC is a blended component unit of the School.

NECP Holdings, LLC

This corporation is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turn over the entire amount thereof, less expenses, to an organization which itself is exempt under 26 U.S.C. 501. NECP Holdings, LLC, which has a June 30 year-end, is presented blended with the general fund. Complete financial statements for NECP Holdings, LLC may be obtained from the entity's administrative offices at 274 Husky Trail Tarboro, NC 27886.

B) Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), North East Carolina Preparatory School is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund: The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the School and is reported as a special revenue fund.

Federal Grants Fund: The Federal Grants Fund includes appropriations and grants from the Department of Education for current operating needs of the School and is reported as a special revenue fund.

School Food Service Fund: The school food service fund accounts for the school food service operations.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D) Budgetary Data

Annual budgets are adopted for all funds, on a School wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary. The budget presented in the supplementary information represents the budget of the School at June 30, 2023. All appropriations lapse at year end.

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the School are made in local banks, whose accounts are FDIC insured. Also, the School may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Restricted Assets

As part of the loan agreement for the Series 2019B Charter School Revenue Bonds dated June 1, 2019 with the Public Finance Authority, NECP Holdings, LLC established several reserve accounts including a debt service fund. These accounts are classified as restricted assets for the discretely presented component unit because their use is completely restricted to the purpose under the loan agreement.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Land Improvements	15
Equipment	7 – 10
Leasehold improvements	7 - 20
Furniture and fixtures	5 – 7
Computer equipment	3 - 5

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

6. Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has only one item that meets the criterion for this category – unused grant funds.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

8. Compensated Absences

The sick leave policy of the School provides for unlimited accumulation of earned sick leave. Sick leave does not vest and since the School has no obligation for accumulated sick leave until it is actually taken, no accrual has been made. The School's accumulated vacation policy is that all unused vacation lapses at year end; therefore no accrual has been made.

9. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

9. Net Position/Fund Balances (Continued)

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid operating expenses for the school which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

The School has a debt service fund and a cost issuance fund at June 30, 2023 that are restricted for use regarding future debt payments on the bonds and to pay any additional cost of issuance expenses. The total balance of these two funds at June 30, 2023 was \$1,727,939.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

10. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$(2,596,830) consists of the following elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 22,371,172
Less accumulated depreciation	(3,133,743)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	(21,834,259)
Total adjustment	<u>\$ (2,596,830)</u>

F) Revenues, Expenditures, and Expenses

1. Funding

North East Carolina Preparatory School is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Nash-Rocky Mount Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)].

Subject to certain limitations, funds allocated by the S,BE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. (G.S. 115C-218.105(b)).

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses (Continued)

1. Funding (Continued)

Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2023, North East Carolina Preparatory School received funding from the Board of Education from Edgecombe (\$795,045), Halifax (\$74,472), Martin (\$22,206), Nash-Rocky Mount (\$115,136), Pitt (\$84,294), Wake (\$3,956), Wayne (\$2,448), and Wilson (\$25,830) Counties.

Furthermore, North East Carolina Preparatory School has received donations of cash and/or equipment from private organizations. The cash is available to be used throughout the year for the School's various programs and activities.

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$(186,990) between the two amounts consists of the following elements:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 278,997
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(866,300)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds	400,313
Total	<u>\$ (186,990)</u>

G) Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

NORTH EAST CAROLINA PREPARATORY SCHOOL

Notes to the Financial Statements

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2023, the School and component unit had deposits with banks and savings and loans with a carrying amount of \$3,106,288 and \$1,734,572, respectively. The bank balance with the financial institutions was \$4,904,645, of which \$4,404,645 was not covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk.

2. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Building	\$ 20,683,510	\$ -	\$ -	\$ 20,683,510
Leasehold improvements	266,403	203,861	-	470,264
Vehicles	1,067,589	37,534	(13,687)	1,091,436
Equipment	21,692	37,602	-	59,294
Furniture and fixtures	66,668	-	-	66,668
Computer equipment	137,250	-	(137,250)	-
Total assets	<u>22,243,112</u>	<u>278,997</u>	<u>(150,937)</u>	<u>22,371,172</u>
Less accumulated depreciation for:				
Building	2,068,350	689,450	-	2,757,800
Leasehold improvements	49,161	17,128	-	66,289
Vehicles	89,306	154,341	(13,688)	229,959
Equipment	15,364	3,529	-	18,893
Furniture and fixtures	58,950	1,852	-	60,802
Computer equipment	137,250	-	(137,250)	-
Total accumulated depreciation	<u>2,418,381</u>	<u>866,300</u>	<u>(150,938)</u>	<u>3,133,743</u>
Governmental activity capital assets, net	<u><u>\$ 19,824,731</u></u>			<u><u>\$ 19,237,429</u></u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 866,300
System-wide support services	-
	<u><u>\$ 866,300</u></u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 15,997	\$ 14,428	\$ -	\$ 30,425
Total assets	15,997	14,428	-	30,425
Less accumulated depreciation for:				
Equipment	15,997	240	-	16,237
Total accumulated depreciation	15,997	240	-	16,237
Business-type activity capital assets, net	<u>\$ -</u>			<u>\$ 14,188</u>

B) Liabilities

1. Pension Plan Obligations

a. Retirement Plan

The North East Carolina Preparatory School has adopted a tax deferred retirement plan under Internal Revenue Code section 457. The North East Carolina Preparatory School Retirement Plan (The Plan) is a defined contribution plan and is administered by Prudential Retirement. This plan was effective July 1, 2012. All full-time employees are eligible to participate in the plan. The employee may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code. If funds are available at the end of each fiscal year the board may vote to match 10% of each employee's contribution if they are enrolled in the plan.

At June 30, 2023, 62 employees of the School were included in the plan. For the year ended June 30, 2023, the retirement cost to the School was \$51,853.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2. Risk Management (Continued)

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

The School carries fidelity bond coverage of \$250,000 for all its employees. The company that performs all the School’s outsourced accounting carries fidelity bond coverage in the amount of \$50,000.

3. Long-Term Obligations

a) Revenue Bond

In June 2019, the Public Finance Authority issued two Public Finance Authority Charter School Revenue Bonds in the principal amounts of \$22,000,000, for the Series 2019A bond, and \$1,000,000, for the Series 2019B bond, to NECP Holdings, LLC. Proceeds of the bonds were loaned to NECP Holdings, LLC to purchase a school building. The loans bear interest at 5.75% and 6.5%, respectively. Principal payments will be payable monthly on the Series 2019B bond beginning August 15, 2019 and maturing June 15, 2024. Principal payments will be payable semi-annually on the Series 2019A bond beginning December 15, 2019 and maturing June 15, 2026. The unpaid principal balance of the revenue bonds amounted to \$21,834,259 as of June 30, 2023. Future minimum debt payments are as follows:

Year Ended June 30,	Payment	Interest	Principal
2024	\$ 2,460,245	\$ 1,260,077	\$ 1,200,168
2025	1,576,800	1,186,800	390,000
2026	21,408,466	1,164,375	20,244,091
	\$ 25,445,511	\$ 3,611,252	\$ 21,834,259

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations (Continued)

b) Changes in General Long-Term Obligations

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
	<i>as resated</i>				
Revenue bond	\$ 22,234,572	\$ -	\$ 400,313	\$ 21,834,259	\$ 1,200,168
	<u>\$ 22,234,572</u>	<u>\$ -</u>	<u>\$ 400,313</u>	<u>\$ 21,834,259</u>	<u>\$ 1,200,168</u>

Debt Covenants

Annual Debt Service Coverage Ratio Covenant

In accordance with the revenue bonds as noted above, the School is required to maintain net income available for debt service in an amount equal to at least 1.10 time annual debt services requirements on all indebtedness then outstanding, tested on June 30, 2023, for the immediate preceding fiscal year.

Change in Net Position	\$ 708,101
Plus: depreciation expense	866,540
Plus: amortization expense	<u>-</u>
Current year net income available for debt service	1,574,641
Current year interest paid	<u>1,283,567</u>
Adjust change in net position	2,858,208
Current year debt service	<u>1,683,880</u>
Coverage ratio	<u>1.70</u>

Liquidity Ratio

The School is required to maintain at least 50 days cash on hand on June 30, 2023.

Cash and cash equivalents	\$ 4,840,860
Annual expenses	\$ 10,239,493
Divided by 365	
One day's operating expenses	\$ 28,053
Cash on hand in days	172.56

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

C) Interfund Balances and Activity

During the year ended June 30, 2023, \$86,790 was transferred from the General Fund to the School Food Service Fund to supplement operations.

D) Fund Balance

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, and local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$ 4,949,404
Less:	
Prepaid items	44,493
Restricted	<u>1,727,939</u>
Remaining fund balance	<u><u>\$ 3,176,972</u></u>

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

IV. RESTATEMENT

During the year ended June 30, 2023, the component unit was required to be blended with the School instead of being presented discretely as was done in the past. This resulted in a restatement of previous net position of \$2,304,653 and fund balance of \$1,644,677.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

V. BLENDED COMPONENT UNIT

Condensed combining information for the School's blended component unit for the year ended June 30, 2023 is presented as follows:

	North East Carolina Preparatory School	NECP Holdings, LLC	Eliminations	Total
Assets				
Current Assets	\$ 3,280,304	\$ 1,734,572	\$ -	\$ 5,014,876
Capital Assets, Net	1,311,719	17,925,710	-	19,237,429
Total Assets	<u>\$ 4,592,023</u>	<u>\$ 19,660,282</u>	<u>\$ -</u>	<u>\$ 24,252,305</u>
Liabilities				
Current Liabilities	\$ 62,451	\$ 1,200,168	\$ -	\$ 1,262,619
Long-Term Liabilities	-	20,634,091	-	20,634,091
Total Liabilities	<u>62,451</u>	<u>21,834,259</u>	<u>-</u>	<u>21,896,710</u>
Deferred Inflows	<u>3,021</u>	<u>-</u>	<u>-</u>	<u>3,021</u>
Net Position				
Net Investment in Capital Assets	1,311,719	(3,908,549)	-	(2,596,830)
Unrestricted	3,214,832	6,633	-	3,221,465
Restricted	-	1,727,939	-	1,727,939
Total Net Position	<u>\$ 4,526,551</u>	<u>\$ (2,173,977)</u>	<u>\$ -</u>	<u>\$ 2,352,574</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2023

V. BLENDED COMPONENT UNIT (Continued)

	North East Carolina Preparatory School	NECP Holdings, LLC	Eliminations	Total
Operating Revenues				
Unrestricted county appropriations	\$ 1,124,729	\$ -	\$ -	\$ 1,124,729
Unrestricted state appropriations	7,938,897	-	-	7,938,897
Operating grants and contributions	977,578	-	-	977,578
Donations - general	68,931	-	-	68,931
Rental income	-	1,738,417	(1,738,417)	-
School activities and fees	122,527	-	-	122,527
Miscellaneous, unrestricted	150,802	35,358	-	186,160
Transfers	(86,790)	-	-	(86,790)
Total Operating Revenues	<u>10,296,674</u>	<u>1,773,775</u>	<u>(1,738,417)</u>	<u>10,332,032</u>
Operating Expenses:				
Instructional services	7,724,147	689,450	(1,738,417)	6,675,180
System-wide support services	1,697,629	-	-	1,697,629
Community services	3,375	-	-	3,375
Interest on long-term debt	-	1,283,567	-	1,283,567
Total Operating Expenses	<u>9,425,151</u>	<u>1,973,017</u>	<u>(1,738,417)</u>	<u>9,659,751</u>
Change in net position	871,523	(199,242)	-	672,281
Beginning net position, as previously stated	(624,360)	3,505,779	-	2,881,419
Restatement	<u>4,279,388</u>	<u>(5,480,514)</u>	<u>-</u>	<u>(1,201,126)</u>
Beginning net position, as restated	<u>3,655,028</u>	<u>(1,974,735)</u>	<u>-</u>	<u>1,680,293</u>
Ending net position	<u>\$ 4,526,551</u>	<u>\$ (2,173,977)</u>	<u>\$ -</u>	<u>\$ 2,352,574</u>

VI. SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 14, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NORTH EAST CAROLINA PREPARATORY SCHOOL **Schedule 1**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Governmental Fund Types
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	\$ 7,960,113	\$ 7,938,897	\$ (21,216)
Boards of Education	1,096,317	1,123,387	27,070
U.S. Government	1,604,525	977,578	(626,947)
Contributions and donations	69,000	68,931	(69)
Fines and forfeitures	1,080	1,342	262
School activities and fees	93,017	122,527	29,510
Other	168,348	186,160	17,812
Total revenues	<u>10,992,400</u>	<u>10,418,822</u>	<u>(573,578)</u>
EXPENDITURES			
Salaries	4,369,886	4,951,238	(581,352)
Employer provided benefits	751,908	814,180	(62,272)
Books and supplies	138,670	194,828	(56,158)
Technology	96,409	316,389	(219,980)
Non-cap equipment & leases	73,050	37,773	35,277
Contracted student services	108,670	652,022	(543,352)
Staff development	11,000	11,313	(313)
Administrative services	361,175	152,177	208,998
Insurances	166,848	117,781	49,067
Rent	2,000	2,365	(365)
Facilities	372,535	-	372,535
Utilities	210,400	161,777	48,623
Nutrition and food	6,653	1,560	5,093
Transportation and travel	75,290	93,652	(18,362)
Athletics	68,209	-	68,209
Federal funds	1,636,174	-	1,636,174
Total expenditures	<u>8,448,877</u>	<u>7,507,055</u>	<u>941,822</u>
Capital outlay	<u>300,750</u>	<u>278,997</u>	<u>21,753</u>
Debt service:			
Principal	400,313	400,313	-
Interest and other charges	1,354,561	1,283,567	70,994
Total debt service	<u>1,754,874</u>	<u>1,683,880</u>	<u>70,994</u>
Total expenditures	<u>10,504,501</u>	<u>9,469,932</u>	<u>1,034,569</u>
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>(89,619)</u>	<u>(89,619)</u>
Total other financing sources (uses)	<u>-</u>	<u>(89,619)</u>	<u>(89,619)</u>
Excess of revenue over (under) expenditures	<u>\$ 487,899</u>	<u>859,271</u>	<u>\$ 371,372</u>
Fund balance - beginning, as restated		<u>4,090,133</u>	
Fund balance - ending		<u>\$ 4,949,404</u>	

NORTH EAST CAROLINA PREPARATORY SCHOOL **Schedule 2**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Proprietary Fund Types
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Food sales	\$ 78,566	\$ 78,525	\$ (41)
Child care fees	78,150	78,136	(14)
Total revenues	<u>156,716</u>	<u>156,661</u>	<u>(55)</u>
EXPENDITURES			
Food purchases	215,000	214,098	902
Salaries and benefits	277,291	325,339	(48,048)
Materials and supplies	31,800	35,797	(3,997)
Contracted services	3,000	2,909	91
Repairs and maintenance	1,500	1,359	141
Other	<u>250</u>	<u>240</u>	<u>10</u>
Total expenditures	<u>528,841</u>	<u>579,742</u>	<u>(50,901)</u>
Revenues over (under) expenditures	<u>(372,125)</u>	<u>(423,081)</u>	<u>(50,956)</u>
Other financing sources (uses):			
Federal reimbursements	372,125	372,111	(14)
Transfers	<u>-</u>	<u>86,790</u>	<u>86,790</u>
Total other financing sources	<u>372,125</u>	<u>458,901</u>	<u>86,776</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 35,820</u>	<u>\$ 35,820</u>

COMPLIANCE SECTION



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

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North East Carolina Preparatory School (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise North East Carolina Preparatory School's basic financial statements, and have issued our report thereon dated October 14, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
October 14, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OBM UNIFORM
GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited North East Carolina Preparatory School's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* that could have a direct and material effect on each of North East Carolina Preparatory School's major State programs for the year ended June 30, 2023. North East Carolina Preparatory School's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North East Carolina Preparatory School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North East Carolina Preparatory School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of North East Carolina Preparatory School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North East Carolina Preparatory School's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North East Carolina Preparatory School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North East Carolina Preparatory School's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North East Carolina Preparatory School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North East Carolina Preparatory School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North East Carolina Preparatory School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina

October 14, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OBM UNIFORM
GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North East Carolina Preparatory School's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of North East Carolina Preparatory School's major Federal programs for the year ended June 30, 2023. North East Carolina Preparatory School's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North East Carolina Preparatory School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North East Carolina Preparatory School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of North East Carolina Preparatory School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North East Carolina Preparatory School's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North East Carolina Preparatory School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North East Carolina Preparatory School's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North East Carolina Preparatory School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North East Carolina Preparatory School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North East Carolina Preparatory School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina

October 14, 2023

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>x</u>	none reported
Noncompliance material to financial statements noted	_____ yes	_____ <u>x</u>	no

State Awards

Internal control over major State programs:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>x</u>	none reported
Type of auditors' report issued on compliance for major State programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ yes	_____ <u>x</u>	no

Identification of major State programs:

Program Name
State Public School Fund - Charter Schools

Federal Awards

Internal control over major State programs:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>x</u>	none reported
Type of auditors' report issued on compliance for major Federal programs:	Unmodified		

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Any audit findings disclosed that are required to be
reported in accordance with
2 CFR 200.516(a)?

_____ yes x no

Identification of major Federal programs:

CFDA No(s).

Program Name

84.027A

Title VI-B Handicapped

84.425

COVID- 19 Education Stablization Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee _____ yes x no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS

None reported.

STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal ALN	State/Pass- Through Grantor's Number	Expenditures
FEDERAL GRANTS			
Cash Assistance			
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction			
COVID- 19 Education Stabilization Fund			
ESSER III - Summer Career Accounting	84.425	PRC 188	\$ 10,550
ESSER III - Cyberbullying	84.425	PRC 192	3,132
ESSER III - IDEA VI-B	84.425	PRC 185	49,388
Supplemental K12 Emergency Relief Fund	84.425	PRC 171	1,080
ESSER II - Instructional Support Contributions	84.425	PRC 173	846
ESSER II - Rural and Low Income Schools	84.425	PRC 109	24,161
ESSER III - K12 Emergency Relief	84.425	PRC 181	344,915
ESSER III - Gaggle grants	84.425	PRC 193	3,063
Total Coronavirus Relief Fund			<u>437,135</u>
IASA Title 1 - LEA Basic Education	84.010A	PRC 050	253,409
Title VI-B Cluster:			
Title VI-B Handicapped	84.027A	PRC 060	224,490
Total Title VI-B Cluster			<u>224,490</u>
Student Support	84.424A	PRC 108	18,668
IDEA Preschool handicapped	84.173A	PRC 049	992
Supporting Effective Instruction State Grants	84.367A	PRC 103	42,884
Total U.S. Department of Education			<u>977,578</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Program	10.553-CL	PRC 035	372,111
Total federal assistance			<u>\$ 1,349,689</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal ALN	State/Pass- Through Grantor's Number	Expenditures
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter Schools		PRC 036	\$ 7,665,430
Principal and Teacher Performance Bonuses		PRC 048	8,612
School Safety Grant		PRC 039	239,000
State Public School Fund - Summer Reading Program		PRC 016	25,855
			7,938,897
Total State assistance			
			\$ 9,288,586
Total federal and State assistance			\$ 9,288,586

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2023

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of North East Carolina Preparatory School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



SHARPE
PATELCPA

NORTH EAST CAROLINA PREPARATORY SCHOOL TARBORO, NORTH CAROLINA

Financial Statements and Supplementary Information

As of and for the Years Ended June 30, 2022

NORTH EAST CAROLINA PREPARATORY SCHOOL

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June 30, 2022

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of North East Carolina Preparatory School as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise North East Carolina Preparatory School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of North East Carolina Preparatory School, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North East Carolina Preparatory School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North East Carolina Preparatory School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North East Carolina Preparatory School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North East Carolina Preparatory School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North East Carolina Preparatory School's basic financial statements. The accompanying budgetary schedules as well as the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act., are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of North East Carolina Preparatory School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of North East Carolina Preparatory School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North East Carolina Preparatory School's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina

October 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

North East Carolina Preparatory School

Management's Discussion and Analysis

For the Year Ended June 30, 2022

As management of North East Carolina Preparatory School (the "School"), we provide these financial statements and this narrative overview and analysis of the School's financial position at June 30, 2022, and its operations for the year then ended. We encourage readers to review the discussion presented herein in conjunction with additional information included in the financial statements and notes, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources of North East Carolina Preparatory School exceeded its assets at the close of the fiscal year by \$559,393 (*net position*).
- The School's total net position decreased by \$2,726,429, primarily due to the implementation of GASB 87, which required the School to record its building lease as a right to use leased asset, and a lease liability.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$2,445,456, an increase of \$488,245 in comparison with the prior year.
- The State funded Average Daily Membership (ADM) totals were, 908 in 2017-18, 909 in 2018-19, 962 in 2019-20, 962 in 2020-21, and 948 in the current fiscal year.
- Due to the implementation of GASB 87, the School has recorded a right-to-use leased asset for its leased buildings totaling \$18,654,352, net of amortization, with the related lease liability recorded as a long-term obligation, in the amount of \$22,855,468. The School's long-term debt outstanding consists solely of the building lease liability. NECP Holdings, LLC (the "LLC"), which exists exclusively to hold title to the School's buildings and facilities, is a discretely presented component unit of the School, and is presented as if it were a proprietary fund in the School's financial statements. The LLC's long-term debt consists of two Public Finance Authority Charter School Revenue Bonds, which total \$22,234,573, at June 30, 2022.

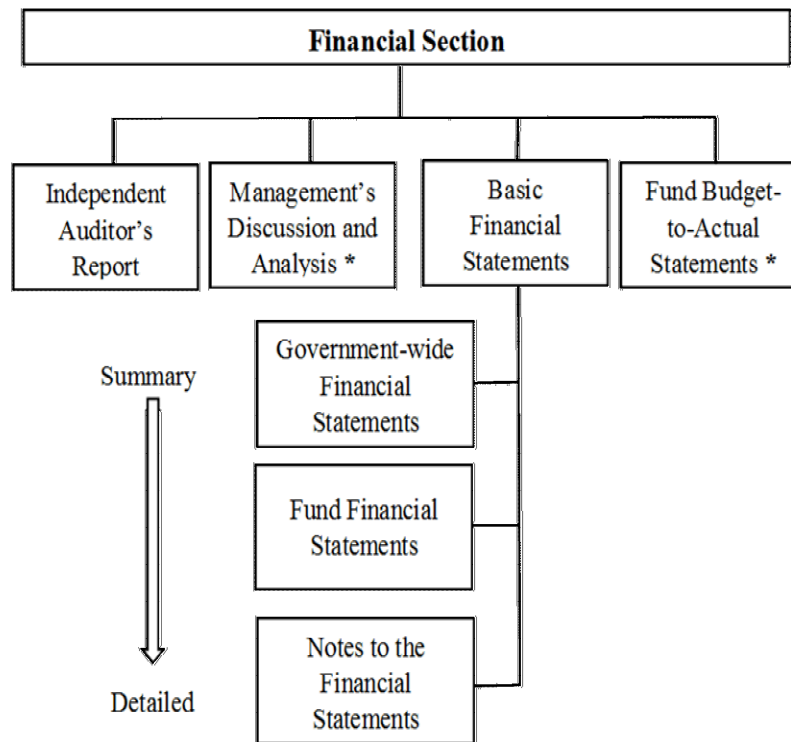
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to North East Carolina Preparatory School's basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two different views of the School through the use of the government-wide statements and the fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of the School.

The chart in Figure 1 outlines the relationships of the components of the annual financial report.

Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position is the difference between the School's total assets minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the School Food Service, and Before and After School Care activities carried out by North East Carolina Preparatory School.

The condensed government-wide financial statements are provided in Figures 2 and 3 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. North East Carolina Preparatory School, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of North East Carolina Preparatory School can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2022

The School adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – North East Carolina Preparatory School has two proprietary funds, which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The School uses enterprise funds to account for its School Food Service, and Before and After School Care functions.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2022, cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 10.6% and 0.7% of total government-wide assets, respectively. The School's right-to-use leased assets, net of amortization, accounted for 83.3% of total assets, while capital assets, net of accumulated depreciation, accounted for 5.4% of total assets. Long-term liabilities, which consist of the School's lease liability for its buildings, represent 99.3% of total liabilities.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The liabilities and deferred inflows of resources of North East Carolina Preparatory School exceeded assets by \$559,393 as of June 30, 2022. At June 30, 2021, the net position of the School stood at \$2,341,725. The School's net position decreased by \$2,726,429 for the fiscal year ended June 30, 2022, compared to an increase of \$672,972 in 2021. The decrease in fiscal year 2022 was due to the implementation of GASB 87, which required the School to record its building lease as a right-to-use leased asset and lease liability. The amount of \$1,209,572 represents the School's investment in capital assets (e.g. leasehold improvements, equipment, furniture and fixtures, and vehicles) less outstanding debt issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset amount, (\$1,768,965), is unrestricted. In 2021, the amount of net investment in capital assets was \$195,044, with unrestricted net position standing at \$2,146,681.

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2022

A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position at June 30, 2022 and 2021 is as follows:

North East Carolina Preparatory School's
Condensed Statement of Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Cash and cash equivalents	\$ 2,368,962	\$ 1,851,698	\$ 63,298	\$ 14,127	\$ 2,432,260	\$ 1,865,825
Other current assets	151,374	323,043	1,944	1,888	153,318	324,931
Right to use assets, net of amortization	18,654,352	-	-	-	18,654,352	-
Capital assets, net of depreciation	1,209,572	195,471	-	2,285	1,209,572	197,756
Total assets	<u>22,384,260</u>	<u>2,370,212</u>	<u>65,242</u>	<u>18,300</u>	<u>22,449,502</u>	<u>2,388,512</u>
Current and other liabilities	149,656	39,401	275	1,234	149,931	40,635
Long-term liabilities	22,855,468	2,712	-	-	22,855,468	2,712
Total liabilities	<u>23,005,124</u>	<u>42,113</u>	<u>275</u>	<u>1,234</u>	<u>23,005,399</u>	<u>43,347</u>
Deferred inflows of resources	3,496	3,440	-	-	3,496	3,440
Net position:						
Net investment in capital assets	1,209,572	192,759	-	2,285	1,209,572	195,044
Unrestricted	(1,833,932)	2,131,900	64,967	14,781	(1,768,965)	2,146,681
Total net position	<u>\$ (624,360)</u>	<u>\$ 2,324,659</u>	<u>\$ 64,967</u>	<u>\$ 17,066</u>	<u>\$ (559,393)</u>	<u>\$ 2,341,725</u>

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2022

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with meeting the educational needs of the student population.
- State and local per-pupil allocations increased this fiscal year.

Revenues, expenses, transfers, and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2022 and 2021:

North East Carolina Preparatory School's
Condensed Statement of Activities
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Operating grants and contributions	\$ 2,159,658	\$ 725,427	\$ 518,150	\$ 55,036	\$ 2,677,808	\$ 780,463
Charges for services	-	-	37,334	22,159	37,334	22,159
County and State funds	8,655,844	8,389,249	-	-	8,655,844	8,389,249
Donations	4,103	5,322	-	-	4,103	5,322
Unrestricted grants and contributions	1,166	52,367	-	-	1,166	52,367
Total revenues	10,820,771	9,172,365	555,484	77,195	11,376,255	9,249,560
Expenses:						
Instructional services	11,052,859	5,630,551	-	-	11,052,859	5,630,551
System-wide support services	1,334,281	2,738,725	-	-	1,334,281	2,738,725
Community services	60,333	500	-	-	60,333	500
Interest on long-term debt	1,137,997	978	-	-	1,137,997	978
School food service	-	-	483,214	172,795	483,214	172,795
Before and after school care	-	-	34,000	33,039	34,000	33,039
Total expenses	13,585,470	8,370,754	517,214	205,834	14,102,684	8,576,588
Increase (decrease) in net position before transfers	(2,764,699)	801,611	38,270	(128,639)	(2,726,429)	672,972
Transfers	(9,631)	(126,355)	9,631	126,355	-	-
Change in net position	(2,774,330)	675,256	47,901	(2,284)	(2,726,429)	672,972
Net position, July 1, previously stated	2,324,659	1,649,403	17,066	19,350	2,341,725	1,668,753
Restatement	(174,689)	-	-	-	(174,689)	-
Net position, July 1, as restated	2,149,970	-	-	-	2,167,036	-
Net position, June 30	\$ (624,360)	\$ 2,324,659	\$ 64,967	\$ 17,066	\$ (559,393)	\$ 2,341,725

**Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2022**

Governmental activities. Governmental activities decreased the School's net position by \$2,764,699 before a transfer to business-type activities. County and State funds of \$8,655,844 increased by 3.2%, and make up 80.0% of total revenues. Instructional services and related expenses of \$11,052,859 account for 81.4% of total expenses, and increased by 96.3%. Net position decreased 129.0% in comparison with the prior year, due to the implementation of GASB 87, which required the School to record its building lease as a right-to-use leased asset and lease liability.

Business-type activities. Business-type activities consist of the School Food Service and Before and After School Care functions. The School Food Service activities increased North East Carolina Preparatory School's net position by \$47,901, while the Before and After School Care activities decreased the School's net position by \$9,631, resulting in a net increase of \$38,270. The School elects to continue to operate the School Food Service fund to meet the daily dietary demands of the student population. The school considers a nutritional program an essential part of a healthy learning environment. The School received \$518,150 of federal reimbursement funds in the School Food Service fund this past year, an 841.5% increase over the prior year.

By adopting a budget for each of the enterprise funds that comprise the business-type activities, the Board can monitor the School's revenues and expenditures and adjust their estimates as needed during the year.

Financial Analysis of the School's Funds

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of North East Carolina Preparatory School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents, which equaled 93.9% of total fund assets. Accounts payable accounted for 95.3% of General Fund liabilities. The unassigned fund balance of the General Fund was \$2,394,108, or 97.9% of total fund balance, which reached \$2,445,456, an increase of \$488,245. The primary source, 84.1%, of General Fund revenue was \$988,144 in reimbursements by various counties for their students attending the School. An additional \$9,826,594 was provided by the State of North Carolina and the Federal government, accounting for 89.3% of total Governmental Fund revenue. Instructions-related services of \$523,381, system-wide support services of \$92,759, community service expenditures of \$60,333 accounted for 77.4%, 13.7%, and 8.9% of General Fund expenditures, respectively. At June 30, 2022, the governmental funds of North East Carolina Preparatory School reported a combined fund balance of \$2,445,456, a 24.9% increase over last year.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service fund at the end of the fiscal year amounted to \$60,826, while the total change in net position was \$47,901. Unrestricted net position of the Before and After School Care fund at the end of the fiscal year amounted to \$4,141. The Before and After School Care fund experienced a

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2022

loss of \$9,631, before a transfer for that amount was received from the governmental funds, resulting on a \$0 change in net position. Other factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. North East Carolina Preparatory School's investment in capital assets for its governmental and business-type activities totals \$1,209,572 (net of accumulated depreciation), as of June 30, 2022. Capital assets include leasehold improvements, vehicles, equipment, and furniture and fixtures. Computer equipment and kitchen equipment are fully depreciated.

The major capital asset transactions during the year include the following:

- Purchasing buses totaling \$959,152; and
- Expending \$63,655 on equipment.

The following schedule summarizes the School's capital assets as June 30, 2022 and 2021:

North East Carolina Preparatory School's Capital Assets
(net of depreciation)
Figure 4-A

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Leasehold improvements	\$ 153,588	\$ 167,373	\$ -	\$ -	\$ 153,588	\$ 167,373
Vehicles	978,283	10,031	-	-	978,283	10,031
Equipment	69,983	8,497	-	2,285	69,983	10,782
Furniture and fixtures	7,718	9,570	-	-	7,718	9,570
Capital assets, net	\$ 1,209,572	\$ 195,471	\$ -	\$ 2,285	\$ 1,209,572	\$ 197,756

Due to the implementation of GASB 87, the School has recorded a right-to-use leased asset for its building lease totaling \$18,654,352, net of amortization.

The following schedule summarizes the School's right-to-use assets as of June 30, 2022 and 2021:

North East Carolina Preparatory School's Right to Use Assets
(net of amortization)
Figure 4-B

	Governmental Activities	
	2022	2021
Right to use assets:		
Buildings	\$ 18,654,352	\$ -
Right to use assets, net	\$ 18,654,352	\$ -

**Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2022**

Additional information about the School's capital assets and right-to-use leased assets can be found in note II.A.2. and II.A.3. of the Basic Financial Statements.

Long-term Debt. Due to the implementation of GASB 87, the School has recorded its building lease as a long-term obligation, in the amount of \$22,855,468. The lease liability is the School's only long-term obligation after the note payable in the amount of \$2,712 was paid in its entirety during the fiscal year.

The School's outstanding debt at June 30, 2022 and 2021 is summarized in the following schedule:

**North East Carolina Preparatory School's
Long-term Obligations
Figure 5**

	Governmental Activities	
	2022	2021
Lease liability	\$ 22,855,468	\$ -
Notes payable direct borrowing	-	2,712
Total long-term obligations	\$ 22,855,468	\$ 2,712

Additional information about the School's long-term obligations can be found in note II.B.3. of the Basic Financial Statements.

The School's component unit, NECP Holdings, LLC, has total long-term debt outstanding of \$22,234,572. The debt is comprised of two Public Finance Authority Charter School Revenue Bonds. Proceeds of the bonds were loaned to NECP Holdings, LLC to purchase the School's building. During the current fiscal year, this debt decreased by \$377,016.

**Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2022**

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- North East Carolina Preparatory School continues to attract families in the Tarboro community and surrounding areas due to its commitment to its students' success, providing them with a challenging curriculum that integrates technology, experiential learning, and critical thinking. Edgecombe County, the School's main source for local revenue, increased its per pupil allocation by 2.3% this fiscal year.
- The State of North Carolina increased its per pupil funding by \$284.13 per ADM compared to the previous year. This equated to an increase of 4.19%.
- The School received supplementary Federal monies to support educating its special needs students.

Impact of Coronavirus on the School. During the fiscal year, the School expended \$1,608,681 in Elementary and Secondary School Emergency Relief Funds (ESSER) in its continued efforts to mitigate the ongoing effects of the COVID-19 pandemic. The ESSER funds were used primarily for purchasing technology equipment, and instructional supplies for its students, and paying salaries to staff providing additional instructional support to students experiencing learning loss due to the pandemic. The School also purchased additional buses to ensure the health and safety of its students while in transit. The School continues to monitor its expenses related to the coronavirus to ensure that state and federal funds are being allocated in the manner that best meets the needs of its students and staff.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, North East Carolina Preparatory School, 274 Husky Trail, Tarboro, North Carolina, 27886, telephone (252) 641-0464. Additional information is available at the School's website, www.necprepschool.com.

BASIC FINANCIAL STATEMENTS

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Net Position
June 30, 2022

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	NECP Holdings, LLC
ASSETS				
Cash and cash equivalents	\$ 2,368,962	\$ 63,298	\$ 2,432,260	\$ -
Restricted cash and cash equivalents	-	-	-	1,644,677
Due from other governments	96,624	-	96,624	-
Receivables, net	3,402	-	3,402	-
Lease receivable	-	-	-	553,207
Accrued lease interest receivable	-	-	-	78,272
Prepaid items	51,348	1,944	53,292	-
Total current assets	<u>2,520,336</u>	<u>65,242</u>	<u>2,585,578</u>	<u>2,276,156</u>
Non-current assets:				
Lease receivable, non-current	-	-	-	22,302,261
Right to use lease assets, net of amortization	18,654,352	-	18,654,352	-
Capital assets (Note III.A) 2):				
Capital assets, net of depreciation	<u>1,209,572</u>	<u>-</u>	<u>1,209,572</u>	<u>18,615,160</u>
Total capital assets	<u>1,209,572</u>	<u>-</u>	<u>1,209,572</u>	<u>18,615,160</u>
Total non-current assets	<u>19,863,924</u>	<u>-</u>	<u>19,863,924</u>	<u>40,917,421</u>
Total assets	<u>\$ 22,384,260</u>	<u>\$ 65,242</u>	<u>\$ 22,449,502</u>	<u>\$ 43,193,577</u>
LIABILITIES				
Accounts payable	\$ 71,384	\$ 275	\$ 71,659	\$ -
Accrued interest	78,272	-	78,272	-
Long-term liabilities:				
Due within one year	553,207	-	553,207	400,313
Due in more than one year	<u>22,302,261</u>	<u>-</u>	<u>22,302,261</u>	<u>21,274,057</u>
Total liabilities	<u>23,005,124</u>	<u>275</u>	<u>23,005,399</u>	<u>21,674,370</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,496</u>	<u>-</u>	<u>3,496</u>	<u>18,013,428</u>
NET POSITION				
Net investment in capital assets	1,209,572	-	1,209,572	(3,059,210)
Unrestricted	(1,833,932)	64,967	(1,768,965)	4,920,312
Restricted	-	-	-	1,644,677
Total net position	<u>\$ (624,360)</u>	<u>\$ 64,967</u>	<u>\$ (559,393)</u>	<u>\$ 3,505,779</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Activities
For the Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-type Activities	Total	NECP Holdings, LLC
Primary government:							
Governmental activities:							
Instructional services	\$ 11,052,859	\$ -	\$ 2,137,997	\$ (8,914,862)	\$ -	\$ (8,914,862)	\$ -
System-wide support services	1,334,281	-	21,661	(1,312,620)	-	(1,312,620)	(829,500)
Community services	60,333	-	-	(60,333)	-	(60,333)	-
Interest on long-term debt	1,137,997	-	-	(1,137,997)	-	(1,137,997)	(1,305,695)
Total governmental activities	13,585,470	-	2,159,658	(11,425,812)	-	(11,425,812)	(2,135,195)
Business-type activities:							
School food service	483,214	7,291	518,150	-	42,227	42,227	-
Before/after school care	34,000	30,043	-	-	(3,957)	(3,957)	-
Total business-type activities	517,214	37,334	518,150	-	38,270	38,270	-
Total primary government	<u>\$ 14,102,684</u>	<u>\$ 37,334</u>	<u>\$ 2,677,808</u>	<u>(11,425,812)</u>	<u>38,270</u>	<u>(11,387,542)</u>	<u>(2,135,195)</u>
General revenues:							
Unrestricted county appropriations				988,908	-	988,908	-
Unrestricted State appropriations				7,666,936	-	7,666,936	-
Donations- general				4,103	-	4,103	60,333
Rental income				-	-	-	6,602,703
Miscellaneous, unrestricted				1,166	-	1,166	650
Transfers				(9,631)	9,631	-	-
Total general revenues				<u>8,651,482</u>	<u>9,631</u>	<u>8,661,113</u>	<u>6,663,686</u>
Change in net position				(2,774,330)	47,901	(2,726,429)	4,528,491
Beginning net position, as previously stated				2,324,659	17,066	2,341,725	(1,197,401)
Restatement				(174,689)	-	(174,689)	174,689
Beginning net position, as restated				<u>2,149,970</u>	<u>17,066</u>	<u>2,167,036</u>	<u>(1,022,712)</u>
Ending net position				<u>\$ (624,360)</u>	<u>\$ 64,967</u>	<u>\$ (559,393)</u>	<u>\$ 3,505,779</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3

	Major Funds			Total
	General	State Public School	Federal Grants	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,368,962	\$ -	\$ -	\$ 2,368,962
Due from other governments	96,624	-	-	96,624
Accounts receivable	3,402	-	-	3,402
Prepaid items	51,348	-	-	51,348
Total assets	<u>\$ 2,520,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,520,336</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 71,384	\$ -	\$ -	\$ 71,384
Unearned revenue	3,496	-	-	3,496
Total liabilities	<u>74,880</u>	<u>-</u>	<u>-</u>	<u>74,880</u>
Fund balances:				
Nonspendable:				
Prepaid items	51,348	-	-	51,348
Unassigned	2,394,108	-	-	2,394,108
Total fund balances	<u>2,445,456</u>	<u>-</u>	<u>-</u>	<u>2,445,456</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,520,336</u>	<u>\$ -</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,209,572
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds:	18,654,352
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	<u>(22,933,740)</u>
Net position of governmental activities	<u>\$ (624,360)</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds			Total
	General	State Public School	Federal Grants	Governmental Funds
REVENUES				
State of North Carolina	\$ -	\$ 7,666,936	\$ -	\$ 7,666,936
Boards of Education	988,144	-	-	988,144
U.S. Government	-	-	2,159,658	2,159,658
Contributions and donations	4,103	-	-	4,103
Fines and forfeitures	764	-	-	764
Other	181,338	-	-	181,338
Total revenues	<u>1,174,349</u>	<u>7,666,936</u>	<u>2,159,658</u>	<u>11,000,943</u>
EXPENDITURES				
Current:				
Instructional services	523,381	4,698,280	1,084,095	6,305,756
System-wide support services	92,759	1,219,861	21,661	1,334,281
Community services	60,333	-	-	60,333
Capital outlay	-	63,655	1,053,902	1,117,557
Debt service:				
Principal	-	625,415	-	625,415
Interest and other charges	-	1,059,725	-	1,059,725
Total expenditures	<u>676,473</u>	<u>7,666,936</u>	<u>2,159,658</u>	<u>10,503,067</u>
Excess (deficiency) of revenues over expenditures	<u>497,876</u>	<u>-</u>	<u>-</u>	<u>497,876</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	(9,631)	-	-	(9,631)
Total other financing sources (uses)	<u>(9,631)</u>	<u>-</u>	<u>-</u>	<u>(9,631)</u>
Net change in fund balance	<u>488,245</u>	<u>-</u>	<u>-</u>	<u>488,245</u>
Beginning fund balance, as previously stated	2,131,900	-	-	2,131,900
Restatement	(174,689)	-	-	(174,689)
Beginning net position, as restated	<u>1,957,211</u>	<u>-</u>	<u>-</u>	<u>1,957,211</u>
Ending fund balance	<u>\$ 2,445,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,445,456</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL **Exhibit 5**
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

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

Net changes in fund balances- total governmental funds	\$ 488,245
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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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,016,678
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This is the amount by which right to use leased asset capital outlays exceeded amortization in the current period.	(4,823,819)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	625,415
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Accrued interest related to right to use leased assets	(78,272)
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Loss on sale of fixed assets	(2,577)
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Total change in net position of governmental activities	<u><u>\$ (2,774,330)</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Net Position
Proprietary Funds
June 30, 2022

Exhibit 6

	Enterprise Funds		
	Non-Major Fund		
	School Food Service	Before/After School Care	Total
ASSETS			
Current assets:			
Cash	\$ 59,157	\$ 4,141	\$ 63,298
Prepaid expenses	1,944	-	1,944
	<u>61,101</u>	<u>4,141</u>	<u>65,242</u>
Capital assets (Note III.A) 2):			
Capital assets, net of depreciation	-	-	-
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 61,101</u>	<u>\$ 4,141</u>	<u>\$ 65,242</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 275	\$ -	\$ 275
Total current liabilities	<u>275</u>	<u>-</u>	<u>275</u>
NET POSITION			
Unrestricted	60,826	4,141	64,967
Total net position	<u>\$ 60,826</u>	<u>\$ 4,141</u>	<u>\$ 64,967</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

Exhibit 7

	Enterprise Funds		
	Non-Major Fund		
	School Food Service	Before/After School Care	Total
OPERATING REVENUES			
Food sales	\$ 7,291	\$ -	\$ 7,291
Child care fees	-	30,043	30,043
Total operating revenues	7,291	30,043	37,334
OPERATING EXPENSES			
Purchase of food	201,518	-	201,518
Salaries and benefits	229,304	33,914	263,218
Materials and supplies	42,251	-	42,251
Contracted services	919	5,760	6,679
Repairs and maintenance	1,263	-	1,263
Other	2,285	-	2,285
Total operating expenses	477,540	39,674	517,214
Operating income (loss)	(470,249)	(9,631)	(479,880)
NONOPERATING REVENUES			
Federal reimbursements	518,150	-	518,150
Total nonoperating revenues	518,150	-	518,150
Transfers from other funds	-	9,631	9,631
Change in net position	47,901	-	47,901
Total net position - beginning	12,925	4,141	17,066
Total net position - ending	\$ 60,826	\$ 4,141	\$ 64,967

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

Exhibit 8

	Enterprise Funds		
	Non-Major Fund		
	School Food Service	Before/After School Care	Total
CASH FLOWS FROM OPERATING ACTIVITES			
Cash received from customers	\$ 7,291	\$ 30,043	\$ 37,334
Cash paid for goods and services	(246,966)	(5,760)	(252,726)
Cash paid to employees for services	(229,304)	(33,914)	(263,218)
Net cash provided (used) by operating activities	(468,979)	(9,631)	(478,610)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES			
Federal reimbursements	518,150	-	518,150
Transfer in (out)	-	9,631	9,631
Net cash provided by noncapital financing activities	518,150	9,631	527,781
Net increase (decrease) in cash and cash equivalents	49,171	-	49,171
Balances - beginning of year	9,986	4,141	14,127
Balances - end of year	\$ 59,157	\$ 4,141	\$ 63,298
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (470,249)	\$ (9,631)	\$ (479,880)
Depreciation	2,285	-	2,285
Adjustments to reconcile operating loss to net cash used by operating activities:			
(Increase) decrease in prepaid expense	(56)	-	(56)
Increase (decrease) in accounts payable	(959)	-	(959)
Net cash provided (used) by operating activities	\$ (468,979)	\$ (9,631)	\$ (478,610)

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

NOTES TO THE FINANCIAL STATEMENTS

NORTH EAST CAROLINA PREPARATORY SCHOOL

Notes to the Financial Statements For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of North East Carolina Preparatory School (the School) conforms to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as North East Carolina Preparatory School. Because of the authority of the State Board of Education (the “SBE”) to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies.

A) Reporting Entity

The North East Carolina Preparatory School is a North Carolina non-profit corporation incorporated in October 2011. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), North East Preparatory School, Inc. has been approved to operate the North East Carolina Preparatory School, a public school serving approximately 948 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2022 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charter will be renewed in the ordinary course of business.

The school has been recognized by the Internal Revenue Service as exempt from Federal income taxation under 501(a) if the Internal Revenue Code as an organization described in section 501(c)(3).

NECP Holdings, LLC is a discretely presented component unit of the School.

NECP Holdings, LLC

This corporation is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turn over the entire amount thereof, less expenses, to an organization which itself is exempt under 26 U.S.C. 501. NECP Holdings, LLC, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for NECP Holdings, LLC may be obtained from the entity’s administrative offices at 274 Husky Trail Tarboro, NC 27886.

B) Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (“GASB 34”), North East Carolina Preparatory School is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund: The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the School and is reported as a special revenue fund.

Federal Grants Fund: The Federal Grants Fund includes appropriations and grants from the Department of Education for current operating needs of the School and is reported as a special revenue fund.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D) Budgetary Data

Annual budgets are adopted for all funds, on a School wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary. The budget presented in the supplementary information represents the budget of the School at June 30, 2022. All appropriations lapse at year end.

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the School are made in local banks, whose accounts are FDIC insured. Also, the School may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Restricted Assets

As part of the loan agreement for the Series 2019B Charter School Revenue Bonds dated June 1, 2019 with the Public Finance Authority, NECP Holdings, LLC established several reserve accounts including a debt service fund. These accounts are classified as restricted assets for the discretely presented component unit because their use is completely restricted to the purpose under the loan agreement.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Equipment	7 – 10
Leasehold improvements	7 - 20
Furniture and fixtures	5 – 7
Computer equipment	3 - 5

Property, plant and equipment of NECP Holdings, LLC are depreciated over their useful lives on a straight-line basis as follows:

Buildings	40 years
Land Improvements	15 years

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

6. Right to Use Assets

The School has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease to into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

7. Lease Receivable

The NECP Holdings, LLC lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, NECP Holdings, LLC may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

8. Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has only one item that meets the criterion for this category – unused grant funds.

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

10. Compensated Absences

The sick leave policy of the School provides for unlimited accumulation of earned sick leave. Sick leave does not vest and since the School has no obligation for accumulated sick leave until it is actually taken, no accrual has been made. The School's accumulated vacation policy is that all unused vacation lapses at year end; therefore no accrual has been made.

11. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid operating expenses for the school which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

NECP Holdings has debt service fund and a cost issuance fund at June 30, 2022 that are restricted for use regarding future debt payments on the bonds and to pay any additional cost of issuance expenses. The total balance of these two funds at June 30, 2022 was \$1,644,677.

12. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$(3,069,816) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 1,559,603
Less accumulated depreciation	(350,031)
Net capital assets	1,209,572
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds:	23,478,171
Less accumulated amortization	(4,823,819)
	18,654,352
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Lease liability	(78,272)
Accrued interest	-
	(78,272)
Total adjustment	\$ 19,785,652

F) Revenues, Expenditures, and Expenses

1. Funding

North East Carolina Preparatory School is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Nash-Rocky Mount Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)].

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses (Continued)

1. Funding (Continued)

Subject to certain limitations, funds allocated by the S,BE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. (G.S. 115C-218.105(b)).

Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2022, North East Carolina Preparatory School received funding from the Board of Education from Edgecombe (\$694,082), Green (\$855), Halifax (\$75,252), Martin (\$29,100), Nash-Rocky Mount (\$92,162), Northampton (\$1,392), Pitt (\$79,894), Wake (\$1,825), Wayne (\$7,319), and Wilson (\$6,263) Counties.

Furthermore, North East Carolina Preparatory School has received donations of cash and/or equipment from private organizations. The cash is available to be used throughout the year for the School's various programs and activities.

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$(3,262,575) between the two amounts consists of the following elements:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 1,117,557
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(100,879)
This is the amount by which right to use leased asset capital outlays exceeded amortization in the current period.	(4,823,819)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	625,415
Accrued interest related to right to use leased assets	(78,272)
Loss on sale of fixed assets	(2,577)
Total	<u>\$ (3,262,575)</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2022, the School had deposits with banks and savings and loans with a carrying amount of \$2,432,260. The bank balance with the financial institutions was \$2,485,473, of which \$2,235,473 was not covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk.

Discretely presented component unit

At June 30, 2022, NECP Holdings, LLC had deposits with banks and savings and loans with a carrying amount of \$1,644,677. The bank balance with the financial institutions was \$1,644,677, of which \$1,394,677 was not covered by the Federal Deposit Insurance Corporation.

2. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Leasehold improvements	\$ 202,749	\$ -	\$ -	\$ 202,749
Vehicles	108,437	1,053,902	(94,750)	1,067,589
Equipment	21,692	63,655	-	85,347
Furniture and fixtures	66,668	-	-	66,668
Computer equipment	137,250	-	-	137,250
Total assets	536,796	1,117,557	(94,750)	1,559,603
Less accumulated depreciation for:				
Leasehold improvements	35,376	13,785	-	49,161
Vehicles	98,406	83,073	(92,173)	89,306
Equipment	13,195	2,169	-	15,364
Furniture and fixtures	57,098	1,852	-	58,950
Computer equipment	137,250	-	-	137,250
Total accumulated depreciation	341,325	100,879	(92,173)	350,031
Governmental activity capital assets, net	<u>\$ 195,471</u>			<u>\$ 1,209,572</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 100,879
System-wide support services	-
	<u>\$ 100,879</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 15,997	\$ -	\$ -	\$ 15,997
Total assets	15,997	-	-	15,997
Less accumulated depreciation for:				
Equipment	13,712	2,285	-	15,997
Total accumulated depreciation	13,712	2,285	-	15,997
Business-type activity capital assets, net	<u>\$ 2,285</u>			<u>\$ -</u>

Discretely presented component unit

Asset activity for NECP Holdings, LLC for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Building	\$ 20,683,510	\$ -	\$ -	\$ 20,683,510
Total assets	20,683,510	-	-	20,683,510
Less accumulated depreciation for:				
Building	1,378,900	689,450	-	2,068,350
Total accumulated depreciation	1,378,900	689,450	-	2,068,350
Total capital assets being depreciated, net	<u>\$ 19,304,610</u>			<u>\$ 18,615,160</u>

3. Right to Use Leased Asset

The School has recorded two right to use leased assets. The assets are right to use assets for two buildings. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3. Right to Use Lease Asset (Continued)

Right to use asset activity for the Primary Government for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Right to use assets				
	\$ -	\$ 23,478,171	\$ -	\$ 23,478,171
Total right to use assets	-	23,478,171	-	23,478,171
Less accumulated depreciation for:				
Building	-	4,823,819	-	4,823,819
Total accumulated depreciation	-	4,823,819	-	4,823,819
Right to use assets, net	<u>\$ -</u>			<u>\$ 18,654,352</u>

4. Intangible Assets

Discretely presented component unit

Bond issuance costs of \$540,352 and bond discounts of \$440,000 were incurred during the year ended June 30, 2019, and are being amortized over the life of the associated bonds. The amortization expense related to bond issuance costs at June 30, 2022 was \$140,050. For reporting purposes, these costs have been capitalized and are netted against the bond liability.

Discretely presented component unit

Estimated future amortization for the succeeding five years is as follows:

Year Ended June 30,	Amount
2023	\$ 140,050
2024	140,050
2025	140,050
2026	140,052
	<u>\$ 560,202</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

5. Lease Receivable

As noted in Note II.A.3, NECP Holdings, LLC has entered into a lease with the School. The lease qualifies under GASB 87 and the lease receivable is measured as the present value of the future minimum rent payments to be received during the lease term at a discount rate of 5.0%. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

Year Ended June 30,	Principal Payments	Interest Payments	Total
2023	\$ 553,207	\$ 1,130,210	\$ 1,683,417
2024	1,353,579	1,101,909	2,455,488
2025	541,667	1,035,133	1,576,800
2026	20,407,015	1,007,360	21,414,375
		-	
	<u>\$ 22,855,468</u>	<u>\$ 4,274,612</u>	<u>\$ 27,130,080</u>

B) Liabilities

1. Pension Plan Obligations

a. Retirement Plan

The North East Carolina Preparatory School has adopted a tax deferred retirement plan under Internal Revenue Code section 457. The North East Carolina Preparatory School Retirement Plan (The Plan) is a defined contribution plan and is administered by Prudential Retirement. This plan was effective July 1, 2012. All full-time employees are eligible to participate in the plan. The employee may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code. If funds are available at the end of each fiscal year the board may vote to match 10% of each employee's contribution if they are enrolled in the plan.

At June 30, 2022, 62 employees of the School were included in the plan. For the year ended June 30, 2022, the retirement cost to the School was \$56,130.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2. Risk Management (Continued)

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

The School carries fidelity bond coverage of \$250,000 for all its employees. The company that performs all the School’s outsourced accounting carries fidelity bond coverage in the amount of \$50,000.

3. Long-Term Obligations

a) Note Payable

The School borrowed a total of \$62,858 under a note payable to a leasing company to settle a prior lease obligation from another leasing company. The note began in August of 2016 with monthly payments, including principal and interest, of \$1,334. The note bears interest at a rate of 10.37% and matures in July of 2021. This note was fully paid off during the year ended June 30, 2022.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations (Continued)

b) Leases

The School has entered into an agreement to lease buildings. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On June 27, 2019, the school entered into an operating lease agreement with its discrete component unit, NECP Holdings, LLC through June 15, 2026 for the rental of its school campus. The lease liability is measured at a discount rate of 5.0%, which is the rate specified in the lease. As a result of the lease, the School has recorded a right to use asset with a net book value of \$18,654,352 at June 30, 2022. The right to use asset is discussed in more detail in the Asset section of the notes to the financial statements.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

Year Ended June 30,	Principal Payments	Interest Payments	Total
2023	\$ 553,207	\$ 1,130,210	\$ 1,683,417
2024	1,353,579	1,101,909	2,455,488
2025	541,667	1,035,133	1,576,800
2026	20,407,015	1,007,360	21,414,375
			-
	<u>\$ 22,855,468</u>	<u>\$ 4,274,612</u>	<u>\$ 27,130,080</u>

c) Changes in General Long-Term Obligations

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Note payable	\$ 2,712	\$ -	\$ 2,712	\$ -	\$ -
Lease liability		23,478,171	622,703	22,855,468	553,207
	<u>\$ 2,712</u>	<u>\$ 23,478,171</u>	<u>\$ 625,415</u>	<u>\$ 22,855,468</u>	<u>\$ 553,207</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations (Continued)

a) Changes in General Long-Term Obligations (Continued)

Discretely presented component unit

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct loan	\$ 22,611,588	\$ -	\$ 377,016	\$ 22,234,572	\$ 400,313

d) Revenue Bond

Discretely presented component unit

In June 2019, the Public Finance Authority issued two Public Finance Authority Charter School Revenue Bonds in the principal amounts of \$22,000,000, for the Series 2019A bond, and \$1,000,000, for the Series 2019B bond, to NECP Holdings, LLC. Proceeds of the bonds were loaned to NECP Holdings, LLC to purchase a school building. The loans bear interest at 5.75% and 6.5%, respectively. Principal payments will be payable monthly on the Series 2019B bond beginning August 15, 2019 and maturing June 15, 2024. Principal payments will be payable semi-annually on the Series 2019A bond beginning December 15, 2019 and maturing June 15, 2026. The unpaid principal balance of the revenue bonds amounted to \$22,234,572 as of June 30, 2022. Future minimum debt payments are as follows:

Year Ended June 30,	Payment	Interest	Principal
2023	\$ 1,683,880	\$ 1,283,567	\$ 400,313
2024	2,460,245	1,260,077	1,200,168
2025	1,576,800	1,186,800	390,000
2026	21,408,467	1,164,375	20,244,092
	<u>\$ 27,129,392</u>	<u>\$ 4,894,819</u>	<u>\$ 22,234,573</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations (Continued)

e) Debt Covenants

Annual Debt Service Coverage Ratio Covenant

In accordance with the revenue bonds as noted above, the School is required to maintain net income available for debt service in an amount equal to at least 1.10 time annual debt services requirements on all indebtedness then outstanding, tested on June 30, 2022, for the immediate preceding fiscal year.

Change in Net Position	\$ (2,726,429)
Plus: depreciation expense	100,879
Plus: amortization expense	<u>4,823,819</u>
Current year net income	
available for debt service	2,198,269
Current year debt service	<u>1,685,140</u>
Adjusted change in net position	3,883,409
Current year debt service	<u>1,685,140</u>
Coverage ratio	<u>2.30</u>

Liquidity Ratio

The School is required to maintain at least 50 days cash on hand on June 30, 2022.

Cash and cash equivalents	\$ 2,432,260
Operating expenses	\$ 8,060,429
Divided by 365	
One day's operating expenses	\$ 22,083
Cash on hand in days	110.14

C) Interfund Balances and Activity

During the year ended June 30, 2022, \$9,631 was transferred from the General Fund to the School Food Service Fund to supplement operations.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

D) Fund Balance

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, and local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$ 2,445,456
Less:	
Prepaid items	<u>51,348</u>
Remaining fund balance	<u>\$ 2,394,108</u>

III. RELATED PARTY TRANSACTIONS

The School has entered into an agreement with the NECP Holdings, LLC for the rental of the school campus. The School is also a guarantor of the Corporation's bond related to the school facilities. NECP Holdings, LLC has been presented as a discretely presented component unit.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

V. SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 24, 2022, which is the date the financial statements were available to be issued.

As of the date of issuance of the School's audit, there is a pandemic situation regarding the COVID-19 virus. The School is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

SUPPLEMENTARY INFORMATION

NORTH EAST CAROLINA PREPARATORY SCHOOL **Schedule 1**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Governmental Fund Types
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	\$ 7,667,314	\$ 7,666,936	\$ (378)
Boards of Education	988,144	988,144	-
U.S. Government	3,162,646	2,159,658	(1,002,988)
Contributions and donations	4,200	4,103	(97)
Fines and forfeitures	764	764	-
Other	183,276	181,338	(1,938)
Total revenues	<u>12,006,344</u>	<u>11,000,943</u>	<u>(1,005,401)</u>
EXPENDITURES			
Salaries	5,916,046	5,318,808	597,238
Employer provided benefits	916,011	849,688	66,323
Books and supplies	232,348	222,171	10,177
Technology	124,983	143,827	(18,844)
Non-cap equipment & leases	107,500	77,621	29,879
Contracted student services	133,775	491,083	(357,308)
Staff development	24,348	22,624	1,724
Administrative services	248,446	135,809	112,637
Insurances	162,099	116,440	45,659
Rent	1,683,092	13,137	1,669,955
Facilities	230,325	67,449	162,876
Utilities	238,500	173,210	65,290
Nutrition and food	6,000	334	5,666
Transportation and travel	96,015	68,169	27,846
Athletics	54,969	-	54,969
Federal funds	409,411	-	409,411
Total expenditures	<u>10,583,868</u>	<u>7,700,370</u>	<u>2,883,498</u>
Capital outlay	<u>1,134,252</u>	<u>1,117,557</u>	<u>16,695</u>
Debt service:			
Principal	-	625,415	(625,415)
Interest and other charges	-	1,059,725	(1,059,725)
Total debt service	<u>-</u>	<u>1,685,140</u>	<u>(1,685,140)</u>
Total expenditures	<u>11,718,120</u>	<u>10,503,067</u>	<u>1,215,053</u>
Other financing sources (uses):			
Transfers in (out)	-	(9,631)	(9,631)
Total other financing sources (uses)	<u>-</u>	<u>(9,631)</u>	<u>(9,631)</u>
Excess of revenue over (under) expenditures	<u>\$ 288,224</u>	<u>488,245</u>	<u>\$ 200,021</u>
Fund balance - beginning, as restated		<u>1,957,211</u>	
Fund balance - ending		<u>\$ 2,445,456</u>	

NORTH EAST CAROLINA PREPARATORY SCHOOL **Schedule 2**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Proprietary Fund Types
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Food sales	\$ 7,495	\$ 7,291	\$ (204)
Child care fees	30,050	30,043	(7)
Total revenues	<u>37,545</u>	<u>37,334</u>	<u>(211)</u>
EXPENDITURES			
Food purchases	202,000	201,518	482
Salaries and benefits	267,163	263,218	3,945
Materials and supplies	44,500	42,251	2,249
Contracted services	7,010	6,679	331
Repairs and maintenance	1,500	1,263	237
Other	<u>2,580</u>	<u>2,285</u>	<u>295</u>
Total expenditures	<u>524,753</u>	<u>517,214</u>	<u>7,539</u>
Revenues over (under) expenditures	<u>(487,208)</u>	<u>(479,880)</u>	<u>(7,750)</u>
Other financing sources (uses):			
Federal reimbursements	520,000	518,150	(1,850)
Transfers	<u>-</u>	<u>9,631</u>	<u>9,631</u>
Total other financing sources	<u>520,000</u>	<u>527,781</u>	<u>7,781</u>
Revenues and other sources over (under) expenditures	<u>\$ 32,792</u>	<u>\$ 47,901</u>	<u>\$ 31</u>

COMPLIANCE SECTION



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

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North East Carolina Preparatory School (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise North East Carolina Preparatory School's basic financial statements, and have issued our report thereon dated October 24, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
October 24, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OBM UNIFORM
GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited North East Carolina Preparatory School's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* that could have a direct and material effect on each of North East Carolina Preparatory School's major State programs for the year ended June 30, 2022. North East Carolina Preparatory School's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North East Carolina Preparatory School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North East Carolina Preparatory School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of North East Carolina Preparatory School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North East Carolina Preparatory School's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North East Carolina Preparatory School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North East Carolina Preparatory School's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North East Carolina Preparatory School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North East Carolina Preparatory School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North East Carolina Preparatory School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina

October 24, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OBM UNIFORM
GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North East Carolina Preparatory School's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of North East Carolina Preparatory School's major Federal programs for the year ended June 30, 2022. North East Carolina Preparatory School's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North East Carolina Preparatory School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North East Carolina Preparatory School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of North East Carolina Preparatory School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North East Carolina Preparatory School's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North East Carolina Preparatory School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North East Carolina Preparatory School's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North East Carolina Preparatory School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North East Carolina Preparatory School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North East Carolina Preparatory School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina

October 24, 2022

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>x</u>	none reported
Noncompliance material to financial statements noted	_____ yes	_____ <u>x</u>	no

State Awards

Internal control over major State programs:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>x</u>	none reported
Type of auditors' report issued on compliance for major State programs:			
Unmodified			
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ yes	_____ <u>x</u>	no

Identification of major State programs:

Program Name
State Public School Fund - Charter Schools

Federal Awards

Internal control over major State programs:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>x</u>	none reported
Type of auditors' report issued on compliance for major Federal programs:			
Unmodified			

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Any audit findings disclosed that are required to be
reported in accordance with
2 CFR 200.516(a)?

_____ yes x no

Identification of major Federal programs:

CFDA No(s).

Program Name

84.027A

Title VI-B Handicapped

84.425

COVID- 19 Education Stablization Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee _____ yes x no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS

None reported.

STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
FEDERAL GRANTS			
Cash Assistance			
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction			
COVID- 19 Education Stabilization Fund			
CARES Act K12 Emergency Relief Fund	84.425	PRC 163	\$ 1,975
ESSERF - Exceptional Children Grants	84.425	PRC 167	4,622
Specialized Instructional Support for COVID-19	84.425	PRC 169	17,701
GEER - Supplies Instructional Services	84.425	PRC 170	12,379
Supplemental K12 Emergency Relief Fund	84.425	PRC 171	705,502
ESSER II - Instructional Support Contributions	84.425	PRC 173	5,300
ESSER II - Sch Nutr Covid	84.425	PRC 174	6,698
ESSER III - K12 Emergency Relief	84.425	PRC 181	826,591
ESSER III - ARP - Teacher Bonuses	84.425	PRC 203	64,590
Total Coronavirus Relief Fund			1,645,358
IASA Title 1 - LEA Basic Education	84.010A	PRC 050	245,984
Title VI-B Cluster:			
Title VI-B Handicapped	84.027A	PRC 060	201,926
Title VI-B Targeted Assistance (Special Needs)	84.027	PRC 118	4,500
Total Title VI-B Cluster			206,426
Student Support	84.424A	PRC 108	17,046
IDEA Preschool handicapped	84.173A	PRC 049	4,631
Supporting Effective Instruction State Grants	84.367A	PRC 103	40,213
Total U.S. Department of Education			2,159,658
<u>U.S. Department of Agriculture</u>			
Child Nutrition Program	10.553-CL	PRC 035	518,150
Total federal assistance			\$ 2,677,808

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter Schools		PRC 036	\$ 7,446,228
Principal and Teacher Performance Bonuses		PRC 048	2,206
State Fiscal Recovery Fund Premium Payment		PRC 141	176,008
State Public School Fund - Summer Reading Program		PRC 016	42,494
			<hr/>
Total State assistance			7,666,936
			<hr/>
Total federal and State assistance			\$ 10,344,744
			<hr/> <hr/>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2022

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of North East Carolina Preparatory School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



SHARPE
PATELCPA

NORTH EAST CAROLINA PREPARATORY SCHOOL TARBORO, NORTH CAROLINA

Financial Statements and Supplementary Information

As of and for the Years Ended June 30, 2021

NORTH EAST CAROLINA PREPARATORY SCHOOL

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June 30, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the North East Carolina Preparatory School, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the North East Carolina Preparatory School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the North East Carolina Preparatory School as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North East Carolina Preparatory School's basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary schedule, as well as the accompanying schedule of expenditures of Federal and State awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2021, on our consideration of North East Carolina Preparatory School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North East Carolina Preparatory School's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
September 21, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

North East Carolina Preparatory School

Management's Discussion and Analysis

For the Year Ended June 30, 2021

As management of North East Carolina Preparatory School (the "School"), we provide these financial statements and this narrative overview and analysis of the School's financial position at June 30, 2021, and its operations for the year then ended. We encourage readers to review the discussion presented herein in conjunction with additional information included in the financial statements and notes, which follow this section.

Financial Highlights

- During the fiscal year, North East Carolina Preparatory School was allotted \$218,683 in state funds and \$1,931,894 in federal funds to assist the School with ongoing expenses due to the COVID-19 pandemic. The School expended \$445,379 of those funds in the current fiscal year and will carry-over \$1,705,198 for fiscal year 2022 expenses.
- The assets of North East Carolina Preparatory School exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,341,725 (*net position*).
- The School's total net position increased by \$672,972, primarily due to an increase in the governmental activities' net position.
- As of the close of the current fiscal year, North East Carolina Preparatory School's governmental funds reported combined ending fund balances of \$2,131,900, an increase of \$670,613 in comparison with the prior year.
- The State funded Average Daily Membership (ADM) remained steady this fiscal year. Prior ADM totals were, 991 in 2016-17, 908 in 2017-18, 909 in 2018-19, 962 in 2019-20, and 962 in the current fiscal year.
- During the current fiscal year, North East Carolina Preparatory School's total long-term debt decreased by \$13,701, bringing the total outstanding debt to \$2,712 at June 30, 2021.
- In June 2019, the Public Finance Authority issued two Public Finance Authority Charter School Revenue Bonds totaling \$23,000,000, which was loaned to the School's component unit, NECP Holdings, LLC, to purchase a school building. During the current fiscal year, this debt decreased by \$353,926, reducing the outstanding balance to \$22,611,588 at June 30, 2021.

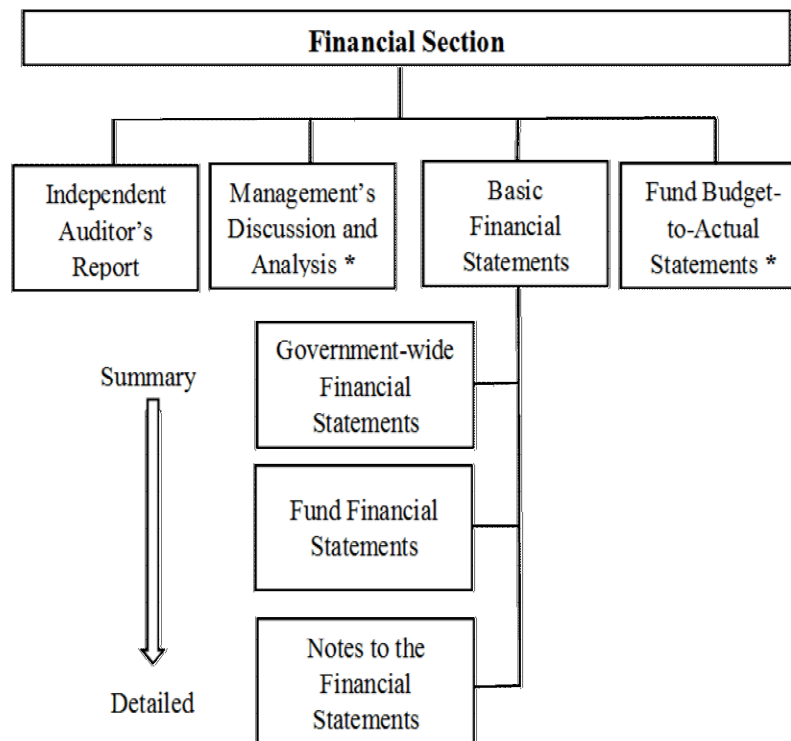
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to North East Carolina Preparatory School's basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two different views of the School through the use of the government-wide statements and the fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of the School.

The chart in Figure 1 outlines the relationships of the components of the annual financial report.

Components of Annual Financial Report

Figure 1



*** Required Supplementary Information**

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position is the difference between the School's total assets minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the School Food Service, and Before and After School Care activities carried out by North East Carolina Preparatory School.

The condensed government-wide financial statements are provided in Figures 2 and 3 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. North East Carolina Preparatory School, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance)

with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of North East Carolina Preparatory School can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – North East Carolina Preparatory School has two proprietary funds, which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. North East Carolina Preparatory School uses enterprise funds to account for its School Food Service, and Before and After School Care functions.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2021 cash and cash equivalents, and other current assets, primarily prepaid items, accounted for 78.1% and 13.7% of total government-wide assets, respectively. Capital assets, net of accumulated depreciation, accounted for 8.2% of total assets. Long-term liabilities represent 6.4% of total liabilities.

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2021

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of North East Carolina Preparatory School exceeded liabilities and deferred inflows of resources by \$2,341,725 as of June 30, 2021. At June 30, 2020, the net position of the School stood at \$1,668,753. The School's net position increased by \$672,972 for the fiscal year ended June 30, 2021, compared to an increase of \$693,480 in 2020. The amount of \$195,044 represents the School's investment in capital assets (e.g. leasehold improvements, equipment, furniture and fixtures, and vehicles) less outstanding debt issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset amount, \$2,146,681, is unrestricted. In 2020, the amount of net investment in capital assets was \$192,686, with unrestricted net position standing at \$1,476,067.

A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position at June 30, 2021 and 2020 is as follows:

North East Carolina Preparatory School's
Condensed Statement of Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Cash and cash equivalents	\$ 1,851,698	\$ 1,113,126	\$ 14,127	\$ 13,239	\$ 1,865,825	\$ 1,126,365
Other current assets	323,043	394,019	1,888	1,833	324,931	395,852
Capital assets	195,471	204,529	2,285	4,570	197,756	209,099
Total assets	<u>2,370,212</u>	<u>1,711,674</u>	<u>18,300</u>	<u>19,642</u>	<u>2,388,512</u>	<u>1,731,316</u>
Current and other liabilities	39,401	45,042	1,234	292	40,635	45,334
Long-term liabilities	2,712	16,413	-	-	2,712	16,413
Total liabilities	<u>42,113</u>	<u>61,455</u>	<u>1,234</u>	<u>292</u>	<u>43,347</u>	<u>61,747</u>
Deferred inflows of resources	<u>3,440</u>	<u>816</u>	<u>-</u>	<u>-</u>	<u>3,440</u>	<u>816</u>
Net position:						
Net investment in capital assets	192,759	188,116	2,285	4,570	195,044	192,686
Unrestricted	2,131,900	1,461,287	14,781	14,780	2,146,681	1,476,067
Total net position	<u>\$ 2,324,659</u>	<u>\$ 1,649,403</u>	<u>\$ 17,066</u>	<u>\$ 19,350</u>	<u>\$ 2,341,725</u>	<u>\$ 1,668,753</u>

**Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2021**

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with meeting the educational needs of the student population.
- Generally speaking, funding changes proportionately with any changes in student enrollment.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2021 and 2020:

**North East Carolina Preparatory School's
Condensed Statement of Activities
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Operating grants and contributions	\$ 725,427	\$ 459,410	\$ 55,036	\$ 231,080	\$ 780,463	\$ 690,490
Charges for services	-	-	22,159	77,380	22,159	77,380
County, State, and Federal funds	8,389,249	8,067,433	-	-	8,389,249	8,067,433
Donations	5,322	12,045	-	-	5,322	12,045
Unrestricted grants and contributions	52,367	94,293	-	-	52,367	94,293
Total revenues	9,172,365	8,633,181	77,195	308,460	9,249,560	8,941,641
Expenses:						
Instructional services	5,630,551	5,347,544	-	-	5,630,551	5,347,544
System-wide support services	2,738,725	2,505,394	-	-	2,738,725	2,505,394
Community services	500	-	-	-	500	-
Interest on long-term debt	978	2,475	-	-	978	2,475
School food service	-	-	172,795	350,698	172,795	350,698
Before and after school care	-	-	33,039	42,050	33,039	42,050
Total expenses	8,370,754	7,855,413	205,834	392,748	8,576,588	8,248,161
Increase (decrease) in net position before transfers	801,611	777,768	(128,639)	(84,288)	672,972	693,480
Transfers	(126,355)	(327,757)	126,355	327,757	-	-
Change in net position	675,256	450,011	(2,284)	243,469	672,972	693,480
Net position, July 1	1,649,403	1,199,392	19,350	(224,119)	1,668,753	975,273
Net position, June 30	\$ 2,324,659	\$ 1,649,403	\$ 17,066	\$ 19,350	\$ 2,341,725	\$ 1,668,753

Governmental activities. Governmental activities increased the School's net position by \$801,611 before a transfer to business-type activities. County, State and federal funds of \$8,389,249 increased by 4%, and make up 91.5% of total revenues. Instructional services

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2021

and related expenses of \$5,630,551 account for 67.3% of total expenses, and increased by 5.3%. Interest on long-term debt accounted for \$978 of total expenses. Net position before transfers to support business-type activities increased by 3.1% in comparison with the prior year.

Business-type activities. Business-type activities decreased the School's net position by \$128,639, before a transfer of \$126,355 was received from the governmental fund.

The School elects to continue to operate the School Food Service fund to meet the daily dietary demands of the student population. The school considers a nutritional program an essential part of a healthy learning environment. The School received \$55,036 of federal reimbursement funds in the School Food Service fund this past year.

Financial Analysis of the School's Funds

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of North East Carolina Preparatory School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents which equaled 85.1% of total fund assets. Accounts payable accounted for 91.9% of General Fund liabilities. The unassigned fund balance of the General Fund was \$1,901,135, or 89.2%, while total fund balance reached \$2,131,900, an increase of \$670,613. The primary source, 94.1%, of General Fund revenue was \$1,149,466 in reimbursements by various counties for their students attending the School. Instructions-related services of \$372,249 and system-wide support services and community services expenditures of \$52,615 accounted for 87.6% and 12.4% of General Fund expenditures, respectively. An additional \$7,950,533, or 86.7% of Governmental Fund revenue, was provided by the State of North Carolina and the federal government.

At June 30, 2021, the governmental funds of North East Carolina Preparatory School reported a combined fund balance of \$2,131,900, a 45.9% increase over last year.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service fund at the end of the fiscal year amounted to \$10,640. The total change in net position for the School Food Service fund was (\$2,284), after a transfer was received from the governmental funds. Unrestricted net position of the Before and After School Care fund at the end of the fiscal year amounted to \$4,141.

Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2021

The change in net position for the Before and After School Care fund was \$0, after a transfer was received from the governmental funds. Other factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. North East Carolina Preparatory School's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$197,756 (net of accumulated depreciation). Capital assets include leasehold improvements, vehicles, equipment, and furniture and fixtures.

The major capital asset transactions during the year includes the following:

- Leasehold improvements totaling \$8,750.

The following schedule summarizes the School's capital assets as June 30, 2021 and 2020:

North East Carolina Preparatory School's Capital Assets
 (net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Leasehold improvements	\$ 167,373	\$ 168,449	\$ -	\$ -	\$ 167,373	\$ 168,449
Vehicles	10,031	13,379	-	-	10,031	13,379
Equipment	8,497	10,666	2,285	4,570	10,782	15,236
Furniture and fixtures	9,570	12,035	-	-	9,570	12,035
Capital assets, net	\$ 195,471	\$ 204,529	\$ 2,285	\$ 4,570	\$ 197,756	\$ 209,099

Additional information about the School's capital assets can be found in note II.A.2. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the School had total debt outstanding of \$2,712.

The School's outstanding debt at June 30, 2021 and 2020 is summarized in the following schedule:

**North East Carolina Preparatory School's
Long-term Obligations
Figure 5**

	Governmental Activities	
	2021	2020
Notes payable direct borrowing	\$ 2,712	\$ 16,413
Total long-term obligations	\$ 2,712	\$ 16,413

During the current fiscal year, North East Carolina Preparatory School's total long-term debt decreased by \$13,701.

The School's component unit, NECP Holdings, LLC, has total long-term debt outstanding of \$22,611,588. The debt is comprised of two Public Finance Authority Charter School Revenue Bonds. Proceeds of the bonds were loaned to NECP Holdings, LLC to purchase a school building. During the current fiscal year, this debt decreased by \$353,926.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- North East Carolina Preparatory School strives daily to continue to cultivate a challenging learning environment for its students, and improve its relationships with all members of the community thereby enhancing its long-term presence as a solid member of the community.
- The State of North Carolina increased its per pupil funding by \$211.44 per ADM compared to the previous year. This equated to an increase of 3.22%.
- The School received supplementary Federal monies to support educating its special needs students.

Impact of Coronavirus on the School. During the fiscal year, the state and the nation continued to be affected by the spread of a coronavirus (COVID-19). North East Carolina Preparatory School expended \$218,683 in Coronavirus Relief Funds (CRF), \$7,065 in the Governors Emergency Education Relief Funds (GEER), and \$219,631 in Elementary and Secondary School Emergency Relief Funds (ESSER), which were used primarily for purchasing technology equipment and instructional supplies for its students, and custodial supplies and equipment to sanitize the facilities. The School continues to monitor its expenses related to the coronavirus to ensure that state and federal funds are being allocated in the manner that best meets the needs of its students and staff. The School has

**Management's Discussion and Analysis
North East Carolina Preparatory School
June 30, 2021**

\$1,705,198 in federal funds remaining from its fiscal year 2021 allotment to be used for fiscal year 2022 expenses.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, North East Carolina Preparatory School, 274 Husky Trail, Tarboro, North Carolina, 27886, telephone (252) 641-0464. Additional information is available at the School's website, www.necprepschool.com.

BASIC FINANCIAL STATEMENTS

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	NECP Holdings, LLC
ASSETS				
Cash and cash equivalents	\$ 1,851,698	\$ 14,127	\$ 1,865,825	\$ -
Restricted cash and cash equivalents	-	-	-	1,584,014
Due from other governments	91,483	-	91,483	-
Receivables, net	795	-	795	-
Prepaid items	230,765	1,888	232,653	-
Total current assets	<u>2,174,741</u>	<u>16,015</u>	<u>2,190,756</u>	<u>1,584,014</u>
Capital assets (Note III.A) 2):				
Capital assets, net of depreciation	195,471	2,285	197,756	19,304,610
Total capital assets	<u>195,471</u>	<u>2,285</u>	<u>197,756</u>	<u>19,304,610</u>
Total assets	<u>\$ 2,370,212</u>	<u>\$ 18,300</u>	<u>\$ 2,388,512</u>	<u>\$ 20,888,624</u>
LIABILITIES				
Accounts payable	\$ 39,401	\$ 1,234	\$ 40,635	\$ -
Prepaid Rent	-	-	-	174,689
Long-term liabilities:				
Due within one year	2,712	-	2,712	377,016
Due in more than one year	-	-	-	21,534,320
Total liabilities	<u>42,113</u>	<u>1,234</u>	<u>43,347</u>	<u>22,086,025</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,440</u>	<u>-</u>	<u>3,440</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	192,759	2,285	195,044	(2,606,726)
Unrestricted	2,131,900	14,781	2,146,681	(174,689)
Restricted	-	-	-	1,584,014
Total net position	<u>\$ 2,324,659</u>	<u>\$ 17,066</u>	<u>\$ 2,341,725</u>	<u>\$ (1,197,401)</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-type Activities	Total	NECP Holdings, LLC
Primary government:							
Governmental activities:							
Instructional services	\$ 5,630,551	\$ -	\$ 725,427	\$ (4,905,124)	\$ -	\$ (4,905,124)	\$ -
System-wide support services	2,738,725	-	-	(2,738,725)	-	(2,738,725)	(846,774)
Community services	500	-	-	(500)	-	(500)	-
Interest on long-term debt	978	-	-	(978)	-	(978)	(1,326,466)
Total governmental activities	<u>8,370,754</u>	<u>-</u>	<u>725,427</u>	<u>(7,645,327)</u>	<u>-</u>	<u>(7,645,327)</u>	<u>(2,173,240)</u>
Business-type activities:							
School food service	172,795	4,736	55,036	-	(113,023)	(113,023)	-
Before/after school care	33,039	17,423	-	-	(15,616)	(15,616)	-
Total business-type activities	<u>205,834</u>	<u>22,159</u>	<u>55,036</u>	<u>-</u>	<u>(128,639)</u>	<u>(128,639)</u>	<u>-</u>
Total primary government	<u>\$ 8,576,588</u>	<u>\$ 22,159</u>	<u>\$ 780,463</u>	<u>(7,645,327)</u>	<u>(128,639)</u>	<u>(7,773,966)</u>	<u>(2,173,240)</u>
General revenues:							
Unrestricted county appropriations				1,151,318	-	1,151,318	-
Unrestricted State appropriations				7,237,931	-	7,237,931	-
Donations- general				5,322	-	5,322	-
Rental income				-	-	-	1,680,217
Miscellaneous, unrestricted				52,367	-	52,367	-
Transfers				<u>(126,355)</u>	<u>126,355</u>	<u>-</u>	<u>-</u>
Total general revenues				<u>8,320,583</u>	<u>126,355</u>	<u>8,446,938</u>	<u>1,680,217</u>
Change in net position				675,256	(2,284)	672,972	(493,023)
Beginning net position				<u>1,649,403</u>	<u>19,350</u>	<u>1,668,753</u>	<u>(704,378)</u>
Ending net position				<u>\$ 2,324,659</u>	<u>\$ 17,066</u>	<u>\$ 2,341,725</u>	<u>\$ (1,197,401)</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 1,851,698	\$ -	\$ -	\$ 1,851,698
Due from other governments	91,483	-	-	91,483
Accounts receivable	795	-	-	795
Prepaid items	230,765	-	-	230,765
Total assets	<u>\$ 2,174,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,174,741</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 39,401	\$ -	\$ -	\$ 39,401
Unearned revenue	3,440	-	-	3,440
Total liabilities	<u>42,841</u>	<u>-</u>	<u>-</u>	<u>42,841</u>
Fund balances:				
Nonspendable:				
Prepaid items	230,765	-	-	230,765
Unassigned	1,901,135	-	-	1,901,135
Total fund balances	<u>2,131,900</u>	<u>-</u>	<u>-</u>	<u>2,131,900</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,174,741</u>	<u>\$ -</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	195,471
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	<u>(2,712)</u>
Net position of governmental activities	<u>\$ 2,324,659</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

	Major Funds		Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	\$ -	\$ 7,237,931	\$ -	\$ 7,237,931
Boards of Education	1,149,466	-	-	1,149,466
U.S. Government	-	-	712,602	712,602
Contributions and donations	5,322	-	-	5,322
Fines and forfeitures	1,852	-	-	1,852
Other	65,192	-	-	65,192
Total revenues	<u>1,221,832</u>	<u>7,237,931</u>	<u>712,602</u>	<u>9,172,365</u>
EXPENDITURES				
Current:				
Instructional services	372,249	4,527,892	712,602	5,612,743
System-wide support services	52,115	2,686,610	-	2,738,725
Community services	500	-	-	500
Capital outlay	-	8,750	-	8,750
Debt service:				
Principal	-	13,701	-	13,701
Interest and other charges	-	978	-	978
Total expenditures	<u>424,864</u>	<u>7,237,931</u>	<u>712,602</u>	<u>8,375,397</u>
Excess (deficiency) of revenues over expenditures	<u>796,968</u>	<u>-</u>	<u>-</u>	<u>796,968</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	(126,355)	-	-	(126,355)
Total other financing sources (uses)	<u>(126,355)</u>	<u>-</u>	<u>-</u>	<u>(126,355)</u>
Net change in fund balance	<u>670,613</u>	<u>-</u>	<u>-</u>	<u>670,613</u>
Beginning fund balance	<u>1,461,287</u>	<u>-</u>	<u>-</u>	<u>1,461,287</u>
Ending fund balance	<u>\$ 2,131,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,131,900</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL **Exhibit 5**
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net changes in fund balances- total governmental funds	\$ 670,613
--	------------

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(9,058)
---	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	<div style="border-top: 1px solid black; margin-top: 5px;">13,701</div>
---	---

Total change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; margin-top: 5px;">\$ 675,256</div>
---	--

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Net Position
Proprietary Funds
June 30, 2021

Exhibit 6

	Enterprise Funds		
	Non-Major Fund		
	School Food Service	Before/After School Care	Total
ASSETS			
Current assets:			
Cash	\$ 9,986	\$ 4,141	\$ 14,127
Prepaid expenses	1,888	-	1,888
	<u>11,874</u>	<u>4,141</u>	<u>16,015</u>
Capital assets (Note III.A) 2):			
Capital assets, net of depreciation	2,285	-	2,285
Total capital assets	<u>2,285</u>	<u>-</u>	<u>2,285</u>
Total assets	<u>\$ 14,159</u>	<u>\$ 4,141</u>	<u>\$ 18,300</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,234	\$ -	\$ 1,234
Total current liabilities	<u>1,234</u>	<u>-</u>	<u>1,234</u>
NET POSITION			
Net investment in capital assets	2,285	-	2,285
Unrestricted	10,640	4,141	14,781
Total net position	<u>\$ 12,925</u>	<u>\$ 4,141</u>	<u>\$ 17,066</u>

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

Exhibit 7

	Enterprise Funds		
	Non-Major Fund		
	School Food Service	Before/After School Care	Total
OPERATING REVENUES			
Food sales	\$ 4,736	\$ -	\$ 4,736
Child care fees	-	17,423	17,423
Total operating revenues	4,736	17,423	22,159
OPERATING EXPENSES			
Purchase of food	37,056	-	37,056
Salaries and benefits	122,061	33,014	155,075
Materials and supplies	11,393	25	11,418
Other	2,285	-	2,285
Total operating expenses	172,795	33,039	205,834
Operating income (loss)	(168,059)	(15,616)	(183,675)
NONOPERATING REVENUES			
Federal reimbursements	55,036	-	55,036
Total nonoperating revenues	55,036	-	55,036
Transfers from other funds	110,739	15,616	126,355
Change in net position	(2,284)	-	(2,284)
Total net position - beginning	15,209	4,141	19,350
Total net position - ending	\$ 12,925	\$ 4,141	\$ 17,066

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

NORTH EAST CAROLINA PREPARATORY SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

Exhibit 8

	Enterprise Funds		
	Non-Major Fund	Non-Major Fund	Total
	School Food Service	Before/After School Care	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,736	\$ 17,423	\$ 22,159
Cash paid for goods and services	(47,562)	(25)	(47,587)
Cash paid to employees for services	(122,061)	(33,014)	(155,075)
Net cash provided (used) by operating activities	<u>(164,887)</u>	<u>(15,616)</u>	<u>(180,503)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	55,036	-	55,036
Transfer in (out)	110,739	15,616	126,355
Net cash provided by noncapital financing activities	<u>165,775</u>	<u>15,616</u>	<u>181,391</u>
Net increase (decrease) in cash and cash equivalents	888	-	888
Balances - beginning of year	<u>9,098</u>	<u>4,141</u>	<u>13,239</u>
Balances - end of year	<u>\$ 9,986</u>	<u>\$ 4,141</u>	<u>\$ 14,127</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (168,059)	\$ (15,616)	\$ (183,675)
Depreciation	2,285	-	2,285
Adjustments to reconcile operating loss to net cash used by operating activities:			
(Increase) decrease in prepaid expense	(55)	-	(55)
Increase (decrease) in accounts payable	<u>942</u>	<u>-</u>	<u>942</u>
Net cash provided (used) by operating activities	<u>\$ (164,887)</u>	<u>\$ (15,616)</u>	<u>\$ (180,503)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NORTH EAST CAROLINA PREPARATORY SCHOOL

Notes to the Financial Statements

For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of North East Carolina Preparatory School (the School) conforms to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as North East Carolina Preparatory School. Because of the authority of the State Board of Education (the "SBE") to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies.

A) Reporting Entity

The North East Carolina Preparatory School is a North Carolina non-profit corporation incorporated in October 2011. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), North East Preparatory School, Inc. has been approved to operate the North East Carolina Preparatory School, a public school serving approximately 962 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2022 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charter will be renewed in the ordinary course of business.

The school has been recognized by the Internal Revenue Service as exempt from Federal income taxation under 501(a) if the Internal Revenue Code as an organization described in section 501(c)(3).

NECP Holdings, LLC is a discretely presented component unit of the School.

NECP Holdings, LLC

This corporation is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turn over the entire amount thereof, less expenses, to an organization which itself is exempt under 26 U.S.C. 501. NECP Holdings, LLC, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for NECP Holdings, LLC may be obtained from the entity's administrative offices at 274 Husky Trail Tarboro, NC 27886.

B) Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), North East Carolina Preparatory School is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund: The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the School and is reported as a special revenue fund.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D) Budgetary Data

Annual budgets are adopted for all funds, on a School wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary. The budget presented in the supplementary information represents the budget of the School at June 30, 2021. All appropriations lapse at year end.

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the School are made in local banks, whose accounts are FDIC insured. Also, the School may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Restricted Assets

As part of the loan agreement for the Series 2019B Charter School Revenue Bonds dated June 1, 2019 with the Public Finance Authority, NECP Holdings, LLC established several reserve accounts including a debt service fund. These accounts are classified as restricted assets for the discretely presented component unit because their use is completely restricted to the purpose under the loan agreement.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Equipment	7 – 10
Leasehold improvements	7 - 20
Furniture and fixtures	5 – 7
Computer equipment	3 - 5

Property, plant and equipment of NECP Holdings, LLC are depreciated over their useful lives on a straight-line basis as follows:

Buildings	40 years
Land Improvements	15 years

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

6. Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has only one item that meets the criterion for this category – unused grant funds.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

8. Compensated Absences

The sick leave policy of the School provides for unlimited accumulation of earned sick leave. Sick leave does not vest and since the School has no obligation for accumulated sick leave until it is actually taken, no accrual has been made. The School's accumulated vacation policy is that all unused vacation lapses at year end; therefore no accrual has been made.

9. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

9. Net Position/Fund Balances (Continued)

Fund Balance (Continued)

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid operating expenses for the school which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

NECP Holdings has debt service fund and a cost issuance fund at June 30, 2021 that are restricted for use regarding future debt payments on the bonds and to pay any additional cost of issuance expenses. The total balance of these two funds at June 30, 2021 was \$1,584,014.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

10. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$192,759 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 536,796
Less accumulated depreciation	(341,325)
Net capital assets	195,471
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	(2,712)
Total adjustment	\$ 192,759

F) Revenues, Expenditures, and Expenses

1. Funding

North East Carolina Preparatory School is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Nash-Rocky Mount Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)].

Subject to certain limitations, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. (G.S. 115C-218.105(b)).

Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2021, North East Carolina Preparatory School received funding from the Board of Education from Nash-Rocky Mount (\$119,482), Northampton (\$3,650), Edgecombe (\$823,975), Pitt (\$69,489), Bertie (\$6,639), Halifax (\$82,637), Martin (\$29,664), Green (\$904), Wayne (\$2,212), and Wilson (\$10,814) Counties.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses (Continued)

1. Funding (Continued)

Furthermore, North East Carolina Preparatory School has received donations of cash and/or equipment from private organizations. The cash is available to be used throughout the year for the School's various programs and activities.

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$4,643 between the two amounts consists of the following elements:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 8,750
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(17,808)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	13,701
Total	<u>\$ 4,643</u>

G) Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2021, the School had deposits with banks and savings and loans with a carrying amount of \$1,865,525. The bank balance with the financial institutions was \$1,941,313, of which \$1,691,313 was not covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk. The School holds \$300 in petty cash.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

1. Deposits (Continued)

Discretely presented component unit

At June 30, 2021, NECP Holdings, LLC had deposits with banks and savings and loans with a carrying amount of \$1,584,014. The bank balance with the financial institutions was \$1,584,014, of which \$1,334,014 was not covered by the Federal Deposit Insurance Corporation.

2. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Leasehold improvements	\$ 193,999	\$ 8,750	\$ -	\$ 202,749
Vehicles	108,437	-	-	108,437
Equipment	21,692	-	-	21,692
Furniture and fixtures	66,668	-	-	66,668
Computer equipment	137,250	-	-	137,250
Total assets	<u>528,046</u>	<u>8,750</u>	<u>-</u>	<u>536,796</u>
Less accumulated depreciation for:				
Leasehold improvements	25,550	9,826	-	35,376
Vehicles	95,058	3,348	-	98,406
Equipment	11,026	2,169	-	13,195
Furniture and fixtures	54,633	2,465	-	57,098
Computer equipment	137,250	-	-	137,250
Total accumulated depreciation	<u>323,517</u>	<u>17,808</u>	<u>-</u>	<u>341,325</u>
Governmental activity capital assets, net	<u>\$ 204,529</u>			<u>\$ 195,471</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 17,808
System-wide support services	-
	<u>\$ 17,808</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 15,997	\$ -	\$ -	\$ 15,997
Total assets	15,997	-	-	15,997
Less accumulated depreciation for:				
Equipment	11,427	2,285	-	13,712
Total accumulated depreciation	11,427	2,285	-	13,712
Business-type activity capital assets, net	<u>\$ 4,570</u>			<u>\$ 2,285</u>

Discretely presented component unit

Asset activity for NECP Holdings, LLC for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Building	\$ 20,683,510	\$ -	\$ -	\$ 20,683,510
Total assets	20,683,510	-	-	20,683,510
Less accumulated depreciation for:				
Building	689,450	689,450	-	1,378,900
Total accumulated depreciation	689,450	689,450	-	1,378,900
Total capital assets being depreciated, net	<u>\$ 19,994,060</u>			<u>\$ 19,304,610</u>

3. Intangible Assets

Discretely presented component unit

Bond issuance costs of \$540,352 and bond discounts of \$440,000 were incurred during the year ended June 30, 2019, and are being amortized over the life of the associated bonds. The amortization expense related to bond issuance costs at June 30, 2021 was \$140,050. For reporting purposes, these costs have been capitalized and are netted against the bond liability.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3. Intangible Assets

Discretely presented component unit

Estimated future amortization for the succeeding five years is as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 140,050
2023	140,050
2024	140,050
2025	140,050
2026	140,052
	<u>\$ 700,252</u>

B) Liabilities

1. Pension Plan Obligations

a. Retirement Plan

The North East Carolina Preparatory School has adopted a tax deferred retirement plan under Internal Revenue Code section 457. The North East Carolina Preparatory School Retirement Plan (The Plan) is a defined contribution plan and is administered by Prudential Retirement. This plan was effective July 1, 2012. All full-time employees are eligible to participate in the plan. The employee may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code. If funds are available at the end of each fiscal year the board may vote to match 10% of each employee's contribution if they are enrolled in the plan.

At June 30, 2021, 62 employees of the School were included in the plan. For the year ended June 30, 2021, the retirement cost to the School was \$49,846.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2. Risk Management (Continued)

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

The School carries fidelity bond coverage of \$250,000 for all its employees. The company that performs all the School’s outsourced accounting carries fidelity bond coverage in the amount of \$50,000.

3. Long-Term Obligations

a) Note Payable

The School borrowed a total of \$62,858 under a note payable to a leasing company to settle a prior lease obligation from another leasing company. The note began in August of 2016 with monthly payments, including principal and interest, of \$1,334. The note bears interest at a rate of 10.37% and matures in July of 2021. On June 30, 2021, the outstanding principal balance was \$2,712, all of which is current.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations (Continued)

b) Operating Lease

On June 27, 2019, the school entered into an operating lease agreement with its discrete component unit, NECP Holdings, LLC through June 15, 2026 for the rental of its school campus. The lease is due monthly and escalates through the life of the lease. Rent expense for the year ended June 30, 2021 was \$1,680,217. Future obligations are as follows:

Year Ended June 30,	Amount
2022	\$ 1,682,392
2023	1,683,417
2024	2,455,487
2025	1,576,800
2026	21,414,375
	<u>\$ 28,812,471</u>

c) Changes in General Long-Term Obligations

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Note payable	<u>\$ 16,413</u>	<u>\$ -</u>	<u>\$ 13,701</u>	<u>\$ 2,712</u>	<u>\$ 2,712</u>

Discretely presented component unit

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct loan	<u>\$ 22,965,514</u>	<u>\$ -</u>	<u>\$ 353,926</u>	<u>\$ 22,611,588</u>	<u>\$ 377,016</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations (Continued)

d) Revenue Bond

Discretely presented component unit

In June 2019, the Public Finance Authority issued two Public Finance Authority Charter School Revenue Bonds in the principal amounts of \$22,000,000, for the Series 2019A bond, and \$1,000,000, for the Series 2019B bond, to NECP Holdings, LLC. Proceeds of the bonds were loaned to NECP Holdings, LLC to purchase a school building. The loans bear interest at 5.75% and 6.5%, respectively. Principal payments will be payable monthly on the Series 2019B bond beginning August 15, 2019 and maturing June 15, 2024. Principal payments will be payable semi-annually on the Series 2019A bond beginning December 15, 2019 and maturing June 15, 2026. The unpaid principal balance of the revenue bonds amounted to \$22,611,588 as of June 30, 2021. Future minimum debt payments are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2022	\$ 1,682,392	\$ 1,305,376	\$ 377,016
2023	1,683,417	1,283,104	400,313
2024	2,455,487	1,255,319	1,200,168
2025	1,576,800	1,186,800	390,000
2026	21,414,375	1,170,284	20,244,091
	<u>\$ 28,812,471</u>	<u>\$ 6,200,883</u>	<u>\$22,611,588</u>

e) Debt Covenants

Annual Debt Service Coverage Ratio Covenant

In accordance with the revenue bonds as noted above, the School is required to maintain net income available for debt service in an amount equal to at least 1.10 time annual debt services requirements on all indebtedness then outstanding, tested on June 30, 2021, for the immediate preceding fiscal year.

Change in Net Position	\$ 672,972
Plus: depreciation expense	20,093
Plus: amortization expense	<u>-</u>
Current year net income	
available for debt service	693,065
Current year debt service	<u>1,694,896</u>
Adjusted change in net position	2,387,961
Current year debt service	<u>1,694,896</u>
Coverage ratio	<u>1.41</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Liabilities (Continued)

3. Long-Term Obligations (Continued)

e) Debt Covenants (Continued)

Liquidity Ratio

The School is required to maintain at least 50 days cash on hand on June 30, 2021.

Cash and cash equivalents	\$ 1,865,825
Operating expenses	\$ 8,547,745
Divided by 365	
One day's operating expenses	\$ 23,418
 Cash on hand in days	 79.67

C) Interfund Balances and Activity

During the year ended June 30, 2021, \$126,355 was transferred from the General Fund to the School Food Service Fund to supplement operations.

D) Fund Balance

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, and local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$ 2,131,900
Less:	
Prepaid items	230,765
Remaining fund balance	<u>\$ 1,901,135</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. RELATED PARTY TRANSACTIONS

The School has entered into an agreement with the NECP Holdings, LLC for the rental of the school campus. The School is also a guarantor of the Corporation's bond related to the school facilities. NECP Holdings, LLC has been presented as a discretely presented component unit.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

V. SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 21, 2021, which is the date the financial statements were available to be issued.

As of the date of issuance of the School's audit, there is a pandemic situation regarding the COVID-19 virus. The School is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

SUPPLEMENTARY INFORMATION

NORTH EAST CAROLINA PREPARATORY SCHOOL **Schedule 1**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Governmental Fund Types
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	\$ 7,254,482	\$ 7,237,931	\$ (16,551)
Boards of Education	1,149,466	1,149,466	-
U.S. Government	3,167,112	712,602	(2,454,510)
Contributions and donations	5,500	5,322	(178)
Fines and forfeitures	1,852	1,852	-
Other	65,542	65,192	(350)
Total revenues	<u>11,643,954</u>	<u>9,172,365</u>	<u>(2,471,589)</u>
EXPENDITURES			
Salaries	4,613,897	4,528,125	85,772
Employer provided benefits	765,302	809,210	(43,908)
Books and supplies	286,758	181,363	105,395
Technology	176,593	108,163	68,430
Non-cap equipment & leases	56,285	69,742	(13,457)
Contracted student services	138,850	399,559	(260,709)
Staff development	16,700	21,785	(5,085)
Administrative services	199,167	95,862	103,305
Insurances	169,000	84,403	84,597
Rent	1,690,663	1,682,060	8,603
Facilities	248,286	-	248,286
Utilities	179,025	139,707	39,318
Nutrition and food	6,000	-	6,000
Transportation and travel	88,855	59,548	29,307
Telecommunications	170,340	170,642	(302)
Athletics	22,720	-	22,720
Unbudgeted Federal funds	2,375,307	-	2,375,307
Total expenditures	<u>11,203,748</u>	<u>8,350,169</u>	<u>2,853,579</u>
Capital outlay	<u>130,465</u>	<u>10,549</u>	<u>119,916</u>
Debt service:			
Principal	-	13,701	(13,701)
Interest and other charges	-	978	(978)
Total debt service	<u>-</u>	<u>14,679</u>	<u>(14,679)</u>
Total expenditures	<u>11,334,213</u>	<u>8,375,397</u>	<u>2,958,816</u>
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>(126,355)</u>	<u>(126,355)</u>
Total other financing sources (uses)	<u>-</u>	<u>(126,355)</u>	<u>(126,355)</u>
Excess of revenue over (under) expenditures	<u>\$ 309,741</u>	<u>670,613</u>	<u>\$ 360,872</u>
Fund balance - beginning		<u>1,461,287</u>	
Fund balance - ending		<u>\$ 2,131,900</u>	

NORTH EAST CAROLINA PREPARATORY SCHOOL **Schedule 2**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Proprietary Fund Types
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Food sales	\$ 4,775	\$ 4,736	\$ (39)
Child care fees	17,500	17,423	(77)
Total revenues	<u>22,275</u>	<u>22,159</u>	<u>(116)</u>
EXPENDITURES			
Food purchases	37,500	37,056	444
Salaries and benefits	155,869	155,075	794
Materials and supplies	11,775	11,418	357
Contracted services	-	-	-
Repairs and maintenance	125	-	125
Other	<u>2,330</u>	<u>2,285</u>	<u>45</u>
Total expenditures	<u>207,599</u>	<u>205,834</u>	<u>1,765</u>
Revenues over (under) expenditures	<u>(185,324)</u>	<u>(183,675)</u>	<u>(1,881)</u>
Other financing sources (uses):			
Federal reimbursements	56,000	55,036	(964)
Transfers	<u>-</u>	<u>126,355</u>	<u>126,355</u>
Total other financing sources	<u>56,000</u>	<u>181,391</u>	<u>125,391</u>
Revenues and other sources over (under) expenditures	<u>\$ (129,324)</u>	<u>\$ (2,284)</u>	<u>\$ 123,510</u>

COMPLIANCE SECTION



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

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North East Carolina Preparatory School (the "School"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise North East Carolina Preparatory School's basic financial statements, and have issued our report thereon dated September 21, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
September 21, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on Compliance for Each Major State Program

We have audited North East Carolina Preparatory School's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of North East Carolina Preparatory School's major State programs for the year ended June 30, 2021. North East Carolina Preparatory School's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for North East Carolina Preparatory School's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about North East Carolina Preparatory School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of North East Carolina Preparatory School's compliance.

Opinion on Each Major State Program

In our opinion, North East Carolina Preparatory School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of North East Carolina Preparatory School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North East Carolina Preparatory School's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North East Carolina Preparatory School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
September 21, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

To the Board of Directors
North East Carolina Preparatory School
Tarboro, North Carolina

Report on Compliance for Each Major Federal Program

We have audited North East Carolina Preparatory School's compliance with the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of North East Carolina Preparatory School's major Federal programs for the year ended June 30, 2021. North East Carolina Preparatory School's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North East Carolina Preparatory School's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about North East Carolina Preparatory School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of North East Carolina Preparatory School's compliance.

Opinion on Each Major Federal Program

In our opinion, North East Carolina Preparatory School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of North East Carolina Preparatory School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North East Carolina Preparatory School's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North East Carolina Preparatory School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
September 21, 2021

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>x</u>	none reported
Noncompliance material to financial statements noted	_____ yes	_____ <u>x</u>	no

State Awards

Internal control over major State programs:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>x</u>	none reported
Type of auditors' report issued on compliance for major State programs:			
Unmodified			
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ yes	_____ <u>x</u>	no

Identification of major State programs:

Program Name
State Public School Fund - Charter Schools

Federal Awards

Internal control over major State programs:			
Material weaknesses identified?	_____ yes	_____ <u>x</u>	no
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>x</u>	none reported
Type of auditors' report issued on compliance for major Federal programs:			
Unmodified			

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Any audit findings disclosed that are required to be
reported in accordance with
2 CFR 200.516(a)?

_____ yes x no

Identification of major Federal programs:

CFDA No(s).

Program Name

84.027A

Title VI-B Handicapped

84.425

COVID- 19 Education Stablization Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee _____ yes x no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

Finding: 2020-001

Status: The finding was corrected for the current year.

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
FEDERAL GRANTS			
Cash Assistance			
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction			
COVID- 19 Education Stablization Fund			
CARES Act K12 Emergency Relief Fund	84.425D	PRC 163	\$ 168,365
Specialized Instructional Support for COVID-19	84.425C	PRC 169	7,065
Supplemental K12 Emergency Relief Fund	84.425D	PRC 171	51,267
Total Coronavirus Relief Fund			<u>226,697</u>
IASA Title 1 - LEA Basic Education	84.010A	PRC 050	224,998
Title VI-B Handicapped	84.027A	PRC 060	207,803
Student Support	84.424A	PRC 108	15,666
IDEA Preschool handicapped	84.173A	PRC 049	22
Supporting Effective Instruction State Grants	84.367A	PRC 103	37,416
Total U.S. Department of Education			<u>712,602</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Program	10.553-CL	PRC 035	55,036
Total federal assistance			<u>767,638</u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter Schools		PRC 036	\$ 7,000,896
State Public School Fund - Summer Reading Program		PRC 016	18,352
Coronavirus Relief Fund:			
Summer Learning Program		PRC 121	36,358
Remote Instructional		PRC 123	2,649
Student Computers and Devices		PRC 124	18,578
Personnel Computers and Devices		PRC 126	3,097
Community Student Mobile Internet Access		PRC 128	6,703
Low Wealth Counties Supplemental Funding		PRC 134	127,878
Personal Protective Equipment		PRC 137	23,420
Total Coronavirus Relief Fund			<u>218,683</u>
Total State assistance			<u>7,237,931</u>
Total federal and State assistance			<u><u>\$ 8,005,569</u></u>

NORTH EAST CAROLINA PREPARATORY SCHOOL
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2021

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of North East Carolina Preparatory School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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APPENDIX C

CHARTER SCHOOLS IN NORTH CAROLINA

This APPENDIX C briefly summarizes certain North Carolina statutes affecting charter schools in North Carolina, primarily with respect to funding and administration thereof. This APPENDIX C is not intended to be a complete statement of such law, and reference is made to the Charter School Act (N.C. Gen. Stat. § 115C-218 et seq.) in its entirety, along with the North Carolina General Statutes, for a complete understanding of such provisions, charter school law generally, and other statutes in effect in North Carolina. Capitalized terms used but not defined in this Appendix C shall have the meanings set forth in the forepart of the Official Statement.

Charter School Finance

General

In 1996, the North Carolina General Assembly (the “General Assembly”) enacted the Charter School Act, (previously codified at N.C. Gen. Stat. § 115C-238.29A et. seq.), as a means of authorizing teachers, parents, pupils and community members to establish and maintain charter schools. The Charter School Act has since been amended on various occasions and recodified as N.C. Gen. Stat. §115C-218 et. seq. on August 6, 2014. Charter schools are public schools that are operated independently of existing public schools pursuant to a charter granted by the North Carolina State Board of Education (the “SBE”). As of March 22, 2024, there were 210 charter schools in North Carolina. Average Daily Membership (“ADM”) figures certified in March 2023 reported a total of over 145,000 students being served by charter schools in North Carolina.*

On June 28, 2023, the General Assembly ratified House Bill 618 (“HB 618”), which makes a number of changes to the Charter School Act. In particular, it renames the Charter School Advisory Board the “Charter School Review Board,” (the “Review Board”) and gives the Review Board the primary responsibility for approving or denying applications for new charter schools, and for renewals and revocations of charters for existing charter schools. The Governor vetoed HB 618 on July 7, 2023, and the General Assembly voted to override that veto on August 16, 2023, at which point HB 618 became law (Session Law 2023-110).

The General Assembly has also ratified a second bill that could impact funding of charter schools in North Carolina, House Bill 219 (“HB 219”). HB 219 makes additional changes to the Charter School Act, effective for the 2024-25 school year, including permitting charter schools that have not been found to be low-performing to increase their enrollment without approval from the Review Board or SBE, and to allow any charter school that has not filled its current enrollment with North Carolina students to accept out-of-state students so long as they charge tuition for such students equal to at least 50% (but not more than 100%) of the State and local per pupil allocation. It also allows a charter school to give priority enrollment to students whose parents are on active military service or to students of a preschool with which the school has a written enrollment articulation agreement. Finally, it authorizes (but does not require) counties to provide funds to charter schools by direct appropriation to be used for the acquisition, construction and equipping of buildings, equipment and instructional apparatus for the school. The Governor vetoed HB 219 on July 21, 2023, and the General Assembly voted to override that veto on August 16, 2023, at which point HB 219 became law (Session Law 2023-107).

State of North Carolina and Local Funds

In North Carolina, the state is primarily responsible for the supervision, administration and funding of the public school system. The general cost of operating the system of public schools is paid from the North Carolina General Fund rather than locally levied ad valorem property taxes. State of North Carolina appropriations are allotted in accordance with various formulae, primarily based upon ADM.† The State of North Carolina pays a substantial

* Source: “2023 Annual Charter School Report to the North Carolina General Assembly” by Public Schools of North Carolina State Board of Education Department of Public Instruction, which is expected to be published by June 15, 2024.

† Average Daily Membership is the sum of the number of days in membership for all non-violating students in individual local school administrative units and charter schools, divided by the number of school days in the month.

portion of current operating expenses such as salaries of teachers, and other staff, instructional supplies, textbooks and transportation. Counties typically supplement these current operating expenditures by modest amounts. Although counties have discretion to provide funds to charter schools for certain capital expenditures as described under “General” above, charter schools, unlike traditional public schools, are not automatically entitled to any state or local funding for school or other facility purchases; instead, charter schools may lease space using state funding or, alternatively, raise or secure funds from other non-state sources to build or purchase facilities.

Because school funding is a large part of the General Fund spending, it is affected by significant changes in General Fund revenues. The following table shows the amount of General Fund revenue collections reported in each fiscal year 2017-18 through 2022-23, with annual percentage increases/decreases for each such fiscal year where available:

**North Carolina Tax and Non-Tax Revenue
(Expressed in Millions)***

Fiscal Year	Tax and Non-Tax Revenue	Percent Increase (Decrease) From Previous Year
2017-18	\$23,565	4.2%
2018-19	24,827	5.4
2019-20	23,939	(3.6)
2020-21	29,699	24.1
2021-22	33,209	11.8
2022-23	33,535	1.0

Charter schools receive funding based on the average per pupil allocation in the local school administrative unit from which a student comes.

The following shows expenditure figures for North Carolina public schools for the five most recent years for which data are available:

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23
(Current Expense Expenditures in Dollars)†					
North Carolina	9,234,487,571	9,473,142,635	9,730,662,223	10,195,453,307	10,488,674,716
Federal	1,478,257,364	1,515,519,573	1,908,420,940	3,549,183,312	3,130,543,530
Local	3,684,260,395	3,598,164,507	3,539,935,174	3,843,918,902	3,991,167,231
Total‡	14,397,005,330	14,586,826,715	15,051,913,926	17,588,555,521	17,610,385,477
(Per Pupil Expenditure in Average Daily Membership in Dollars)**					
North Carolina	6,479	6,637	7,156	7,426	7,596
Federal	975	994	1,298	2,460	2,207
Local	2,410	2,320	2,299	2,459	2,834
Total††	9,865	9,951	10,753	12,345	12,637

The SBE allocates funds to each charter school based on the school’s ADM and the dollars per ADM of the local school administrative unit in which the school is located. With limited exception, each charter school generally receives an allocation in an amount equal to the average per pupil allocation for ADM from the local school administrative unit allotments in which the charter school is located for each child attending the charter school. Each

* Source: State of North Carolina, Office of the State Controller, General Fund Monthly Financial Reports.

† Source: “Statistical Profile,” Public Schools of North Carolina, State Board of Education, Department of Public Instruction.

‡ Totals may not equal the sum of line items due to rounding.

charter school receives an additional amount for each child with disabilities and each child with limited English proficiency.*

A charter school's allotment of State of North Carolina funds, calculated based on an initial ADM estimate,[†] is received by the charter school in three installments. The first installment, equal to 34% of the State of North Carolina allotment, is normally received in July of each year. After the first month of school, the charter school must report actual ADM for the month. A charter school's State allotment will be recalculated based on the actual ADM from the 1st month,[‡] and an additional 34% of the allotment will be made available to the charter school. The final 32% of the State of North Carolina allotment is received in the third installment at the end of February of each year.[§]

The local school administrative unit in which a child resides must transfer to the charter school an amount equal to the per pupil local current expense appropriation for that local school administrative unit for the fiscal year. The amount transferred that consists of revenue derived from supplemental taxes will be transferred only to a charter school located in the tax district for which these taxes are levied and in which the student resides.**

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* N.C. Gen. Stat. § 115C-218.105.

† The initial ADM estimate is based on the higher of the first two months total projected ADM for the current year or the higher of the first two months total prior year. A new charter school's estimated ADM will be calculated based on projected enrollment information submitted by the charter school. The SBE will use this information to calculate a Planning Allotment (preliminary allotment for tentative allocation purposes only). Funding for existing charter schools is based on the dollars per ADM of the local school administrative unit in which the school is located. Funding for new charter schools is based on the dollars per ADM of the local school administrative unit in which the student is or would be currently enrolled. Source: North Carolina Department of Public Instruction "2022-2023 Allotment Policy Manual."

‡ After 1st month ADM adjustments, a charter school can request additional funding if it has significant growth (20% or more) in months two through four. Requested ADM must be verified and be within the charter school's maximum. The state contingency reserve will be used to fund the prorated increases within funds available. Source: North Carolina Department of Public Instruction "2022-2023 Allotment Policy Manual."

§ Source: North Carolina Department of Public Instruction "Financial Guide for Charter Schools" revised September 2020; North Carolina Department of Public Instruction "2022-2023 Allotment Policy Manual."

** Source: North Carolina Department of Public Instruction "Financial Guide for Charter Schools" revised September 2020; N.C. Gen. Stat. §115C-218.105.

COVID Relief

In response to the disruption to the economy and to public school education caused by the COVID-19 pandemic, the General Assembly passed Session Law 2020-27, which was signed into law by the Governor on June 19, 2020. Session Law 2020-27 reallocated over \$100 million of nonrecurring funds to the North Carolina Department of Public Instruction (“DPI”) to provide for an increase in ADM funding during the 2020-21 school year. In Session Law 2021-1, the General Assembly allocated an additional \$1.6 billion of COVID relief funds to the Elementary and Secondary School Emergency Relief Fund II, and Session Law 2021-3 provided additional guidance and mandates as to how such funds would be spent, including increased ADM funding. Similarly, in Session Law 2021-25 the General Assembly allocated federal funds received by the State under the American Rescue Plan Act (“ARPA”) from the Elementary and Secondary School Emergency Relief Fund in the amount of over \$3.2 billion to be spent by DPI to provide, among other things, for additional ADM funding during the 2021-22 school year. Most of such funding has been paid out by DPI to the school districts and charter schools, and it is not anticipated that any further COVID relief funding will be provided by the General Assembly.

State Budgeting Process

In 2014, the General Assembly adopted “The Current Operations and Capital Improvements Appropriations Act of 2014,” which revised the State’s budgeting process for public schools (including charter schools) from a continuation budget concept that included an automatic enrollment adjustment for public school funding, to a Base Budget concept, which requires affirmative legislative action to adjust public school funding for increases or decreases in enrollment. General Assembly adopts a state budget on a biennial basis, with adjustments to such budgets permitted on an annual basis.

On September 22, 2023, the General Assembly ratified House Bill 259 (“HB 259”), which provides a budget for the State for the 2023-24 and 2024-25 biennium. The Governor failed to approve HB 259 within the time prescribed by North Carolina law and, as a result, HB259 became law (Session Law 2023-134) on October 3, 2023. Session Law 2023-134 increased the appropriation to DPI to approximately \$11.5 billion in Fiscal Year 2023-24 and approximately \$11.9 billion in Fiscal Year 2024-25. Session Law 2023-134 provides funding for allotted ADM of 1,549,792 students (representing an increase from 1,553,632 students in Fiscal Year 2021) in Fiscal Year 2023-24, and also increases the net appropriation for allotted ADM by approximately \$20.1 million in each of Fiscal Year 2023-24 and Fiscal Year 2024-25. In addition, Session Law 2023-134 adjusts supplemental funding for the current expense funds of certain school districts in certain low-wealth counties in the State. The full impact of these changes upon the per pupil local current expense appropriation in each school district is not yet known.

Session Law 2023-134 also expanded charter school eligibility to apply for and receive certain competitive grants from the State, including grants for (i) extraordinary costs associated with the transportation of high-needs students with disabilities, (ii) extraordinary school transportation costs for homeless and foster students, (iii) the purchase of school safety equipment for school buildings and training associated with the use of such equipment, and (iv) the expansion of career and technical education programs for students in sixth and seventh grade. Charter schools are not obligated to apply for any such grants.

Federal Funds

The SBE receives funds from many federal grants from the U.S. Department of Education (“USDOE”) and disburses them to individual schools and districts. Many of these grants are allotted according to prescribed formulas established by law and require the charter schools to submit relevant information in order to receive funds (e.g., the number of students eligible for free lunch). Examples of such federal grants include the Child Nutrition Program, Language Acquisition, IDEA Title VI-B Handicapped and ESEA Title I. Charter schools may also apply for competitive federal grants.

House Bill 514

House Bill 514 (“HB 514”) was passed into law on June 7, 2018. The purpose of this legislation was to permit certain municipalities the authority to operate charter schools in North Carolina. Currently, these municipalities are

limited to the Towns of Cornelius, Huntersville, Matthews and Mint Hill, located in Mecklenburg County, North Carolina. Prior to this legislation, the operation of charter schools was limited to nonprofit corporations. A key element of this legislation allows municipalities that operate charter schools the right to give enrollment priority to those who live in the municipality. Charter schools operated by nonprofit corporations may not give enrollment priority based on the domicile of such prospective student. To date, no charter schools have been established under HB 514, and the towns of Cornelius and Mathews have publicly renounced plans to pursue such charters.

Key Elements in the Charter School Act

The following is intended as a summary of certain provisions of the North Carolina General Statutes. This summary is not intended to be definitive and is qualified in its entirety by reference to each of the relevant statutes.

Purpose of Charter Schools (N.C. Gen. Stat. § 115C-218)

Charter schools are public schools that operate independently of existing schools as a means to (1) improve student learning; (2) increase learning opportunities for all students, with special emphasis on expanded learning experiences for students who are identified as at risk of academic failure or academically gifted; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers, including the opportunities to be responsible for the learning program at the school site; (5) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; and (6) hold such schools accountable for meeting measurable student achievement results, and provide the schools with a method to change from rule-based to performance-based accountability systems.

The Charter School Act originally created the North Carolina Charter Schools Advisory Board (the “Advisory Board”) within the SBE, and directed the Advisory Board to (1) report directly and make recommendations to the SBE on the adoption of rules regarding all aspects of charter school operation, (2) review applications and make recommendations to the SBE regarding approval, (3) recommend actions to the SBE regarding charter schools, including charter renewal, nonrenewal and revocation, and (4) assume any other duties and responsibilities assigned by the SBE.

The North Carolina Office of Charter Schools was created by legislation that charged it with (1) serving as staff to the Advisory Board and fulfilling duties assigned to it by the Advisory Board, (2) providing technical assistance and guidance to charter schools operating in North Carolina, (3) providing technical assistance and guidance to nonprofit corporations seeking to operate charter schools in North Carolina, (4) providing or arranging for training for charter schools that have received preliminary approval from the SBE, (5) assisting approved charter schools and charter schools seeking approval from the SBE in coordinating services with DPI, and (6) other duties as assigned by the SBE.

Session Law 2023-110 makes significant changes to the roles of the Advisory Board and the SBE in granting and renewing charters for charter schools. Session Law 2023-110 changes the name of the Advisory Board to the North Carolina Charter Schools Review Board (the “Review Board”), and then provides that the Review Board (rather than SBE) will now be responsible for (1) making recommendations to the SBE on the adoption of rules regarding all aspects of charter school operation; (2) reviewing and approving or denying charter applications, renewals, and revocations; (3) making recommendations to the SBE on actions before the State Board on appeal under G.S. 115C-218.9; and (4) undertaking any other duties and responsibilities as assigned by SBE.

Under Session Law 2023-110, the SBE’s obligations include (1) establishing all rules for the operation and approval of charter schools; (2) allocating funds to charter schools; (3) hearing appeals from decisions of the Review Board under G.S. 115C-218.9; and (4) ensuring accountability from charter schools for school finances and student performance.

Establishing a Charter School (N.C. Gen. Stat. § 115C-218.1)

Any nonprofit corporation may apply to establish a charter school. A charter school application must contain at least the following information:

- A. A description of a program that implements one or more of the purposes in the Charter School Act.
- B. A description of student achievement goals for the school's educational program and the method of demonstrating that students have attained the skills and knowledge specified for those student achievement goals.
- C. The governance structure of the school including the names of the initial members of the board of directors of the nonprofit, tax-exempt corporation and the process to be followed by the school to ensure parental involvement.
- D. The local school administrative unit in which the school will be located.
- E. Admission policies and procedures.
- F. A proposed budget for the school and evidence that the financial plan for the school is economically sound.
- G. Requirements and procedures for program and financial audits.
- H. A description of how the school will comply with specified State of North Carolina charter school statutes.
- I. Types and amounts of insurance coverage, including bonding insurance for the principal officers of the school, to be obtained by the charter school.
- J. The term of the charter.
- K. The qualifications required for individuals employed by the school.
- L. The procedures by which students can be excluded from the charter school and returned to a public school.
- M. The number of students to be served, which number shall be at least 80, and the minimum number of teachers to be employed at the school, which number shall be at least three. The charter school, however, may serve fewer than 80 students or employ fewer than three teachers if the application contains a compelling reason, such as the school would serve a geographically remote and small student population.
- N. Information regarding the facilities to be used by the school and the manner in which administrative services of the school are to be provided.
- O. The process for conducting a weighted lottery that reflects the mission of the school if the school desires to use a weighted lottery.

Approval Limitations, Charter Term and Reviews (N.C. Gen. Stat. § 115C-218.5 and § 115C-218.6)

Following the enactment of Session Law 2023-110, the Review Board will decide on final approval of charter school applications. The Review Board may approve a charter application if it finds the following: (1) the application meets the requirements set out above and any additional SBE requirements, (2) the applicant has the ability to operate the school and would be likely to operate the school in an educationally and economically sound manner and (3) granting the application would achieve one or more goals of the Charter School Act.

The Review Board may grant initial charters for a period not to exceed 10 years. The Review Board will renew the charter upon request of the chartering entity for subsequent periods of 10 years, unless one of the following applies:

- (a) The charter school has not provided financially sound audits for the prior three years.
- (b) The charter school's student academic outcomes for the past three years have not been comparable to the academic outcomes of students in the local school administrative unit in which the charter school is located.
- (c) The charter school is not, at the time of the request for renewal of the charter, substantially in compliance with State of North Carolina law, federal law, the school's own bylaws, or the provisions set forth in its charter granted by the Review Board.

If one of the conditions set forth in subsection (a) through (c) above applies, then the Review Board may renew the charter for a period of less than ten (10) years or not renew the charter.

The Review Board will review the operations of each charter school at least once prior to the expiration of its charter to ensure the school is meeting its expected academic, financial and governance standards.

Appeals to the State Board of Education (N.C. Gen. Stat. § 115C-218.9)

Following the enactment of Session Law 2023-110, an applicant, charter school, or the State Superintendent may appeal a final decision of the Review Board to grant, renew, revoke, or amend a charter by submitting notice to the Chair of the SBE within 10 days of the Review Board's decision.

The SBE shall review appealed decisions *de novo*. Both the party submitting the appeal and the applicant or charter school affected may provide any information to the SBE that the party believes the SBE should consider in reviewing the Review Board's decisions.

The SBE shall issue a written decision in any matter appealed under this section within 60 days of the date the notice of appeal was submitted. The SBE has the final decision-making authority on the approval of charter applications, renewals, revocations, and amendments.

Material Revision of Charter Application and Enrollment Growth (N.C. Gen. Stat. § 115C-218.7)

A material revision of the provisions of a charter shall be made only upon the approval of the Review Board. Session Law 2023-107 changed the definition of a "material revision" to a school's charter to make it easier for an existing charter school to increase enrollment without approval from the Review Board, so long as the charter school has not been found to be low-performing. If a charter school has been identified as low-performing, then it shall be considered a material revision of the school's charter to increase its maximum authorized enrollment by more than twenty percent (20%) of the previous year's maximum authorized enrollment, defined as the target enrollment number identified in a school's charter (which may only be updated once per year and shall not decrease based on actual enrollment.)

Nonmaterial Revision of Charters (N.C. Gen. Stat. § 115C-218.8)

Following the enactment of Session Law 2023-107, it shall not be considered a material revision of a charter and shall not require prior approval of the Review Board for a charter school to do any of the following:

- (a) Increase its maximum authorized enrollment during the charter school's second year of operation and annually thereafter, provided the school is not identified as low-performing under G.S. 115C-218.94. The maximum authorized enrollment is the target enrollment number identified in a school's charter. The maximum authorized enrollment may only be updated once per year and will not decrease based on actual enrollment.
- (b) If a school is low-performing under G.S. 115C-105.37A and has planned growth authorized in its charter, increase its maximum authorized enrollment during the charter school's second year of operation and annually thereafter in accordance with planned growth as authorized in its charter.

- (c) Expand to offer one grade higher or lower than the charter school currently offers if the charter school (i) has operated for at least three years, (ii) has not been identified as continually low-performing, and (iii) has been in financial compliance as required by the rules adopted by the SBE.

Charter School Operation (N.C. Gen. Stat. § 115C-218.15)

A charter school approved under the Charter School Act will be a public school within the local school administrative unit in which it is located and will be accountable to the SBE and the Review Board for ensuring compliance with applicable laws and the provisions of its charter.

A charter school shall be operated by a private nonprofit corporation that must have received federal tax-exempt status no later than 24 months following final approval of the charter application. The board of directors of the charter school shall adopt the conflict of interest and anti-nepotism policy that satisfies the requirements set forth in the Charter School Act.

A charter school shall operate under the written charter signed by the Superintendent of Public Instruction and the applicant. A charter school is not required to enter into any other contract. The charter will incorporate the information provided in the application, as modified during the charter approval process, and any terms and conditions imposed on the charter school by the Review Board, or if the approval is granted through an appeal, by the SBE. No other terms may be imposed on the charter school as a condition for receipt of local funds.

The board of directors of the charter school shall decide matters related to the operation of the school, including budgeting, curriculum and operating procedures. The board of directors of the private nonprofit corporation operating the charter school may have members who reside outside of the State of North Carolina. However, the SBE may require by policy that a majority of the board of directors and all officers of the board of directors reside within the State of North Carolina. Funds received by a charter school as required by G.S. 115C-218.105 may be deposited by the board of directors with the State Treasurer for investment under G.S. 147-69.2(b8), to the extent permitted by the Internal Revenue Code, as amended. The income from such investment shall accrue solely to the charter school for the provision of public education.

Charter School Exemptions (N.C. Gen. Stat. §115C-218.10)

Except as otherwise provided in Article 14A of Chapter 115C of the North Carolina General Statutes, or pursuant to the terms of its charter, a charter school is exempt from statutes and rules applicable to a local board of education or local school administrative unit.

Teacher Qualifications (N.C. Gen. Stat. § 115C-218.90)

The charter school's board of directors will employ and contract with teachers or contract with an education management organization ("EMO") or charter management organization ("CMO") to employ and provide teachers. At least 50% of these teachers must hold teacher licenses. All teachers who are teaching in the core subject areas of mathematics, science, social studies and language arts must be college graduates.

Instructional Program (N.C. Gen. Stat. § 115C-218.85)

A charter school must provide instruction each year for at least 185 days or 1,025 hours over nine calendar months. The school must design its programs to at least meet the student performance standards adopted by the SBE and the student performance standards contained in the charter. A charter school shall conduct the student assessments required by the SBE. The school must comply with policies adopted by the SBE for charter schools relating to the education of children with disabilities specifically Article 9 of Chapter 115C of the General Statutes and The Individuals with Disabilities Education Improvements Act, 20 U.S.C. § 1400, et seq., (2004), as amended. A charter school must provide financial literacy instruction pursuant to G.S. 115C-81.65, and the charter school must provide computer science instruction as required by G.S. 115C-81.90.

Student Discipline (N.C. Gen. Stat. §115C-218.60)

A charter school is subject to and must comply with Article 27 of Chapter 115C of the North Carolina General Statutes, concerning management and placement of disruptive students, except that a charter school may also exclude a student from the charter school and return that student to another school in the local school administrative unit in accordance with the terms of its charter after due process.

Discipline Policy (N.C. Gen. Stat. §115C-390.2)

No later than September 1 of each year, each charter school must provide to DPI a copy of its most up-to-date student discipline policies and Code of Student Conduct.

Admission Requirements (N.C. Gen. Stat. § 115C-218.45)

Any child who is qualified under the laws of the State of North Carolina for admission to a public school is qualified for admission to a charter school. No local board of education may require any student enrolled in the local school administrative unit to attend a charter school. Admission to a charter school may not be determined according to the school attendance area in which a student resides, except that any local school administrative unit in which a public school converts to a charter school shall give admission preference to students who reside within the former attendance area of that school. A student who is not a domiciliary of the state shall be permitted to register to enroll in a charter school or participate in a lottery for admission to a charter school within the state by remote means, including electronic means, prior to commencement of the student's residency in the state if a parent or legal guardian is on active military duty and is transferred or pending transfer pursuant to an official military order to a military installation or reservation in the state, upon request by the charter school where the student seeks to register to enroll or participate in a lottery for admission, a parent or legal guardian provides a copy of the military order transferring to a military installation or reservation located in the state, and a parent or legal guardian completes and submits the charter school's required enrollment forms and documentation, except that proof of residency and documentation related to the disciplinary actions pursuant to this section shall not be required until the student transfers into the state, at which time they shall be required prior to commencing attendance. Except as otherwise provided by law or the mission of the school as set out in the charter, the school may not limit admission to students on the basis of intellectual ability, measures of achievement or aptitude, athletic ability, gender, or disability. A charter school may not limit admission to students on the basis of race, creed, national origin, religion or ancestry. Enrollment preferences may be given in limited circumstances; e.g., to siblings of currently enrolled students; siblings of students who have completed the highest grade level offered by that school and who were enrolled in at least four grade levels offered by the charter school or, if less than four grades are offered, in the maximum number of grades offered by the charter school; children or grandchildren of full-time school employees (including children or grandchildren of persons employed by an EMO or CMO that is managing the charter school) and board members (up to 15% of total enrollment, unless granted a waiver by the Review Board); to a student who was enrolled in another charter school in the State or attended a Pre-K program operated by the school in the previous school year; students who were enrolled for at least 75 consecutive days in the prior semester in a preschool program operated by an entity other than the charter school and the charter school has a written enrollment articulation agreement with the program operator to give the program's students enrollment priority (limited to no more than 10% of total enrollment); and students whose parents or guardians are active members of the military.

During each period of enrollment, the charter school must enroll an eligible student who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level or building. In this case, students must be accepted by lot. Once enrolled, students are not required to reapply in subsequent enrollment periods.

Out-of-State Students (N.C. Gen. Stat. § 115C-218.45)

Any charter school that is unable to fill its current enrollment with students qualified under the laws of the State for admission to a public school may enroll out-of-state students who are domiciliaries of other states. The charter school must charge the out-of-state students a tuition amount of at least fifty percent (50%) of the total of the per pupil allocation of the local appropriation for the county in which the charter school is located and the per pupil State appropriation for that school year but no more than one hundred percent (100%) of the total of the per pupil

allocation of the local appropriation for the county in which the charter school is located and the per pupil State appropriation for that school year. The number of out-of-state students who are domiciliaries of other states who are enrolled in a charter school may not exceed ten percent (10%) of the total number of students enrolled in the charter school.

Open Meetings and Public Records (N.C. Gen. Stat. § 115C-218.25)

The charter school and board of directors of the private nonprofit corporation that operates the charter school are subject to the Public Records Act, Chapter 132 of the North Carolina General Statutes, and the Open Meetings Law, Article 33C of Chapter 143 of the North Carolina General Statutes. Notwithstanding the requirements of Chapter 132 of the North Carolina General Statutes, inspection of charter school personnel records for those employees directly employed by the board of directors of the charter school shall be subject to the requirements of Article 21A of Chapter 115C of the North Carolina General Statutes, relating to school employee personnel records. The charter school and board of directors of the private nonprofit corporation that operates the charter school shall use the same schedule established by the North Carolina Department of Cultural Resources for retention and disposition of records of local school administrative units.

General Operating Requirements

A charter school must be nonsectarian in its programs, admission policies, employment practices and all other operations. A charter school may not be affiliated with a nonpublic sectarian school or a religious institution. A charter school may not charge tuition or fees except as follows: (i) a charter school may charge any fees that are charged by the local school administrative unit in which the charter school is located, (ii) a charter school, upon approval by the board of directors of the charter school, may establish fees for extracurricular activities, except those fees may not exceed the fees for the same extracurricular activities charged by a local school administrative unit in which forty percent (40%) or more of the students enrolled in the charter school reside. N.C. Gen. Stat. §115C-218.50.

A charter school must meet the same health and safety requirements required of a local school administrative unit. A charter school shall adopt and implement a child sexual abuse and sex trafficking training program in accordance with N.C. Gen Stat §115C-375.20. N.C. Gen. Stat. §115C-218.75.

The board of directors of a charter school must obtain at least the amount of and types of insurance required by the Charter School Act to be included in its charter. N.C. Gen. Stat. §115C-218.20.

A charter school is subject to the financial audits, the audit procedures and the audit requirements adopted by the SBE for charter schools. The charter school must comply with the reporting requirements established by the SBE in the Uniform Education Reporting System. The charter school must report at least annually to the Review Board and the SBE the information required by the rules adopted by the SBE. N.C. Gen. Stat. §115C-218.30.

A charter school must develop a transportation plan so that transportation is not a barrier to any student who resides in the local school administrative unit in which the school is located. N.C. Gen. Stat. §115C-218.40.

A charter school must report annually on its website and in writing to the SBE by September 1 of each year, statistics by number and percentage of third grade students demonstrating and not demonstrating proficiency in various areas related to reading. N.C. Gen. Stat. §115C-218.85.

If the local board of education of the local school administrative unit in which a charter school is located has adopted a policy requiring criminal history checks under N.C. Gen. Stat. §115C-332, the charter school shall adopt a policy mirroring that policy. N.C. Gen. Stat. §115C-218.90.

A charter school may apply to a local contracting agency to participate in the NC prekindergarten (“NC Pre-K”) program as a local program site offering families a high quality prekindergarten experience. A charter school that seeks to operate as a NC Pre-K program site may request administrative and technical assistance from the Office of Charter Schools with its application to the local contracting agency if the charter school meets certain criteria. N.C. Gen. Stat. § 115C-218.115.

State and Local Funds for a Charter School (N.C. Gen. Stat. § 115C-218.105)

The SBE shall allocate to each charter school:

- (a) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the charter school is located for each child attending the charter school except for the allocation for children with disabilities and for the allocation for children with limited English proficiency;
- (b) An additional amount for each child attending the charter school who is a child with disabilities; and
- (c) An additional amount for children with limited English proficiency attending the charter school, based on a formula adopted by the SBE.

The SBE must withhold or reduce distribution of funds to a charter school if (1) the change in funding is due to an annual adjustment based on enrollment or is a general adjustment to allocations that is not specific to the charter or actions of that charter school, (2) the Review Board notifies the SBE that the charter school has materially violated a term of its charter, has violated a State statute or federal law, or has had its charter terminated or nonrenewed, or (3) the Superintendent of Public Instruction notifies the SBE that the charter school has failed to meet generally accepted standards of fiscal management or has violated a State or federal requirement for receipt of funds. However, the SBE shall not withhold or reduce distribution of funds to a charter school for any reason except as described in this paragraph.

Funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. However, State of North Carolina funds shall not be used to obtain any other interest in real property or mobile classroom units. A charter school, however, may own land and buildings it obtains through non-State funding sources.

No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State of North Carolina or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State of North Carolina or its political subdivisions. Every contract or lease into which a charter school enters shall include the previous sentence.

If a student attends a charter school, the local school administrative unit in which the child resides shall transfer to the charter school an amount equal to the per pupil share of the local current expense fund of the local school administrative unit for the fiscal year. The per pupil share of the local current expense fund shall be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and charter school may use the process for mediation of differences between the Review Board and a charter school provided in the Section 115C-218.95(d) of the North Carolina General Statutes to resolve differences on calculation and transference of the per pupil share of the local current expense fund. The amount transferred as described in this paragraph that consists of revenue derived from supplemental taxes shall be transferred only to a charter school located in the tax district for which these taxes are levied and in which the student resides.

The local school administrative unit shall also provide each charter school to which it transfers a per pupil share of its local current expense fund with all of the following information within the 30-day time period described in the preceding paragraph:

- (a) The total amount of monies the local school administrative unit has in each of the funds listed in Section 115C-426(c) of the North Carolina General Statutes.
- (b) The student membership numbers used to calculate the per pupil share of the local current expense fund.
- (c) How the per pupil share of the local current expense fund was calculated.

- (d) Any additional records requested by a charter school from the local school administrative unit in order for the charter school to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

Dissolution of a Charter School (N.C. Gen. Stat. § 115C-218.100)

A charter school that has elected to participate in the North Carolina Retirement System pursuant to the North Carolina General Statutes shall for as long as the charter school continues to participate in the North Carolina Retirement System, maintain, for the purposes of ensuring payment of expenses related to closure proceedings in the event of a voluntary or involuntary dissolution of the charter school, one or more of the options set forth in this subsection. The minimum aggregate value of the options chosen by the charter school shall be fifty thousand dollars (\$50,000). The SBE shall not allocate any funds under Section 115C-218.105 of the North Carolina General Statutes to a charter school unless the charter school has provided documentation to the SBE that the charter school has met the requirements of this subsection. Permissible options to satisfy the requirements of this subsection include one or more of the following:

- (a) An escrow account.
- (b) A letter of credit.
- (c) A bond.
- (d) A deed of trust.

Upon dissolution of the charter school, all net assets of the charter school purchased with public funds will be deemed the property of the local school administrative unit in which the charter school is located.

Causes for Nonrenewal or Termination (N.C. Gen. Stat. § 115C-218.95)

The Review Board may terminate, not renew a charter, or seek applicants to assume a charter through a competitive bid process established by the SBE upon any of the following grounds: (1) failure to meet the requirements for student performance contained in the charter; (2) failure to meet generally accepted standards of fiscal management; (3) violations of law; (4) material violation of any of the conditions, standards or procedures set forth in the charter; (5) two-thirds of the faculty and instructional support personnel at the school request that the charter be terminated or not renewed; or (6) other good cause identified.

SBE Policy – Continually Low-Performing Schools

The SBE has adopted policies relating to continually low-performing charter schools, found in Policy CHTR-010 of the SBE Board Policy Manual.

- (a) A continually low-performing charter school is a charter school that has been designated by the SBE as low-performing for at least two of three consecutive years.
- (b) If a charter school is continually low-performing, the Review Board is authorized to terminate, not renew, or seek applicants to assume the charter through the competitive bid process established by the SBE in CHTR-017.
- (c) The Review Board shall not terminate or not renew the charter of a continually low-performing charter school solely for its continually low-performing status if the charter school has met growth in each of the immediately preceding three school years or if the charter school has implemented a strategic improvement plan approved by the Review Board and is making measurable progress toward student performance goals.

- (d) This policy does not prohibit the Review Board from taking any action that is otherwise legal and appropriate pursuant to Section 115C-218.95 of the North Carolina General Statutes.

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APPENDIX D
SUBSTANTIALLY FINAL FORMS OF CERTAIN DOCUMENTS

1. Indenture
2. Loan Agreement
3. Lease Agreement
4. Deed of Trust

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and	
UMB BANK, n.a. as the Trustee	
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Dated as of May 1, 2024	

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Authority of amounts sufficient for the payment of the principal of, premium, if any, or interest on the Bonds and costs incidental thereto;

WHEREAS, the Series 2024 Bonds are to be substantially in the forms thereof set forth in Exhibit A hereto, as applicable, with such necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture;

WHEREAS, in order to provide for the authentication and delivery of the Series 2024 Bonds and any Additional Bonds that may be issued under Section 2.11 of this Indenture, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal (or redemption price) thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Series 2024 Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

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

- (a) The rights, title and interests of the Authority in the Loan Agreement, as amended from time to time, between the Authority and the Borrower;
- (b) The rights, title and interests of the Authority, if any, and the Borrower in the Lease Agreement, as amended from time to time, between the Borrower and the Lessee, including the Lessee's assignment of the Revenues;
- (c) The rights, title and interests of the Authority, if any, in the Mortgaged Estate, subject to Permitted Encumbrances;
- (d) The Loan Payments;
- (e) The rights, title and interests of the Authority, if any, and the Borrower and the Lessee under the Deed of Trust;
- (f) The rights, title and interests of the Authority and the Borrower under the Promissory Notes;

INDENTURE OF TRUST

This **INDENTURE OF TRUST**, dated as of May 1, 2024 (as the same may be amended and supplemented, including by Supplemental Indentures, the "Indenture"), is between **PUBLIC FINANCE AUTHORITY** (together with its successors and assigns, the "Authority"), and **UMB BANK, n.a.**, as trustee (the "Trustee"), being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America. All terms used but not defined herein shall have the meaning set forth in Exhibit G to the Loan Agreement dated as of May 1, 2024 (the "Loan Agreement"), between **NECP HOLDINGS, LLC** (the "Borrower"), a North Carolina limited liability company, and the Authority.

WITNESSETH:

WHEREAS, the Borrower, the sole member of which is North East Carolina Preparatory School, Inc. (the "Lessee"), a North Carolina non-profit corporation designated as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), has applied for the financial assistance of the Authority in (a) refinancing the outstanding principal amount of the Authority's Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019A and Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019B (Subordinate), the proceeds of which (i) financed the acquisition of an educational facility located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the "Campus") used by the Lessee for the operation of a charter school known as North East Carolina Preparatory School (the "School"), (ii) funded a debt service reserve fund and (iii) paid for costs of issuance, (b) financing certain capital improvements, including, but not limited to, the acquisition of approximately 40 acres of land adjacent to the Campus, the installation of athletic fields, the construction and equipping of athletic field houses, and certain other capital improvements on the Campus, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Bonds (collectively, the "Series 2024 Project");

WHEREAS, the School Facility and the New Money Improvements (collectively, as further defined in Exhibit G to the Loan Agreement, the "Series 2024 Facilities") as well as the rest of the Campus will be leased by the Borrower to the Lessee, pursuant to the Lease Agreement dated as of May 1, 2024 (the "Lease Agreement"), between the Borrower and the Lessee, for the operation of the School;

WHEREAS, the Campus is located within the territorial limits of the State of North Carolina (the "Project Jurisdiction") and the Authority, based on representations of the Borrower but without independent investigation, has found and determined that the financing of the Series 2024 Project will promote significant economic, cultural and community development opportunities, including the creation or retention of employment, the stimulation of economic activity and the promotion of improvements in the health, safety and welfare of persons in the Project Jurisdiction;

WHEREAS, the Authority has resolved to assist the Borrower by issuing its Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project), Series 2024A (the "Series 2024A Bonds"), in the aggregate principal amount of \$27,610,000, and its Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project), Series 2024B (the "Series 2024B Bonds" and, together with the Series 2024A Bonds, the "Series 2024 Bonds"), in the aggregate principal amount of \$1,050,000 pursuant to this Indenture in order to make one or more loans to the Borrower pursuant to the Loan Agreement, between the Borrower and the Authority, as it may be modified, supplemented, restated or replaced from time to time in accordance with its terms and the terms of this Indenture, specifying the terms and conditions of a loan to the Borrower of the proceeds of the Series 2024 Bonds to provide for the financing of the Series 2024 Project and of the payment by the Borrower to the

(g) All Funds created in this Indenture (other than the Cost of Issuance Fund and the Rebate Fund), except for (i) moneys or obligations deposited with or paid to the Trustee for the payment or redemption of Bonds that are no longer deemed to be Outstanding hereunder, and (ii) all trust accounts consisting of insurance or condemnation proceeds, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture; and

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

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

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

SUBJECT ONLY TO THE RIGHTS OF THE AUTHORITY TO APPLY AMOUNTS UNDER THE PROVISIONS OF THIS INDENTURE, THE PLEDGE AND ASSIGNMENT OF THE TRUST ESTATE HEREBY MADE SHALL IMMEDIATELY ATTACH THERETO AND SHALL BE EFFECTIVE, BINDING AND ENFORCEABLE FROM AND AFTER THE TIME OF THE DELIVERY BY THE TRUSTEE OF THE FIRST BOND AUTHENTICATED AND DELIVERED UNDER THIS INDENTURE. THE SECURITY SO PLEDGED AND ANY ASSIGNMENT THEN OR THEREAFTER RECEIVED BY THE TRUSTEE FROM THE AUTHORITY AS SECURITY FOR THE BONDS SHALL IMMEDIATELY BE SUBJECT TO THE LIEN OF SUCH PLEDGE AND ASSIGNMENT AND THE LIEN OF SUCH PLEDGE AND ASSIGNMENT SHALL BE VALID AND BINDING AGAINST THE AUTHORITY, PURCHASERS THEREOF, CREDITORS AND ALL OTHER PARTIES HAVING CLAIMS OF ANY KIND IN TORT, CONTRACT OR OTHERWISE AGAINST THE AUTHORITY IRRESPECTIVE OF WHETHER SUCH PARTIES HAVE NOTICE THEREOF AND WITHOUT THE NEED FOR ANY PHYSICAL DELIVERY, RECORDATION, FILING OR FURTHER ACT.

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

IT IS HEREBY EXPRESSLY ACKNOWLEDGED that the Authority has entered into this Indenture and issued the Series 2024 Bonds to fulfill the public purposes of the Act, and the Trustee hereby accepts such trust and covenants to enforce the provisions of this Indenture, the Loan Agreement and the

Lease Agreement in reliance upon the Authority's representations or findings that the same shall effect the public purposes of the Act.

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

ARTICLE I

DEFINITIONS; INDENTURE TO CONSTITUTE CONTRACT

Section 1.01 Definitions. All words and phrases defined in Exhibit G to the Loan Agreement and not otherwise defined herein shall have the same meaning when used in this Indenture.

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

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS

Section 2.01 Authorized Amount of Bonds. No Bonds may be issued under this Indenture except in accordance with this Article II. The total principal amount of Series 2024A Bonds that may be issued hereunder is hereby expressly limited to \$27,610,000 and the total principal amount of Series 2024B Bonds that may be issued hereunder is expressly limited to \$1,050,000, except as provided in Sections 2.05, 2.06 and 2.10 herein.

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

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER, ANY SPONSOR, ANY AUTHORITY INDEMNIFIED PERSON, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY

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Series 2024A Bonds		
Maturity Date (June 15)	Principal Amount	Interest Rate
2034	\$4,430,000	4.25%
2044	8,760,000	5.00
2054	14,420,000	5.25

Series 2024B Bonds		
Maturity Date (June 15)	Principal Amount	Interest Rate
2027	\$1,050,000	6.65%

The Series 2024 Bonds are subject to the sinking fund provisions of Section 5.03(a) hereof. The Series 2024 Bonds are otherwise subject to prior redemption as herein set forth. The Series 2024 Bonds shall be substantially in the form and tenor hereinabove recited with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

(b) The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee or at the designated office of its successor in trust. Payment of principal of and any premium on the Bonds shall be payable upon presentation and surrender of the Bonds at the designated corporate trust office of the Trustee. Payment of interest on any Bond shall be made to the Registered Owner thereof by check or draft mailed on each Interest Payment Date by the Trustee to the Registered Owner at his or her address as it last appears on the registration records kept by the Trustee at the close of business on the Regular Record Date for such Interest Payment Date (except that the Registered Owners of at least \$1,000,000 in aggregate principal amount of Bonds Outstanding may, by written request received at least ten (10) Business Days prior to the Regular Record Date, receive payment of interest by wire transfer at the address specified in such request, which address must be in the United States), but any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner thereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of such Special Record Date shall be given to the Registered Owners of the Bonds not less than ten (10) days prior thereto by first-class mail to each such owner as shown on the registration records on the date selected by the Trustee stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. All such payments shall be made in lawful money of the United States of America. Notwithstanding any other provisions of this Indenture to the contrary, so long as a Bond is registered in the name of Cede & Co., as a nominee of The Depository Trust Company, all payments with respect to the principal of, premium, if any, and interest on the Bond and all notices and actions with respect to the Bond will be made, given and undertaken, respectively, in the manner provided in the Letter of Representations.

Section 2.04 Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Authority by any Authorized Signatory.

In case any Authorized Signatory whose signature or whose facsimile signature shall appear on the Bonds shall cease to be an officer before the authentication of such Bonds, such signature or the facsimile thereof shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until authentication; and any Bond may be signed on behalf of the Authority by such persons as are at the time of execution of such Bond proper officers of the Authority, even though at the date of this Indenture, such person was not such officer.

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POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE BONDS SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST THEREON OR ANY COSTS INCIDENTAL THERETO. THE BONDS ARE NOT A DEBT OF THE STATE OF WISCONSIN OR ANY MEMBER AND DO NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE IN ANY MANNER ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE BONDS TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY COSTS INCIDENTAL THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THE BONDS, NOR THE FAITH AND CREDIT OF THE AUTHORITY, ANY SPONSOR OR ANY AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER.

No Authority Indemnified Person shall be individually or personally liable for the payment of any principal of, premium, if any, or interest on the Bonds or any costs incidental thereto or any sum hereunder or under the Loan Agreement or any claim based hereon or thereon, or be subject to any personal liability or accountability by reason of execution and delivery of this Indenture, the Loan Agreement or the other Authority Documents.

Section 2.03 Authorization of Series 2024 Bonds; Payment of Bonds. The Authority may issue, sell and deliver the Series 2024 Bonds and, in the Authority's sole and exclusive discretion, one or more Series of Additional Bonds for the purpose of providing for the financing of the Series 2024 Project, upon the satisfaction of the conditions, and in the manner, provided for in this Indenture.

(a) There is hereby authorized to be issued hereunder and secured hereby an issue of bonds designated as "Public Finance Authority Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A," and an issue of bonds designated "Public Finance Authority Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B." The Series 2024 Bonds shall be issuable as fully registered bonds in Authorized Denominations and shall be numbered separately and lettered, if at all, in such manner as the Trustee shall determine. The Series 2024 Bonds will be in substantially the form of Bonds set forth in Exhibit A to this Indenture.

The Series 2024 Bonds shall be dated as of the date of their issuance and delivery. The Series 2024 Bonds shall bear interest on the basis of a 360-day year, consisting of twelve 30-day months, from their date until payment of principal has been made or provided for, payable on each June 15 and December 15, commencing December 15, 2024, except that Series 2024 Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of such Series 2024 Bonds. The Series 2024 Bonds shall mature in the principal amounts, on the dates and shall bear interest at the rates set forth below. Notwithstanding any provision herein to the contrary, at no time, whether as a result of an Event of Default or otherwise, shall the interest on the Bonds exceed the Maximum Rate.

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Section 2.05 Registration, Transfer and Exchange of Bonds; Persons Treated as Registered Owners. The Authority shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee. Upon surrender for transfer of any Bond at the designated corporate trust office of the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like series and aggregate principal amount of the same maturity. Notwithstanding any other provision hereof, the Trustee shall not be responsible for ensuring that any transfer restrictions binding on a beneficial owner other than a Registered Owner of such Bond have been complied with in connection with the transfer of Bonds.

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

The Trustee shall not be required to transfer or exchange any Bond during any period beginning on a Regular Record Date or Special Record Date with respect to such Bond and ending at the close of business on the Business Day immediately preceding the next Interest Payment Date or Principal Payment Date, as applicable. The Trustee shall not be required to transfer or exchange any Bond subject to redemption during the period of five (5) days before the mailing of notice of redemption as herein provided; except that Bonds not subject to mandatory sinking fund redemption in accordance with Section 5.03(a) hereof with respect to the Series 2024 Bonds, and in accordance with the related Supplemental Indenture with respect to any Additional Bonds, may be transferred or exchanged during such period in the event of a mandatory sinking fund redemption. After the giving of such notice the Trustee shall not be required to transfer or exchange any Bond, which Bond or portion thereof has been called for redemption.

As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, except to the extent otherwise provided herein with respect to Regular Record Dates and Special Record Dates for the payment of interest, and payment of either principal or interest on any Bond shall be made only to or upon the written order of the Registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

The Trustee shall require the payment by any Registered Owner requesting exchange or transfer of any tax or other generally imposed governmental charge required to be paid with respect to such exchange or transfer.

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

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exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities.

Section 2.07 Delivery of Series 2024 Bonds. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver to the Trustee and the Trustee shall authenticate the Series 2024 Bonds and deliver them to the initial purchaser thereof as directed by the Authority and as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Series 2024 Bonds, there shall have been filed with or delivered to the Trustee the following:

(a) A resolution duly adopted by the Authority, authorizing the execution and delivery of the Loan Agreement relating to the Series 2024 Bonds, the Tax Agreement, the Bond Purchase Agreement relating to the Series 2024 Bonds, this Indenture and the issuance of the Series 2024 Bonds;

(b) A duly executed copy of this Indenture, the Tax Agreement, the Loan Agreement, the Lease Agreement and the Deed of Trust related to the Series 2024 Bonds;

(c) The Series 2024 Promissory Notes duly executed by the Borrower and duly endorsed by the Authority to the order of the Trustee without recourse or warranty;

(d) The written order of the Authority as to the delivery of the Series 2024 Bonds, signed by an Authorized Signatory;

(e) An opinion of Bond Counsel substantially to the effect that the Series 2024 Bonds constitute legal, valid and binding obligations of the Authority and that the interest on the Series 2024 Bonds will be excluded from gross income for federal income tax purposes of the Beneficial Owners thereof;

(f) A binding commitment to issue a lender's policy of title insurance as required by Section 4.8 of the Loan Agreement;

(g) An Opinion of Counsel with respect to the Borrower and the Lessee in form and substance acceptable to the Authority, the Trustee, the Underwriter and Bond Counsel; and

(h) Such other documents and Opinions of Counsel as the Authority, the Underwriter, the Trustee, or Bond Counsel may reasonably request.

The satisfaction of the requirements of this Section 2.07 shall be conclusively evidenced by the payment of the purchase price of the Series 2024 Bonds by the Underwriter, the delivery of the opinion of Bond Counsel referred in item (e) above, and the delivery of the Series 2024 Bonds by the Authority.

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

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Underwriter and the supplement to this Indenture, each relating to the Additional Bonds and (ii) the issuance of the Additional Bonds;

(c) An opinion of Bond Counsel to the effect that (i) the Additional Bonds to be delivered will be valid and legal special limited obligations of the Authority in accordance with their terms and will be secured hereunder equally and on a parity (except as otherwise permitted herein) with all other Bonds at the time outstanding hereunder as to the assignment to the Trustee of the Trust Estate; and (ii) the interest on any Additional Bonds that are Tax-Exempt Bonds will be excluded from gross income for federal income tax purposes;

(f) A written Opinion of Counsel to the Borrower and the Lessee, which counsel shall be reasonably satisfactory to the Authority, to the effect that any amendments or supplements to the Loan Agreement, the Lease Agreement and the Deed of Trust and the Additional Promissory Note(s) have been duly authorized, executed and delivered by the Borrower and the Lessee, as appropriate, and that all of such items constitute legal, valid and binding obligations of the Borrower and/or the Lessee, enforceable in accordance with their respective terms, subject to exceptions reasonably satisfactory to the Underwriter for bankruptcy, insolvency and similar laws and the application of equitable principles;

(g) Written confirmation from the Borrower to the Trustee that on delivery of the Additional Bonds then to be delivered there will be or has been paid into or provided for the Debt Service Reserve Fund any amounts required by this Indenture or the supplement to this Indenture relating to such Additional Bonds;

(h) A certificate of the Lessee that it has complied with the requirements of Section 8.14 of the Lease Agreement and Section 8.12 of the Loan Agreement;

(i) If required by law to secure future advances or if requested by the Underwriter or purchaser of the Additional Bonds, (i) a modification or amendment to the Original Deed of Trust, or new Deed of Trust, in form and substance satisfactory to the Trustee, describing the terms of issuance of such Additional Bonds and increasing the present amount of Bonds secured by such Original Deed of Trust, and such amendment shall be recorded with the appropriate governmental authority and (ii) an endorsement, meeting the requirements set forth below, to the mortgagee title insurance policy issued to the Trustee insuring such modified Original Deed of Trust, or new Deed of Trust (or if more than one mortgagee title insurance policy, together with tie-in endorsements, has been issued to the Trustee insuring such Deed of Trust, an endorsement to each such policy) that (A) amends the effective date and time of such policy to be the date and time of the recording of the amendment to such Deed of Trust, (B) increases the amount of such policy (if there is only one such policy) or increases the amount of all such policies in the aggregate (if there is more than one such policy) to an amount equal to the principal amount of all Outstanding Bonds (less any amount deposited or to be deposited initially into the Debt Service Reserve Fund or any other debt service reserve fund for such Bonds), and (C) continues to insure that such Original Deed of Trust, as amended, or new Deed of Trust, is a first priority Lien on the Project described therein, subject to Permitted Encumbrances;

(j) If required by the Authority and the Underwriter, an investor letter, in form satisfactory to the Authority and the Underwriter, from each of the initial purchasers of the Additional Bonds; and

(k) The Trustee has received certificates of an Authorized Representative of the Borrower which shall:

(i) state the general purpose for which the Additional Bonds will be issued;

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Section 2.09 Cancellation and Destruction of Bonds. Whenever any Outstanding Bonds shall be delivered to the Trustee for the cancellation thereof pursuant to this Indenture, upon payment of the principal amount thereof or for replacement pursuant to Section 2.06 hereof, such Bonds shall be promptly cancelled and destroyed by the Trustee and evidence of such destruction shall be furnished by the Trustee to the Authority and the Borrower, if requested.

Section 2.10 Temporary Bonds. Pending the preparation of definitive Bonds, the Authority may execute and the Trustee shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds without coupons, of any Authorized Denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the Authority. Every temporary Bond shall be executed by the Authority and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the Authority shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the designated corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

Section 2.11 Additional Bonds. The Authority may (but shall not be obligated to) issue in the Authority's sole and exclusive discretion Additional Bonds from time to time only with respect to a Project, pursuant to the terms and conditions of this Indenture.

Any Additional Bonds shall, to the extent provided for herein, be on a parity with the Series 2024 Bonds and any Additional Bonds theretofore or thereafter issued and Outstanding as to the assignment to the Trustee of the Authority's right, title and interest in the Trust Estate for the payment of debt service on the Bonds; provided, that nothing herein shall prevent the payment of debt service on any series of Additional Bonds from (i) being otherwise secured and protected from sources or by property or instruments not applicable to the Series 2024 Bonds and any one or more Series of Additional Bonds, or (ii) not being secured and protected from sources or by property or instruments not applicable to the Series 2024 Bonds and any one or more Series of Additional Bonds.

Before the Trustee shall authenticate and deliver any Additional Bonds, the Trustee shall receive the following items:

(a) Duly executed counterparts of (i) amendments or supplements to the existing Loan Agreement and Lease Agreement relating to the Series Project to be financed or refinanced from the proceeds of the Additional Bonds then to be issued and which amendment or supplement provides for payments sufficient to pay the debt service on the related Additional Bonds, and (ii) a Supplemental Indenture providing for the issuance of and the terms and conditions of the Additional Bonds;

(b) One or more Additional Promissory Notes in an aggregate principal amount equal to the aggregate principal amount of the related Additional Bonds and duly endorsed by the Authority to the order of the Trustee without recourse or warranty;

(c) A written order of the Authority as to the delivery of the Additional Bonds, signed by an Authorized Signatory;

(d) A copy of the resolution duly adopted by the Authority authorizing (i) the execution and delivery of the supplement to the existing Loan Agreement, the Bond Purchase Agreement with the

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(ii) state the maximum aggregate principal amount of Additional Bonds to be issued, the maturity date or dates thereof, and the interest rate or rates with respect thereto; and

(iii) be accompanied by an Opinion of Counsel for the Borrower addressed to the Trustee to the effect that all conditions precedent specified in this Indenture and in the Loan Agreement have been satisfied.

When (1) the documents listed above have been received by the Trustee, and (2) the Additional Bonds have been executed and authenticated, the Trustee shall deliver the Additional Bonds to or upon the order of the Underwriter, but only upon payment to the Trustee of the specified amount (including, without limitation, any accrued interest) set forth in the order to which reference is made in paragraph (c) above.

Section 2.12 Book-Entry System.

(a) Notwithstanding any other provision hereof, each Series of Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities of that Series of Bonds. Upon initial issuance, the ownership of each Bond shall be registered in the registration records kept by the Trustee in the name of Cede & Co., as nominee of DTC. Except as provided in Section 2.12(d) hereof, all of the Outstanding Bonds shall be registered in the registration records kept by the Trustee in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the registration records kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the Authority, the Borrower nor the Trustee shall have responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than a Registered Owner, as shown in the registration records kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption or (iii) the payment to any Participant or any other person, other than a Registered Owner, as shown in the registration records kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Authority, the Borrower and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration records kept by the Trustee as the absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the registration records kept by the Trustee, or their respective attorneys duly authorized in writing, as provided in Section 2.05 hereof, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than a Registered Owner, as shown in the registration records kept by the Trustee, shall receive a certificated Bond evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Regular Record Dates and Special Record Dates, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) The Trustee shall take all action necessary for all representations of the Authority in the Letter of Representations with respect to the paying agents and the bond registrar, respectively, to at all times to be complied with; provided, however:

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(i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority, the Borrower and the Trustee and discharging its responsibilities with respect thereto under applicable law.

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

(A) DTC is unable to discharge its responsibilities with respect to the Bonds, or

(B) Continuation of the requirement that all of the Outstanding Bonds be registered in the registration records kept by the Trustee in the name of Cede & Co. or any other nominee of DTC, is not in the best interest of the Beneficial Owners of the Bonds.

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection 2.12(d)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection 2.12(d)(i) or subsection 2.12(d)(ii)(A) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Trustee is obligated to deliver Bond certificates at the expense of the Beneficial Owners of the Bonds, as described in this Indenture, and the Bonds shall no longer be restricted to being registered in the registration records kept by the Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations.

ARTICLE III

REVENUES AND FUNDS

Section 3.01 Establishment of Funds; Obligations. The Authority hereby establishes and creates the following funds, which shall be special trust funds established and maintained by the Trustee for the benefit of the Bonds:

(a) Bond Fund, containing, for any series of Bonds other than the Series 2024 Bonds that is funding capitalized interest, a Capitalized Interest Account;

(b) Debt Service Reserve Fund, containing a Series 2024A Bonds subaccount and a Series 2024B Bonds subaccount;

(c) Project Fund, containing a Series 2024 Project Account;

(d) Cost of Issuance Fund, including a Series 2024A Cost of Issuance subaccount and a Series 2024B Cost of Issuance subaccount;

(e) Rebate Fund; and

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pursuant to the Loan Agreement or this Indenture, and (c) all other moneys received by the Trustee when accompanied by written directions from an Authorized Representative of the Borrower, which directions the Authorized Representative of the Borrower shall certify are not inconsistent with the Loan Agreement or this Indenture, that such moneys are to be paid into the Debt Service Reserve Fund. In the event amounts on deposit in a subaccount of the Debt Service Reserve Fund are less than the applicable Debt Service Reserve Fund Requirement for such Series, the Trustee shall give written notice, within five (5) Business Days of when the Trustee has knowledge of such deficiency, to the Authority and the Borrower of such deficiency and that such deficiency must be replenished in accordance with Section 5.1(b) of the Loan Agreement and Section 3.06 herein; provided, however, Trustee shall have no affirmative obligation to periodically test the Debt Service Reserve Requirement or satisfaction thereof in the Debt Service Reserve Fund except to the extent provided in Section 3.06. Interest and other income received on investments of moneys in a subaccount of the Debt Service Reserve Fund shall be transferred to the Bond Fund on each Valuation Date so long as such subaccount of the Debt Service Reserve Fund is funded to an amount equal to the applicable Debt Service Reserve Fund Requirement. **Use of Moneys in Debt Service Reserve Fund.** Except as provided below, moneys in a subaccount of the Debt Service Reserve Fund shall be used for the payment of the principal of, premium, if any, and interest on the corresponding Series of Bonds in the event moneys in the Bond Fund are insufficient to make such payments when due, whether on an Interest Payment Date, Principal Payment Date, sinking fund payment date, maturity date or otherwise. Upon the occurrence of an Event of Default hereunder and the exercise by the Trustee of the remedy specified in Section 10.2(a)(i) of the Loan Agreement and Section 8.02(a) hereof, any moneys in subaccounts of the Debt Service Reserve Fund shall be transferred by the Trustee to the Bond Fund.

Except as provided below, on the final maturity date of a Series of Bonds, any moneys in the subaccount of the Debt Service Reserve Fund related to such Series of Bonds shall be used to pay the principal of such Series of Bonds on such final maturity date. On the final maturity date of the Series 2024B Bonds, the Trustee will transfer any moneys in the subaccount of the Debt Service Reserve Fund related to the Series 2024B Bonds to the subaccount of the Debt Service Reserve Fund related to the Series 2024A Bonds.

In the event of the redemption of a Series of Bonds in whole, any moneys in the subaccount of the Debt Service Reserve Fund related to such Series of Bonds shall be transferred to the Bond Fund and applied to the payment of the principal of and premium, if any, on such Series of Bonds. In the event of a prepayment in whole of amounts due under the Loan Agreement and the defeasance pursuant to Section 7.01 herein of all of the Outstanding Bonds of the related Series, any moneys in the subaccount of the Debt Service Reserve Fund related to such Series of Bonds shall be applied to the defeasance of such Series of Bonds. The Trustee shall value the Investment Obligations in the Debt Service Reserve Fund and in each subaccount thereof semiannually on June 15 and December 15 of each year (each a "Valuation Date") at the lesser of their market value or cost. If on any valuation date the amount in any subaccount of the Debt Service Reserve Fund (determined pursuant to this Section) is greater than the Debt Service Reserve Fund Requirement for such Series of Bonds, such excess shall be transferred by the Trustee, (i) prior to the applicable Completion Date, to the applicable subaccount in the Project Fund, and (ii) after such Completion Date, to the Bond Fund in accordance with Section 3.02 hereof. If on any Valuation Date the amount in any subaccount of the Debt Service Reserve Fund (determined pursuant to this Section) is less than the Debt Service Reserve Fund Requirement for such Series of Bonds and the deficiency is caused solely by a decreased value of the Investment Obligations therein and not due to a transfer to cure a shortfall in the Bond Fund, the Borrower shall deposit with the Trustee on or prior to the next Lease Payment Date, for deposit into the Debt Service Reserve Fund, an amount equal to the amount by which the Debt Service Reserve Fund amount for such Series of Bonds is less than the Debt Service Reserve Fund Requirement for such Series of Bonds. If on any Lease Payment Date the amount in any subaccount of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement for such Series of Bonds and the deficiency is caused by a transfer to cure a shortfall in the Bond Fund resulting from the failure of the

(f) Repair and Replacement Fund.

The Borrower has covenanted in Section 5.1 of the Loan Agreement to make, or to cause the Lessee to make, monthly deposits to the Bond Fund and, as needed, to the Debt Service Reserve Fund, Rebate Fund and the Repair and Replacement Fund.

Initial deposits into the established funds and subaccounts shall be made from the proceeds of the Series 2024 Bonds and other funds as set forth in the Closing Memorandum, and deposits from the proceeds of Additional Bonds shall be made as set forth in the Supplemental Indenture related to such Series of Additional Bonds.

Section 3.02 Payments into Bond Fund. There shall be deposited into the Bond Fund as and when received (a) payments from the Borrower (or the Lessee) as provided in Section 5.1(a), (c) and (e) of the Loan Agreement, (b) all moneys transferred to the Bond Fund pursuant to Section 3.06 or 6.01 hereof, (c) all other moneys deposited into the Bond Fund pursuant to the Loan Agreement or this Indenture, and (d) all other moneys received by the Trustee when accompanied by directions from Authorized Representatives of the Borrower, not inconsistent with the Loan Agreement or this Indenture, that such moneys are to be paid into the Bond Fund. If the Trustee does not receive sufficient payments pursuant to Section 5.1(a) of the Loan Agreement for deposit into the Bond Fund by the fifth day after any required payment date pursuant to Section 5.1(a) of the Loan Agreement, the Trustee will immediately notify the Authority and the Borrower of such nonpayment.

Section 3.03 Use of Moneys in Bond Fund. Except as provided in this Section and in Sections 6.01 and 8.05 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds on each Principal Payment Date and each Interest Payment Date, respectively.

Section 3.04 Custody of Bond Fund. The Bond Fund shall be in the custody of the Trustee, but in the name of the Authority, and the Authority authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable, and to withdraw sufficient funds from the Bond Fund for other purposes authorized herein.

Amounts on deposit in the Bond Fund shall: (a) be held in trust solely for the benefit of the Registered Owners and the Beneficial Owners of the Bonds; (b) be applied only in accordance with the provisions of this Indenture; and (c) the Borrower shall have no legal, equitable nor reversionary interest in, or right to, such amounts. In the event of any Act of Bankruptcy by the Borrower or the Lessee, neither the Borrower nor the Lessee shall assert, claim or contend that any portion of the Bond Fund is property of its bankruptcy estate as defined by 11 U.S.C. § 541.

Section 3.05 Payments into Debt Service Reserve Fund. On the Bond Closing with respect to each Series of Bonds, there shall be established in the Debt Service Reserve Fund a subaccount related to such Series of Bonds. The Bonds of a Series shall be secured only by the particular subaccount of the Debt Service Reserve Fund established with respect to such Series. On the issuance of each Series of Bonds, the Trustee shall deposit into the respective account of the Debt Service Reserve Fund, an amount specified in the related Supplemental Indenture equal to the related Debt Service Reserve Requirement. For purposes of (a) the subaccount related to the Series 2024A Bonds, there shall be deposited therein an amount equal to the Series 2024A Debt Service Reserve Requirement and (b) the subaccount related to the Series 2024B Bonds, there shall be deposited therein an amount equal to the Series 2024B Debt Service Reserve Requirement. There shall also be deposited into the Debt Service Reserve Fund (a) all moneys transferred to the Debt Service Reserve Fund from the Bond Fund, (b) all other moneys required to be deposited therein

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Borrower to make the payments due on the Promissory Notes, the Borrower agrees pursuant to Section 5.1(b) of the Loan Agreement to pay to the Trustee all amounts transferred to the Bond Fund to make up for any amounts not paid on the Promissory Notes in not more than twelve substantially equal monthly installments beginning on the Lease Payment Date in the month following such deficiency, and provided that no replenishment installment payment shall be less than \$5,000.

Amounts on deposit in subaccounts of the Debt Service Reserve Fund shall be held in trust solely for the benefit of the Registered Owners and the Beneficial Owners of the related Series of Bonds and shall be applied only in accordance with the provisions of this Indenture. The Borrower shall have no legal, equitable nor reversionary interest in, or right to, such amounts. In the event of any Act of Bankruptcy by the Borrower or the Lessee, neither the Borrower nor the Lessee shall assert, claim or contend that any portion of the Debt Service Reserve Fund is property of its bankruptcy estate as defined by 11 U.S.C. § 541.

Section 3.07 Custody of Debt Service Reserve Fund. The Debt Service Reserve Fund shall be in the custody of the Trustee, but in the name of the Authority, and the Authority hereby authorizes and directs the Trustee to withdraw sufficient funds from the applicable subaccounts of the Debt Service Reserve Fund to pay the principal of, premium, if any, and interest on the Bonds or the fees and expenses of the Trustee, which authorization and direction the Trustee hereby accepts. In the event there shall be a deficiency in the Bond Fund on any payment date for the Bonds because of a default by the Borrower under the Loan Agreement, the Trustee shall promptly make up such deficiency from the applicable subaccount of the Debt Service Reserve Fund.

Section 3.08 Payments Into and Use of Moneys in Project Fund; Disbursements.

The Trustee is hereby authorized and directed to make each disbursement required by the provisions of Section 4.2 of the Loan Agreement and any related Supplemental Indenture and to issue its checks or wire transfers therefor against the related subaccount of the Project Fund; provided that the Trustee will not disburse any amounts from the Project Fund (except for those initial disbursements to be made on the Bond Closing in accordance with Exhibit D to the Loan Agreement) until it has received requisitions for the same pursuant to Section 4.2 of the Loan Agreement. The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom, and shall provide monthly statements to the Borrower. The Trustee may rely upon any requisition in the form of Exhibit C to the Loan Agreement and shall have no obligation to review or confirm receipt any documents accompanying a requisition in the form of Exhibit C to the Loan Agreement.

Section 3.09 Completion of Project. The completion of each Series Project and payment or provision made for payment of the full cost of such Series Project shall be evidenced by the filing with the Trustee of the certificate required by the provisions of Section 4.3 of the Loan Agreement. Any balance remaining in the Project Fund or related subaccount of the Project Fund on the Completion Date shall be deposited by the Trustee in accordance with Section 4.3 of the Loan Agreement.

Section 3.10 Custody of Project Fund. The Project Fund shall be in the custody of the Trustee but in the name of the Authority, and the Authority authorizes and directs the Trustee to withdraw sufficient funds from the Project Fund or the appropriate subaccount of the Project Fund for Costs of the Series Project requisitioned by the Borrower in the form attached to the Loan Agreement as Exhibit C, which authorization and direction the Trustee hereby accepts. The Authority authorizes and directs the Trustee to withdraw, from the Project Fund or the appropriate subaccount of the Project Fund, the initial disbursement amount set forth in the Closing Memorandum attached as Exhibit D to the Loan Agreement.

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Section 3.11 Payments into and Use of Moneys in Cost of Issuance Fund. With respect to each Series of Bonds, amounts shall be expended to pay issuance expenses in accordance with the provisions of Section 4.4 of the Loan Agreement. The Trustee is hereby authorized and directed to issue its checks or wire transfers on the Cost of Issuance Fund for each payment in accordance with Section 4.4 of the Loan Agreement.

The Trustee shall keep and maintain adequate records pertaining to the Cost of Issuance Fund and all payments therefrom, which shall be open to inspection by the Borrower, the Lessee, the Authority or their duly authorized agents during normal business hours of the Trustee.

Section 3.12 Termination of Cost of Issuance Fund. With respect to each Series of Bonds, any amounts remaining on deposit in the Cost of Issuance Fund on the date ninety (90) days after the Bond Closing of the related Series of Bonds shall be transferred to the Project Fund and disbursed pursuant to Section 3.09 herein.

Section 3.13 Custody of Cost of Issuance Fund. The Cost of Issuance Fund shall be in the custody of the Trustee but in the name of the Authority, and the Authority authorizes and directs the Trustee to withdraw sufficient funds from the Cost of Issuance Fund for the purposes set forth in Section 4.4 of the Loan Agreement and Section 3.11 hereof, which authorization and direction the Trustee hereby accepts.

Section 3.14 Rebate Fund. There shall be established for each Series of Tax-Exempt Bonds a separate subaccount in the Rebate Fund related to such Series of Tax-Exempt Bonds. There shall be deposited in each subaccount of the Rebate Fund as and when received (i) investment income on moneys in the related Funds to the extent provided in the direction of the Borrower pursuant to Section 4.6 of the Loan Agreement and subject to the limitations in Section 6.01 hereof, (ii) moneys received from the Borrower pursuant to Section 5.1(d) of the Loan Agreement, (iii) moneys transferred to the Rebate Fund from the Debt Service Reserve Fund (but only to the extent that the amount on deposit therein is in excess of the related Debt Service Reserve Fund Requirement), the Project Fund and the Bond Fund pursuant to the provisions of this Section, and (iv) all other moneys received by the Trustee when accompanied by written directions from an Authorized Representative of the Borrower that such moneys are to be paid into the related subaccount of the Rebate Fund. All amounts in the Rebate Fund, including income earned from investment of such amounts, shall be held by the Trustee, in trust, free and clear of the lien of this Indenture. Amounts in the Rebate Fund shall not be used for the payment of debt service on the Bonds.

With respect to each Series of Tax-Exempt Bonds, promptly after each fifth Rebate Year, and not later than 10 days after the redemption, payment at maturity or other retirement of the last bond of any Series of Tax-Exempt Bonds, in connection with its duties under Section 2.3(e) of the Loan Agreement, the Borrower shall engage, and furnish information to, the Rebate Analyst and cause the Rebate Analyst to calculate the Rebate Amount with respect to that Series of Tax-Exempt Bonds and deliver to the Trustee a copy of the report of the Rebate Analyst. Upon receipt of the Rebate Analyst report, the Trustee shall determine if the amount in the related subaccount of the Rebate Fund is equal to the calculated Rebate Amount. The Trustee shall notify the Borrower of the amount then on deposit in the applicable subaccount in the Rebate Fund. If the amount in the related subaccount of the Rebate Fund is in excess of the amount required to be therein in accordance with the report of the Rebate Analyst, then such excess shall be transferred to the Bond Fund. To the extent the moneys in the related subaccount of the Rebate Fund are less than the amount required to be deposited therein, the Borrower shall transfer such amounts necessary to reserve for the anticipated Rebate Amount payment to the United States Department of the Treasury in accordance with Section 5.1(d) of the Loan Agreement.

If at any time the Borrower is required to retain the Rebate Analyst to calculate the Rebate Amount but fails to deliver a report to the Trustee in a timely manner, then the Trustee shall notify the Authority

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Section 3.15 Custody of the Rebate Fund. The Rebate Fund shall be in the custody of the Trustee but in the name of the Authority and the Authority authorizes and directs the Trustee to withdraw funds from the Rebate Fund for the purposes set forth in Section 3.14 hereof, which authorization and direction the Trustee hereby accepts.

Section 3.16 Payments into and Use of Moneys in the Repair and Replacement Fund. There shall be deposited into the Repair and Replacement Fund as and when received (a) all payments by the Borrower pursuant to Section 5.1(i) of the Loan Agreement, (b) all other moneys deposited into the Repair and Replacement Fund pursuant to the Loan Agreement or this Indenture, and (c) all other moneys received by the Trustee when accompanied by written directions from an Authorized Representative of the Borrower, which directions the Authorized Representative of the Borrower shall certify are not inconsistent with the Loan Agreement or this Indenture, that such moneys are to be paid into the Repair and Replacement Fund. 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 this Section.

Absent an Event of Default hereunder, the Trustee is hereby authorized and directed to make each disbursement required by the provisions of Section 4.9 of the Loan Agreement and to issue its checks or wire transfers therefor. In addition, the Trustee is authorized to disburse funds to the extent permitted by Section 6.5 of the Loan Agreement and to issue its checks or wire transfers therefor.

The Trustee shall keep and maintain adequate records pertaining to the Repair and Replacement Fund and all disbursements therefrom and, upon the Authority's request, shall at least annually file an accounting thereof with the Authority and the Borrower. During the occurrence and continuance of an Event of Default with respect to any Series of Bonds, the Trustee may withdraw money on deposit in the Repair and Replacement Fund applicable to such Series of Bonds for purposes of paying its fees and expenses authorized by Section 9.02 hereof.

If the Trustee does not receive sufficient payments pursuant to Section 5.1(i) of the Loan Agreement for deposit into the Repair and Replacement Fund by the second day after a Lease Payment Date pursuant to Section 5.1(i) of the Loan Agreement, the Trustee will promptly notify the Borrower of such nonpayment. 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 6.01 hereof.

Amounts on deposit in the Repair and Replacement Fund shall be valued by the Trustee at their fair market value each June 15 and December 15, beginning June 15, 2025, and the Trustee shall notify the Borrower of the results of such valuation in the form of its regular periodic statement. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is less than one hundred percent (100%) of the Repair and Replacement Fund Requirement, the Borrower has agreed in the Loan Agreement to make the deposits in the Repair and Replacement Fund required by Section 5.1(i) of the Loan Agreement. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is greater than the Repair and Replacement Fund Requirement, then any additional excess shall be transferred by the Trustee to the Bond Fund and applied to the payment of the interest on the Bonds.

The Repair and Replacement Fund shall be in the custody of the Trustee, but in the name of the Authority and the Authority authorizes and directs the Trustee to withdraw sufficient funds from the Repair and Replacement Fund for the purposes authorized in this Section. In the event of any Act of Bankruptcy by the Borrower or the Lessee, neither the Borrower nor the Lessee shall assert, claim or contend that any portion of the Repair and Replacement Fund is property of its bankruptcy estate as defined by 11 U.S.C. § 541.

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and the Authority (subject to Section 4.08) shall retain, or cause the Borrower to retain, a Rebate Analyst, but, in either case, only at the expense of the Borrower and without advancing the Authority's own funds, to calculate the Rebate Amount. If the Authority is required to retain the Rebate Analyst, then the Authority, after delivering to the Borrower a demand for payment of an amount sufficient to pay the Rebate Analyst, shall direct the Trustee to withdraw such amount as may be needed to pay the Rebate Analyst: from the subaccount of the Debt Service Reserve Fund related to the applicable Series of Bonds (but only to the extent that the amount on deposit therein is in excess of the Debt Service Reserve Fund Requirement), the Repair and Replacement Fund, the Project Fund and the Bond Fund.

The Trustee shall have the right, but shall not be obligated, to seek written instructions from any Rebate Analyst as it deems necessary, concerning any payments to be made by it from the Rebate Fund and shall be free from any liability for acting in accordance with such reasonable instructions.

The Trustee, on behalf of the Authority, is hereby directed to pay to the United States Department of the Treasury from time to time the amounts as required by the report of the Rebate Analyst, provided that the Trustee shall pay over to the United States Department of the Treasury: (1) at least once each five years after each Rebate Year of a Series of Tax-Exempt Bonds within 60 days of the date as of which the Rebate Amount was calculated, an amount equal to 90% of the Rebate Amount allocable to that Series of Tax-Exempt Bonds as of such date (and not theretofore paid to the United States Department of the Treasury) and (2) not later than 60 days after the redemption, payment at maturity or other retirement of the last bond of a Series of Tax-Exempt Bonds, 100% of the Rebate Amount allocable to such Series of Tax-Exempt Bonds.

If, at any time when the Trustee is required to withdraw money from the Rebate Fund, the moneys on deposit in a subaccount of the Rebate Fund are insufficient for the purposes thereof, notwithstanding any investment of moneys requirements in Section 6.01 hereof, the Trustee, after first delivering a demand for such deficiency to the Borrower and if no money for such purpose is provided by the Borrower within 10 days thereafter, shall transfer moneys to the Rebate Fund from the following Funds in the following order of priority: the subaccount of the Debt Service Reserve Fund related to the applicable Series of Bonds (but only to the extent that the amount on deposit therein is in excess of the Debt Service Reserve Fund Requirement), the Repair and Replacement Fund and the Project Fund.

The Trustee shall comply with the instructions contained in this Indenture and in the Tax Agreement provided that computations and payments may be made on other bases, at other times, and in other amounts, or omitted altogether, all as shall be set forth in an opinion of Bond Counsel to the effect that compliance with such instructions will not adversely affect any exclusion of interest on any of the Tax-Exempt Bonds from gross income for federal income tax purposes, even if such Subsequent Rebate Instructions are different from or inconsistent with this Section. The Trustee shall be entitled to rely conclusively on the calculations made pursuant to this Section and any Subsequent Rebate Instructions and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in reliance upon those calculations.

This section shall supersede all other sections of this Indenture, to the end that the exclusion from gross income for the purposes of federal income taxation of interest on Series of Tax-Exempt Bonds shall not be adversely affected as a result of the inadequacy at any time of the Rebate Fund, unless the total amount held by the Trustee under all Funds established hereunder is insufficient.

The Trustee shall retain records of the determination of the amount required to be deposited in the Rebate Fund, of the proceeds of any investments of money in the Rebate Fund, and of the amounts paid to the United States Department of the Treasury until the date six years after the discharge of the last of the Tax-Exempt Bonds.

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Section 3.17 Additional Payments. The Trustee shall transfer all Additional Payments that may come into its possession that are owed to or for the benefit of the Authority promptly upon receipt thereof from the Borrower, to the Authority at the address specified herein for notice to the Authority or as otherwise directed by the Authority; except that payments of the Authority Annual Fee shall be remitted to the Authority directly by the Borrower at the times specified in the Loan Agreement.

Section 3.18 No Duty of Trustee to Confirm Use of Disbursed Funds. The Trustee shall have no duty to confirm that the use of any disbursed funds by the Borrower complies with the provisions of this Indenture or the Loan Agreement.

Section 3.19 Nonpresentation of Bonds. In the event any Bonds, or portions thereof, shall not be presented for payment when the principal thereof becomes due, either at maturity, the date fixed for redemption thereof, or otherwise, if funds sufficient for the payment thereof, including accrued interest thereon, shall have been deposited into the Bond Fund or otherwise made available to the Trustee for deposit therein, then on and after the date said principal becomes due, all interest thereon shall cease to accrue and all liability of the Authority to the Registered Owner or Registered Owners thereof for the payment of such Bonds, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds in a separate trust account for the benefit of the Registered Owner or Registered Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her or their part under this Indenture with respect to said Bond. Such moneys shall not be required to be invested during such period by the Trustee. If any Bond shall not be presented for payment within the period of four years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall return to the Borrower such funds theretofore held by it for payment of such Bonds. Thereafter, the Registered Owner of that Bond shall look only to the Borrower for payment and then only to amounts so received by the Borrower. The obligations of the Trustee under this Section shall be subject, however, to any law applicable to the unclaimed funds or the Trustee providing other requirements for the disposition of unclaimed property.

Section 3.20 Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee under any provision of this Indenture shall be held by the Trustee in trust for the purposes specified in this Indenture and, except for moneys deposited with or paid to the Trustee by or for the account of the Authority pursuant to the Loan Agreement and this Indenture or for the payment or redemption of specific Bonds and moneys held by the Trustee in the Rebate Fund, the Cost of Issuance Fund and in the separate trust accounts pursuant to Sections 3.19 and 3.21 hereof (to the extent, in the case of moneys held pursuant to Section 3.16 hereof, such moneys are held pending disbursement for repair or replacement of the Series 2024 Facilities), shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

Section 3.21 Insurance and Condemnation Proceeds. Reference is hereby made to the provisions of the Loan Agreement and the Lease Agreement wherein it is provided that under certain circumstances the Net Proceeds of insurance payments and condemnation awards are to be paid to the Trustee and to be disbursed and paid out as therein provided. The Trustee hereby accepts and agrees to perform such duties and obligations specified in the Loan Agreement and the Lease Agreement. The Trustee shall at the expense of the Borrower cooperate with the Borrower and the Lessee in the handling and conduct of any prospective or pending insurable event or condemnation proceeding with respect to the Series 2024 Facilities or any part thereof.

Section 3.22 Security Advice Waiver. The Authority, the Borrower and the Lessee acknowledge that the regulations of the Comptroller of the Currency grant the Authority, the Borrower and the Lessee the right to receive brokerage confirmations of security transactions as they occur. The Authority, the Borrower and the Lessee specifically waive receipt of such confirmations to the extent

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permitted by law and acknowledge that they will receive periodic cash transaction statements, which will identify all investment transactions made by the Trustee hereunder.

Section 3.23 Repayment to the Borrower from the Funds. Any amounts remaining in the Funds after payment in full of the Bonds (or making provision for such payment), the fees and expenses of the Trustee, the Additional Payments and all other amounts required to be paid hereunder and under the Loan Agreement to the Authority (including payments relating to the Authority's Unassigned Rights) and the Trustee and others (including payments into the Rebate Fund and to the United States Treasury), shall be paid to the Borrower upon the expiration of the term of this Indenture.

ARTICLE IV

REPRESENTATIONS AND COVENANTS OF AUTHORITY

Section 4.01 Representations by Authority. The Authority makes the following representations:

(a) The Authority is a joint powers commission under the Act, the "commission" under Section 66.0304 of the Wisconsin Statutes, and a unit of government and body corporate and politic organized and existing under the laws of the State of Wisconsin; and has full power and authority under the Act to adopt the Bond Resolution, to enter into and to perform its obligations under the Authority Documents; and when executed and delivered by the respective parties thereto, the Authority Documents will constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitation on legal remedies against joint powers commissions or governmental units of the State of Wisconsin.

(b) By official action of the Authority prior to or concurrently herewith, the Authority has authorized and approved the issuance of the Bonds, the execution and delivery of the Authority Documents and the consummation by the Authority of the transactions contemplated thereby.

(c) To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Authority Documents or contesting in any way the existence or powers of the Authority relating to the authorization, issuance and sale of the Bonds.

(d) The execution and delivery by the Authority of the Authority Documents and compliance with the provisions on the Authority's part contained therein will neither (i) materially conflict with or constitute a material breach of or default under any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor (ii) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

(e) The execution and delivery by the Authority of the Authority Documents and compliance with the provisions on the Authority's part contained therein will neither (i) materially conflict with or

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pledge, mortgage or assignment made in connection with any Other Bonds shall be protected, and any funds pledged or assigned for the payment of principal, premium, if any, or interest on the Other Bonds shall not be used for the payment of principal, premium, if any, or interest on the Bonds. Correspondingly, any pledge, mortgage or assignment made in connection with the Bonds shall be protected, and any funds pledged or assigned for the payment of the Bonds shall not be used for the payment of principal, premium, if any, or interest on the Other Bonds.

Section 4.06 Security Instruments. The Trustee has received or will receive a recorded Deed of Trust and filed financing statements, as appropriate, for each Series Project (in the form prepared on the date of issuance of the related Series of Bonds). The Borrower will cause all supplements thereto to be recorded, registered and filed. The Borrower shall cause any continuation statements to be filed as required by law. The Trustee shall not be responsible for the recordation of the Deed of Trust or for the filing or for the sufficiency or accuracy of any financing statements filed to perfect security interests granted under this Indenture.

Section 4.07 Rights Under Loan Agreement. The Authority will observe and perform all of the terms, conditions and obligations required on its part to be observed or performed under the Loan Agreement. The Authority agrees that to the extent the Loan Agreement gives the Trustee some right or privilege, or in any way attempts to confer upon the Trustee the ability for the Trustee to protect the security for payment of the Bonds, that such part of the Loan Agreement shall be as though it were set out in this Indenture in full.

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

Section 4.08 Authority's Performance.

(a) None of the provisions of this Indenture or the Loan Agreement shall require the Authority to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder or thereunder, unless payable from the Trust Estate, or unless the Authority shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby.

(b) The Authority shall not be under any obligation hereunder or under the Loan Agreement to perform any administrative service with respect to the Bonds or the Project (including, without limitation, record keeping and legal services), it being understood that such services shall be performed or provided by the Trustee or the Borrower.

(c) The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in this Indenture, the Loan Agreement, and any and every Bond executed, authenticated and delivered under this Indenture; provided, however, that the Authority shall not be obligated to take any action or execute any instrument pursuant to any provision hereof or under the Loan Agreement unless and until it shall have (i) been directed to do so in writing by the Borrower, the Trustee or the Registered Owners having the authority to so direct; (ii) received from the party requesting such action or execution assurance satisfactory to the Authority that the Authority's expenses incurred or to be incurred in connection with taking such action or executing such instrument have been or will be paid or reimbursed to the Authority; and (iii) if applicable, received in a timely manner the instrument or document to be executed, in form and substance satisfactory to the Authority.

constitute a material breach of or default under any applicable State of Wisconsin or federal law, administrative regulation, judgment or decree, nor (ii) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer under the terms of any such applicable State of Wisconsin or federal law, administrative regulation, judgment or decree, except as provided by the Authority Documents.

Section 4.02 Performance of Covenants. The Authority covenants that it will not knowingly take any action reasonably within its control which will permit an investment or other use of the proceeds of Tax-Exempt Bonds or knowingly take any action with respect to the amounts payable under the Loan Agreement or the Lease Agreement which would cause the Tax-Exempt Bonds to be "arbitrage bonds" under Section 148(a) of the Code and the Regulations thereunder or "federally guaranteed" within the meaning of Section 149(b) of the Code and the Regulations thereunder, and it further covenants that it will comply with the requirements of such Sections and Regulations. The foregoing covenants shall extend throughout the term of the Tax-Exempt Bonds, to all Funds and subaccounts created under this Indenture and all moneys on deposit to the credit of any such Fund or subaccount, and to any other amounts which are Tax-Exempt Bond proceeds for purposes of Section 148 of the Code and the Regulations thereunder.

The Authority covenants that it will not knowingly take any action or knowingly permit any action reasonably within its control to be taken which would adversely affect the exemption from federal income tax of interest on any Series of Tax-Exempt Bonds. The Authority is deemed to have complied with this paragraph if the Authority complies with this Indenture, to grant the security interest herein provided, to assign and pledge its interest in the Lease Agreement, the Loan Agreement and the Promissory Notes (except as otherwise provided herein) and to assign and pledge the amounts hereby assigned and pledged in the manner and to the extent herein set forth; all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture and the Loan Agreement has been duly and effectively taken; and that the Bonds in the hands of the owners thereof are and will be valid and enforceable limited and special obligations of the Authority according to the terms thereof and hereof.

The covenants of the Authority in this Section 4.02 are made fully in reliance on the representations and covenants of the Borrower set forth in the Loan Agreement and the Tax Agreement.

Section 4.03 Instruments of Further Assurance. Subject to Section 4.08 herein, the Authority covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered by the parties within its control, such instruments supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, mortgaging, conveying, pledging, assigning and confirming under the Trustee, the Authority's interest in and to all interests (except for the Authority's Unassigned Rights), revenues, proceeds and receipts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds in the manner and to the extent contemplated herein. The Authority shall be under no obligation to prepare, record or file any such instruments or transfers.

Section 4.04 Payment of Principal, Premium, if any, and Interest. The Authority will promptly pay or cause to be paid (solely and exclusively from the Trust Estate) the principal of, premium, if any, and interest on all Bonds issued hereunder according to the terms hereof; provided that the principal, premium, if any, and interest payments shall be payable solely from the Trust Estate, which is hereby specifically pledged to the payment thereof in the manner and to the extent herein specified. Nothing in the Bonds or in this Indenture shall be considered or construed as pledging any funds or assets of the Authority other than the Trust Estate or creating any liability of the Authority Indemnified Persons.

Section 4.05 Unrelated Bond Issues. The Authority has, prior to the issuance of the Bonds, issued, and subsequent to the issuance of the Bonds, the Authority expects to issue, Other Bonds. Any

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(d) In complying with any provision herein or in the Loan Agreement, including, but not limited to, any provisions requiring the Authority to "cause" another Person to take or omit any action, the Authority shall be entitled to rely conclusively (and without independent investigation or verification) (i) on the faithful performance by the Trustee or the Borrower, as the case may be, of their respective obligations hereunder and under the Loan Agreement and (ii) upon any written certification or opinion furnished to the Authority by the Trustee or the Borrower, as the case may be. In acting, or in refraining from acting, under this Indenture or the Loan Agreement, the Authority may conclusively rely on the advice of its counsel. The Authority shall not be required to take any action hereunder or under the Loan Agreement that it reasonably believes to be unlawful or in contravention hereof or thereof.

(e) No Authority Indemnified Person (including any Authority Indemnified Person who executes any certificate in connection with the Bonds that restates or certifies as to the truth and accuracy thereof) shall be individually liable for the breach of the Authority of any representations or covenants contained in this Indenture.

ARTICLE V

REDEMPTION OF BONDS PRIOR TO MATURITY

Section 5.01 Optional Redemption of Bonds.

(a) The Series 2024A Bonds maturing on or after June 15, 2033, are subject to optional redemption prior to maturity on June 15, 2032 and on any date thereafter at the option of the Authority (which option shall be exercised upon the written direction of the Borrower from prepayment of the Series 2024A Promissory Note made by the Borrower pursuant to Section 11.1 of the Loan Agreement), in whole or in part, of the maturity selected by the Borrower, and if less than all of a maturity, then as selected by the Borrower or by lot within a maturity, if not otherwise selected by the Borrower, at a redemption price equal to 100% of the principal amount of Series 2024A Bonds to be redeemed, plus accrued interest to the redemption date.

Upon the delivery of such written request by the Borrower to the Trustee, the Authority shall be deemed, without any action on the Authority's part, to have exercised its option to redeem the Bonds under this Section.

(b) The Series 2024B Bonds are not subject to optional redemption prior to maturity.

(c) Additional Bonds shall be subject to optional redemption at such times and upon such terms as shall be fixed by the related Supplemental Indenture.

(d) In case of optional redemption of the Series 2024A Bonds, the Borrower shall, at least forty-five (45) days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), deliver a written request to the Authority and the Trustee notifying the Authority and the Trustee of such redemption date and of the principal amount of the Series 2024A Bonds to be redeemed and shall, on or prior to the redemption date, deliver to the Trustee funds sufficient to pay the redemption price of all Series 2024A Bonds so called for redemption.

Section 5.02 Extraordinary Redemption.

(a) *Redemption of Bonds upon Occurrence of Certain Events.* The Bonds of a Series are also subject to extraordinary redemption at the expense of the Borrower from the Net Proceeds of any insurance policy or condemnation award and in the event the related Series 2024 Facilities or any portion thereof is

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damaged or destroyed or taken in condemnation proceedings as provided in Section 7.2 of the Loan Agreement. If called pursuant to this Section 5.02, such Bonds are callable on any date in whole or in part from and to the extent of funds on deposit under this Indenture and available for this purpose at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date.

(b) The Bonds of a Series are also subject to extraordinary redemption in whole or in part at the expense of the Borrower on any Interest Payment Date from and to the extent of funds on deposit under the Indenture and available for this purpose at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date if, as a result of any changes in the Constitution of the State of North Carolina or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Borrower in good faith, the Loan Agreement and the Promissory Note evidencing the Loan have become subject to mandatory prepayment because the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement.

Section 5.03 Mandatory Redemption.

(a) Mandatory Sinking Fund Redemption.

(i) The Series 2024A Bonds maturing June 15, 2034 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series 2024A Bonds Maturing June 15, 2034	
Date June 15	Principal Amount
2027	\$290,000
2028	520,000
2029	540,000
2030	565,000
2031	590,000
2032	615,000
2033	640,000
2034*	670,000

* Maturity

(ii) The Series 2024A Bonds maturing June 15, 2044 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

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Series 2024A Bonds Maturing June 15, 2044

Date June 15	Principal Amount
2035	\$695,000
2036	730,000
2037	770,000
2038	805,000
2039	845,000
2040	890,000
2041	935,000
2042	980,000
2043	1,030,000
2044*	1,080,000

* Maturity

(iii) The Series 2024A Bonds maturing June 15, 2054 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series 2024A Bonds Maturing June 15, 2054

Date June 15	Principal Amount
2045	\$1,135,000
2046	1,195,000
2047	1,255,000
2048	1,320,000
2049	1,390,000
2050	1,465,000
2051	1,540,000
2052	1,620,000
2053	1,705,000
2054*	1,795,000

* Final Maturity

(iv) The Series 2024B Bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series 2024B Bonds Maturing June 15, 2027

Date June 15	Principal Amount
2025	\$380,000
2026	465,000
2027*	205,000

* Final Maturity

(v) Additional Bonds of a Series may be subject to mandatory sinking fund redemption at such times and upon such terms as shall be fixed by the related Supplemental Indenture relating to such Bonds.

(b) **Mandatory Redemption Upon Determination of Taxability.** The Tax-Exempt Bonds of a Series are subject to mandatory redemption as a whole at the principal amount thereof, plus accrued interest thereon to the date of redemption, plus a three percent (3%) premium, upon the occurrence of a Determination of Taxability related to such Tax-Exempt Bonds; provided, however, that the Trustee shall not redeem Tax-Exempt Bonds unless the Trustee shall have on deposit funds in an amount sufficient to pay the principal amount of and the redemption premium on, plus accrued interest on, the Tax-Exempt Bonds to be redeemed to the date of such redemption. The redemption date shall be the earliest practicable date selected by the Trustee, after consultation with the Borrower and the Authority, but in no event later than six months following the Determination of Taxability.

(c) **Mandatory Redemption From Excess Moneys in the Project Fund.** The Trustee shall redeem a related Series of Bonds in the manner set forth in Section 5.04 herein, in part, on the earliest practicable date selected by the Trustee in increments of \$5,000 and at a redemption price of 100% of the principal amount of such Bonds being redeemed plus accrued interest to the redemption date, from unused amounts on deposit in a subaccount of the Project Fund following the Completion Date that are not used to pay or reimburse the Borrower for the payment of interest on such Series of Bonds.

Section 5.04 Method of Selecting Bonds. Unless otherwise specifically stated herein, any partial redemption within a Series of Bonds shall be redeemed in inverse order of maturity, or if less than all of the Bonds in a single maturity shall be redeemed, the Bonds redeemed shall be selected by lot within such maturity.

Section 5.05 Notices of Redemption. All or a portion of the Bonds shall be called for optional redemption pursuant to Section 5.01 hereof by the Trustee upon receipt by the Trustee, at least forty-five (45) days prior to the redemption date, of a certificate of the Borrower specifying the principal amount of the Series of Bonds to be called for redemption, the applicable redemption price or prices, and the provision or provisions of this Indenture pursuant to which such Bonds are to be called for redemption. In the case of every redemption (other than mandatory sinking fund redemption), the Trustee shall cause notice of such redemption by mailing by first-class mail a copy of the redemption notice to the Authority and the Registered Owners of the Bonds designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than sixty (60) nor less than thirty (30) days prior to the redemption date, provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. In the case of (i) optional redemption pursuant to Section 5.01, extraordinary redemption pursuant to Section 5.02, or mandatory redemption upon a Determination of Taxability pursuant to Section 5.03(b), the Trustee shall state that the redemption is conditioned upon receiving from the Borrower, prior to the redemption date, sufficient moneys to redeem such Bonds and that if such money is not so received, no Bonds shall be

redeemed and (ii) optional redemption pursuant to Section 5.01, the Trustee may state that the redemption is conditioned upon certain other criteria as shall be directed by the Borrower and that if such criteria are not met, no Bonds shall be redeemed. The Trustee shall furnish the Borrower with a copy of each notice of redemption given with respect to any optional redemption under Section 5.01 hereof and any extraordinary redemption under Section 5.02 hereof as soon as practicable after the delivery of notice to the Registered Owners of the Bonds.

Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof to be redeemed.

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

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

Section 5.08 Partial Redemption of Bonds. Upon surrender of any Bond for redemption in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Registered Owner thereof, the cost of which shall be paid by the Borrower, a new Bond or Bonds of the same series and maturity and of authorized denominations, in an aggregate principal amount equal to that portion of the Bond not redeemed.

Section 5.09 No Partial Optional Redemption in Event of Default. Notwithstanding any provisions of this Article V, the Bonds shall not be subject to partial optional redemption pursuant to Section 5.01 hereof if an Event of Default has occurred hereunder and the same has not been cured or otherwise waived by the Trustee (in accordance with Article VIII) in connection with making any such redemption payment.

ARTICLE VI

INVESTMENTS

Section 6.01 Investment of Bond Fund, Debt Service Reserve Fund, Project Fund, Cost of Issuance Fund, Repair and Replacement Fund and Rebate Fund. Moneys in the Project Fund, Cost of Issuance Fund, Debt Service Reserve Fund, Bond Fund, Repair and Replacement Fund and Rebate Fund shall be invested and reinvested by the Trustee in Investment Obligations, at the written direction of an

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Authorized Representative of the Borrower which may direct the Trustee to follow the written directions of one or more Asset Managers.

ARTICLE VII

DISCHARGE OF INDENTURE

(a) Upon receipt of such a written direction from the Authorized Representative of the Borrower, such direction shall constitute full authority for the Trustee to settle trades made on behalf of the Borrower by such Asset Manager for the benefit of any Fund or Account held by the Trustee under this Indenture. The Trustee shall have no liability for any loss, expense or liability incurred as a result of any such investment made in accordance with the provisions of this Section 6.01. The designation of an Asset Manager pursuant to this section shall remain in effect until revoked in a writing delivered by an Authorized Representative of the Borrower to the Trustee.

(b) The Trustee may conclusively rely upon investment instructions from an Authorized Representative of the Borrower, or an Asset Manager designated by an Authorized Representative of the Borrower pursuant to subparagraph (a) above, as to the suitability of such investments for the Borrower. The Trustee is not obligated to determine that the investments are Investment Obligations.

(c) If no such direction to follow the written directions of an Authorized Representative of the Borrower or one or more Asset Managers is received, the Trustee shall invest funds into the Morgan Stanley Institutional Liquidity Treasury Fund (MTCXX) as standing instructions. At no time shall any funds constituting gross proceeds of the Bonds be used in any manner to cause or result in a prohibited payment under applicable Regulations pertaining to, or in any other fashion as would constitute failure of compliance with, Section 148 of the Code. Investments of moneys in the Bond Fund shall mature or be redeemable without penalty at the option of the Trustee at the times and in the amounts necessary to provide moneys to pay the principal of, premium, if any, and interest on the Bonds as they become due at stated maturity or by redemption. Each investment of moneys in the Project Fund, Cost of Issuance Fund, Debt Service Reserve Fund, Repair and Replacement Fund and Rebate Fund shall mature or be redeemable without penalty at such time as may be necessary to make payments from such Fund.

Subject to any directions from an Authorized Representative of the Borrower with respect thereto, and any restrictions contained in Section 3.14 hereof relating to the Rebate Fund from time to time, the Trustee may sell those investments and reinvest the proceeds thereof in Investment Obligations maturing or redeemable as aforesaid. Any of those investments may be purchased from or sold to the Trustee or any bank, trust company or savings and loan association affiliated with the Trustee. The Trustee shall sell or redeem investments credited to the Bond Fund to produce sufficient moneys applicable hereunder to and at the times required for the purposes of paying the principal of, premium, if any, and interest on the Bonds when due as aforesaid, and shall do so without necessity for any order on behalf of the Authority or the Borrower and without restriction by reason of any order. An investment made from moneys credited to the Project Fund, Bond Fund, Debt Service Reserve Fund, Cost of Issuance Fund, Repair and Replacement Fund or Rebate Fund shall constitute part of that respective Fund. Proceeds of the sale of and income on investments in the Project Fund, Bond Fund, Debt Service Reserve Fund, Cost of Issuance Fund, Repair and Replacement Fund or Rebate Fund shall be credited to such Funds. Notwithstanding anything in this Indenture to the contrary, any interest or other gain realized as a result of any investments or reinvestments of moneys in Funds or Accounts, pursuant to this Indenture shall first be used to pay fees and expenses of each Asset Manager upon the written direction of an Authorized Representative of the Borrower to the Trustee.

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such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities of the type described in clause (b) of this paragraph maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, and interest to become due on said Bond on or prior to such redemption date or maturity date thereof, as the case may be. At such time as payment of a Bond has been provided for as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of any payment from such moneys or securities deposited with the Trustee.

The release of the obligations of the Authority and Borrower under this Section 7.01 shall be without prejudice to the right of the Trustee or the Authority to be paid compensation for all services rendered hereunder and all their expenses, charges and other disbursements incurred on or about the administration of the trust hereby created and the performance of their powers and duties hereunder.

Notwithstanding anything contained herein to the contrary, provision shall not be made for the payment of any Bonds if such provision would constitute an advance refunding under the Code and the Regulations, unless simultaneously with such provision for payment, the Borrower shall deliver to the Authority and the Trustee an opinion of nationally recognized bond counsel acceptable to the Authority and the Trustee to the effect that such provision will not adversely affect the exclusion from gross income of the interest on the Tax-Exempt Bonds.

The provisions contained in this Section 7.01 apply equally to the discharge of the lien of this Indenture for all of the Bonds or any portion thereof.

Section 7.02 Survival. The provisions of this Indenture and the Loan Agreement and any other document in connection with the issuance of the Bonds to which the Authority is a party concerning (i) the tax-exempt status of the Bonds (including, but not limited to provisions concerning rebate); (ii) the interpretation of this Indenture, (iii) governing law, jurisdiction and venue; (iv) the Authority's and Trustee's right to rely on written representations of others contained herein or in any other document or instrument issued or entered into in respect to the Bonds, regardless of whether the Authority is a party thereof; (v) the indemnification rights and exculpation from liability of the Authority and Authority Indemnified Persons and Trustee; and (vi) any other provision of this Indenture not described or enumerated above that expressly provides for its survival, shall survive and remain in full force and effect notwithstanding the payment or redemption in full, or defeasance of the Bonds, the discharge of this Indenture, and the termination or expiration of the Loan Agreement.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01 Events of Default. Each of the following is hereby defined as and shall be deemed an Event of Default with respect to Bonds issued under this Indenture:

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

(b) Failure in the payment by the Authority of any installment of interest on any Bond when the same shall become due and payable.

(c) Failure shall be made in the observance or performance of any covenant, agreement, contract or other provision of the Bonds or this Indenture (other than as referred to in (a) or (b) of this

Section 7.01 Discharge of Indenture. If, when the Bonds secured hereby shall be paid in accordance with their terms (or payment of the Bonds has been provided for in the manner set forth in this Section 7.01), together with all other sums payable hereunder, all amounts payable to the Authority and the Trustee under the Loan Agreement and all amounts payable to the United States Treasury pursuant to Section 148 of Code, then this Indenture and the Trust Estate and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. Also, if all Outstanding Bonds secured hereby shall have been purchased by the Borrower or the Lessee and delivered to the Trustee for cancellation, and all other sums payable hereunder, all amounts payable to the Authority and the Trustee under the Loan Agreement, and all amounts payable to the United States Treasury pursuant to Section 148 of the Code have been paid, or provision shall have been made for the payment of the same, then this Indenture and the Trust Estate and all rights granted hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such events, upon the request of the Borrower, the Trustee shall assign and transfer to or at the direction of the Borrower all property then held by the Trustee hereunder with respect to the Borrower and shall execute such documents as may be reasonably required and furnished by the Borrower and shall turn over to the Borrower the appropriate amount of any surplus in any Fund except to the extent otherwise required to maintain the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes or to avoid the application of any penalties under the Code.

Payment of any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been provided for within the meaning and with the effect expressed in this Section 7.01 if: (a) in case said Bond is to be redeemed on any date prior to its maturity, the Borrower shall have given to the Trustee in form satisfactory to it irrevocable instructions to give, on a date in accordance with the provisions of Section 5.05 hereof, notice of redemption of such Bond on said redemption date, such notice to be given in accordance with the provisions of Section 5.05 hereof; (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations which shall not contain provisions permitting the redemption thereof at the option of the Authority, the principal of, premium, if any, and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient to pay when due the principal of and premium, if any, and interest due to and become due on said Bond on and prior to the redemption date or maturity date thereof, as the case may be; (c) there shall have been delivered to the Trustee a certificate from a firm of independent certified public accountants or other professional experienced in such matters certifying as to the sufficiency of the deposit made pursuant to the preceding clause (b); (d) there shall have been delivered to the Trustee an Opinion of Counsel satisfactory to the Authority that all Outstanding Bonds have been defeased; (e) there shall have been delivered to the Trustee an opinion of Bond Counsel satisfactory to the Authority that such payment does not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds; and (f) in the event said Bond is not by its terms subject to redemption within the next forty-five (45) days, the Borrower shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to Section 5.05 hereof, a notice to the Registered Owner of such Bond that the deposit required by (b) above has been made with the Trustee and that payment of said Bond has been provided for in accordance with this Section 7.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bond. Neither such securities nor moneys deposited with the Trustee pursuant to this Section 7.01 or principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bond; provided any cash received from such principal or interest payments on

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Section) and such default shall continue for a period of thirty (30) days after written notice to the Authority, the Borrower and the Trustee from the Beneficial Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, or to the Authority and the Borrower from the Trustee, specifying such default and requiring the same to be remedied; provided that, with respect to any such failure covered by this subsection (c), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Trustee to remedy such failure shall have been commenced within such thirty-day period and shall thereafter be diligently pursued to completion and the failure shall be remedied thereby within ninety (90) days of such notification, unless said remedy cannot be completed within ninety (90) days and the Borrower is actively working toward a remedy.

(d) The occurrence of an Event of Default under the Loan Agreement, the Lease Agreement or the Deed of Trust.

Upon the occurrence of an Event of Default, the Trustee shall promptly notify the Registered Owners and shall promptly notify the Borrower by electronic mail, confirmed by overnight mail or courier, of such occurrence, which notification shall set forth the specific nature of the Event of Default or Defaults.

The time periods for cure set forth in (c) above shall not be applicable to any events or actions which cause or might cause a Determination of Taxability.

Section 8.02 Remedies for Events of Default Under Indenture. Upon the occurrence of an Event of Default with respect to Bonds issued hereunder, the Trustee shall have the following rights and remedies:

(a) **Acceleration.** In the event the Borrower is in default under the Loan Agreement, the Trustee (i) may by notice in writing given to the Authority and the Borrower, or (ii) shall, upon the written request of the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable. Upon any declaration of acceleration hereunder, the Authority and the Trustee shall immediately declare all Loan Payments under the Loan Agreement to be immediately due and payable as provided in Section 10.2 of the Loan Agreement.

(b) **Receivership.** Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Registered Owners and Beneficial Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers, with respect to the Borrower, of the rents, revenues, income, products and profits related to the Borrower and the Facilities pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to, the Trustee.

(c) **Foreclosure.** The Trustee shall have the right of foreclosure on all or any portion of any Mortgaged Estate or any interest of the Authority, the Borrower or the Lessee therein with the power of sale under any Deed of Trust and may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code of the State of North Carolina with respect thereto.

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

this Indenture or any rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the Registered Owners or Beneficial Owners of the Bonds, but such lien, rights, powers and remedies of the Trustee and of the Registered Owners and Beneficial Owners shall continue unimpaired as before.

(c) *Other Proceedings.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceedings to enforce the payment (solely from the Trust Estate with respect to the Authority) of the principal of, premium, if any, on and interest on the Bonds then Outstanding and to enforce and compel the performance of the duties and obligations of the Authority, the Borrower or the Lessee under the Loan Agreement, Lease Agreement, Deed of Trust, or any other Borrower Documents or Lessee Documents.

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

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

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

Section 8.04 Rights and Remedies of Registered Owners. No Beneficial Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in Section 9.01 hereof, or of which by Section 9.01 hereof it is deemed to have notice, nor unless such default shall have become an Event of Default and the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless they have also offered to the Trustee indemnity or other assurances as provided in Section 9.01 hereof nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity or other assurances are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Registered Owners of the Bonds shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal

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date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Registered Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds, the premium, if any, and interest thereon have been paid under the provisions of this Section and all expenses and fees of the Trustee and the Authority and all other amounts to be paid to the Authority or the Trustee or the United States Treasury hereunder or under the Loan Agreement and Lease Agreement have been paid, any balance remaining in the Funds shall be paid to the Borrower.

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

Section 8.07 Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Authority, the Borrower or the Lessee or any other obligor upon the Bonds or the property of the Authority, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, from prepayment on the Promissory Notes, as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Authority and/or the Borrower for the payment of overdue principal or interest) shall be entitled and empowered, by intervention of such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Registered Owners allowed in such judicial proceeding; and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

(ii) and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Registered Owner to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Registered Owners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel.

So long as Bonds are Outstanding, the Trustee is hereby appointed, and the successive respective Registered Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Registered Owners of the Bonds, with authority to make or file, in the respective names of the Registered Owners of the Bonds or on behalf of all Registered Owners of the Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Registered Owners of the Bonds as a class, as may be necessary or

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benefit of the Registered Owners of the Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Registered Owner of Bonds to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of, premium, if any or interest on any Bond at and after the maturity thereof, or the obligation of the Authority to pay (solely and exclusively from the Trust Estate) the principal of, premium, if any, and interest on each of the Bonds to the respective Registered Owners of the Bonds at the time and place, from the source and in the manner herein and in the Bonds expressed.

Section 8.05 Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VIII together with all amounts held by the Trustee hereunder (other than the Rebate Fund) shall, after payment (i) first of the charges, fees, liabilities, expenses due to the Trustee and the costs and expenses of the proceedings resulting in the collection of such moneys, and (ii) second, of the costs and expenses of the Registered Owners and the Authority, and after the payment of fees, costs and expenses of the Authority and the Authority Indemnified Persons and any other payments due them in respect of the Authority's Unassigned Rights (including, without limitation, indemnification payments), provided, that payment of amounts due to the Authority or any Authority Indemnified Person under this Section shall not absolve the Borrower from liability therefor except to the extent of the amounts received from the Trustee, be held or deposited into the Bond Fund during the continuance of an Event of Default and shall be applied as follows:

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

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

SECOND, to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto, without any discrimination or privilege.

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

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

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the

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advisable in the opinion of the Trustee, in order to have the respective claim of the Registered Owners of the Bonds against the Authority, the Borrower, the Lessee or any other obligor allowed in receivership, insolvency, liquidation, bankruptcy or other proceeding, to which the Authority, the Borrower, the Lessee or any other obligor, as the case may be, shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

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

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

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

Section 8.11 Waivers of Events of Default. Except as otherwise provided herein and in Section 11.18, the Trustee may waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the Beneficial Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds at the date of maturity or redemption thereof or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of the principal and premium, if any, and all expenses of the Trustee, and all amounts to be paid to the Authority and the Trustee hereunder and under the Loan Agreement, in connection with such default shall have been paid or provided for, or (b) any default in the payment of amounts set forth in Section 5.1(f) of the Loan Agreement. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

ARTICLE IX

CONCERNING THE TRUSTEE

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

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are

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specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under similar circumstances.

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

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for insuring the Facilities or collecting any insurance moneys or for the validity of the execution by the Authority of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the Facilities, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Authority, or on the part of the Borrower, except as hereinafter set forth; but the Trustee may require of the Borrower full information and advice as to the performance of the covenants, conditions and agreements as to the condition of the Facilities contained herein or in the Loan Agreement or Lease Agreement. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.01 hereof.

(d) The Trustee shall not be accountable for the use of proceeds of any Bonds authenticated or delivered hereunder. The Trustee may become the Registered Owner of the Bonds with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or the consent of the Authority or any person who at the time of making such request or giving such consent is the Registered Owner of any Bonds shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof.

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

(g) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its gross negligence or willful

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incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing, and the Authority may act through an Authorized Signatory. If the Borrower or the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee acts 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 that the Trustee receives after the Trustee has acted on a previous direction. The Borrower 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 instructions, and the risk of interception or misuse of any information by third parties.

(p) The Trustee shall have no duty to investigate or analyze documents, including any reports, financial statements, insurance policies, or other material delivered to the Trustee under the terms of this Indenture, the Loan Agreement or the Lease Agreement (and the Trustee is entitled to rely on any written request or certificate executed by an Authorized Borrower Representative).

(q) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, or other similar occurrences.

(r) In no event shall the Trustee be responsible or liable for special, indirect, punitive, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(s) In connection with the Lessee's incurrence of parity Additional Indebtedness pursuant to Section 8.14 of the Lease Agreement, the Trustee agrees at the written request of Beneficial Owners of at least a majority in aggregate principal amount of the Bonds Outstanding, to execute a Parity Agreement with a Parity Trustee, the Borrower, and a Custodian.

Section 9.02 Fees and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for its reasonable fees for its services rendered hereunder as and when the same become due and all expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, including legal fees and expenses, as and when the same become due as provided in Section 5.1(e) of the Loan Agreement.

Extraordinary fees are payable to the Trustee for duties or responsibilities not expected to be incurred at the outset of the transaction, not routine or customary, and not incurred in the ordinary course of business. Payment of extraordinary fees is appropriate in various circumstances, including but not limited to, where particular inquiries, events or developments are unexpected, even if the possibility of such things could have been identified at the inception of the transaction. The Trustee shall have a first lien with right of payment before payment on account of principal or of interest on any Bond, upon all moneys in its possession (except for the Rebate Fund) under any provisions hereof for reasonable advances, fees, costs and expenses incurred.

Section 9.03 Resignation or Replacement of Trustee. The present or any future Trustee may resign by giving to the Authority, the Borrower, the Lessee and the Registered Owners sixty (60) days' written notice of such resignation. Such resignation shall take effect immediately on the appointment of a

misconduct and shall not be answerable for any negligent act of its attorneys, agents or receivers, subject to Section 9.01(a) hereof.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder, except a default under Section 8.01(a) or (b), unless an officer in the trust department of the Trustee has actual notice thereof or the Trustee shall be specifically notified in writing of such default by the Authority or the Beneficial Owners of at least a majority in aggregate principal amount of Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the address of the Trustee provided for in Section 11.09 hereof, and, in the absence of such notice so delivered, the Trustee may conclusively assume that there is no default except as aforesaid.

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

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, but shall not be required, to inspect any and all of the Trust Estate, including all books, papers and records of the Authority pertaining to the Facilities and the Bonds.

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

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

(m) Before taking any action under Article VIII hereof or otherwise taking any action at the direction of any Registered Owner or Beneficial Owner, including, without limitation, any waiver, the Trustee may require that indemnity or other assurances reasonably satisfactory to it be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all risk and liability by reason of any action so taken, including without limitation any and all environmental liability, and except only any liability which may result from its gross negligence or willful misconduct. The Trustee may take action without requiring such indemnification or other assurances and in such event, the Trustee shall be entitled to indemnification by the Borrower pursuant to Section 8.6 of the Loan Agreement and by the Lessee pursuant to Section 8.6 of the Lease Agreement and to reimbursement of its fees and expenses pursuant to Section 9.02 hereof.

(n) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure prepared or distributed in connection with the Bonds.

(o) The Trustee agrees to accept and act on instructions or directions pursuant to this Indenture sent by the Borrower or the Authority by unsecured e-mail, facsimile transmission, or other similar unsecured electronic methods, provided, however, that the Borrower shall provide to the Trustee an

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successor. The present or any future Trustee may be removed at any time by an instrument in writing by the Borrower (so long as the Borrower is not in default under the Borrower Documents), or by Authority or by the Beneficial Owners of a majority in aggregate principal amount of the Bonds Outstanding, and such removal shall take effect immediately on the appointment of a successor. The Trustee may also be removed at any time for any breach of the trust set forth herein.

In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Borrower (so long as the Borrower is not in default under the Borrower Documents), or by the Beneficial Owners of a majority in aggregate principal amount of the Bonds Outstanding by an instrument or concurrent instruments signed by such Registered Owners, or their attorneys-in-fact duly appointed; provided that the Authority (with the consent of the Borrower, as long as the Borrower is not then in default under the Loan Agreement) may appoint a successor until a new successor shall be appointed by the Registered Owners as herein authorized. The Authority, upon making such appointment, shall forthwith give notice thereof to the Registered Owners and the Borrower, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the Authority shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Beneficial Owners of a majority in aggregate principal amount of the Bonds then Outstanding. If a successor has not been appointed after ninety (90) days after resignation or removal of a Trustee, the Trustee may petition a court of competent jurisdiction for appointment of a successor trustee, and this Indenture shall be construed to facilitate such appointment.

Every successor shall always be a bank or trust company in good standing, be qualified to act hereunder, be subject to examination by a federal or state authority and have capital and surplus of not less than \$75,000,000. Any successor appointed hereunder shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder, and thereupon such successor shall, without any further act, deeds or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein; but the Trustee retiring shall, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the predecessor (subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its fees and expenses pursuant to Section 9.02 hereof and to be indemnified pursuant to Section 8.6 of the Loan Agreement and Section 8.6 of the Lease Agreement), who shall duly assign, transfer and deliver to the successor all properties and moneys held by it under this Indenture. Should any instrument in writing from the Authority be reasonably required by any successor for such vesting and confirming, subject to Section 4.08 herein, the Authority shall execute, acknowledge and deliver the said deeds, conveyances and instruments on the request of such successor.

The notices provided for in this Section to be given to the Registered Owners shall be given by the Trustee by mailing to the Registered Owners of the Bonds at their addresses as the same shall last appear upon the registration records. The notices provided for in this Section to be given to the Authority, the Borrower and the retiring Trustee shall be given in accordance with Section 11.09 hereof. Any Person removing the present or any future Trustee or appointing a successor Trustee under this Section 9.03 shall provide the Authority prior written notice of such appointment.

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

Section 9.04 Conversion, Consolidation or Merger of Trustee.

(a) Any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee or any successor to it may be consolidated, or (iii) to which the Trustee may sell or transfer its corporate trust assets and business as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer, ipso facto, shall be and become successor Trustee hereunder, and shall be vested with all of the title to the whole property of the Trust Estate hereunder; and

(b) That corporation or association shall be vested further, as was its predecessor, with each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee, without the execution or filing of any instrument or document or any further act on the part of any of the parties hereto.

Section 9.05 Notice of Objections Regarding Management Consultant. In connection with the selection of a Management Consultant pursuant to Sections 8.18 and 8.19 of the Lease Agreement, no later than two Business Days after the end of the Objection Period the Trustee shall notify the Borrower and the Lessee of the total number of Objection Notices the Trustee has received. If the Beneficial Owners of at least a majority in aggregate principal amount of the Bond then Outstanding provide an Objection Notice to the Trustee within the Objection Period, then the Trustee shall notify the Borrower to cause the Lessee to select an alternate Management Consultant.

ARTICLE X

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

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

(a) To add to the covenants and agreements of the Authority contained in this Indenture for the protection or benefit of the Registered Owners, other covenants and agreements thereafter to be observed for the protection or benefit of the Registered Owners, or to surrender or limit any right or power herein reserved or conferred upon the Authority;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this Indenture, or to make any provisions with respect to matters arising under this Indenture or for any other purpose if such provisions are necessary or desirable and, based on an Opinion of Counsel satisfactory to the Trustee, do not materially adversely affect the interests of the Registered Owners of the Bonds;

(c) To subject to the lien of this Indenture additional revenues, properties or collateral;

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

(e) To provide for the issuance of Additional Bonds, unless consent is required pursuant to Section 2.11 hereof.

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conditions contained in any such supplemental indenture as to any provision authorized to be contained therein shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any supplemental indenture, express reference may be made thereto in the text of the Bonds issued thereafter, if any.

Section 10.04 Amendments, etc. of Loan Agreement and Lease Agreement Not Requiring Consent of Registered Owners. The Authority and the Trustee may, without the consent of or notice to the Registered Owners, consent to any amendment, change or modification of the Loan Agreement or Lease Agreement as may be required (a) by the provisions of such Loan Agreement or Lease Agreement or this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission therein, or (c) in connection with any other change therein which is not to the adverse prejudice of the Trustee nor, based on the advice of the Underwriter, materially adversely affects the interests of the Registered Owners of the Bonds.

Section 10.05 Amendments, etc. of Loan Agreement and Lease Agreement Requiring Consent of Registered Owners. Except for the amendments, changes or modifications referred to in Section 10.04 hereof, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement or Lease Agreement without the giving of notice to and receiving the written approval or consent of the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, subject to the same limitations set forth in Section 10.02 hereof. Such notice and consent shall be given and procured as provided in Section 10.02 hereof. If at any time the Authority and Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement or Lease Agreement, the Trustee shall, upon being reasonably indemnified by the Borrower or the Lessee with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the designated office of the Trustee for inspection by all Registered Owners. If, within sixty (60) days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution of the agreement reflecting such amendment, change or modification thereof as herein provided, then no Registered Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 10.06 Execution of Amended Loan Agreement or Lease Agreement. The Trustee shall, prior to its consent to any supplemental amendment or change to the Loan Agreement or Lease Agreement, require delivery of an Opinion of Counsel and/or an opinion of Bond Counsel to the effect that such supplemental amendment or change to the Loan Agreement or Lease Agreement (a) has been validly authorized and duly executed by the Authority, the Borrower and the Lessee, as appropriate, and is enforceable against the Authority, the Borrower and the Lessee, as appropriate, in accordance with its terms, (b) will not adversely affect the qualification of the Bonds as obligations which may be issued pursuant to the Act, (c) will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes and (d) is permitted pursuant to the terms of this Indenture. After execution thereof, any supplemental amendment, modification or change to the Loan Agreement or Lease Agreement executed in accordance with the provisions of this Article X shall thereafter form a part of the Loan Agreement or Lease Agreement and all the terms and conditions contained in any such amendment, modification or change to the Loan Agreement or Lease Agreement as to any provision authorized to be contained therein shall be deemed to be part of the Loan Agreement or Lease Agreement for any and all purposes.

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Section 10.02 Supplemental Indentures Requiring Consent of Registered Owners. Exclusive of supplemental indentures covered by Section 10.01 hereof, the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that without the consent of the Registered Owners of all of the Bonds at the time Outstanding and adversely affected thereby nothing herein contained (exclusive of supplemental indentures covered by Section 10.01 hereof) shall permit, or be construed as permitting:

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

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

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

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

If at any time the Authority shall request the Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being reasonably indemnified by the Borrower or the Lessee (to the extent reasonably required by the Trustee) with respect to expenses, mail by first-class mail notice of the proposed execution of such supplemental indenture to the Registered Owners of the Bonds at their addresses as the same shall last appear upon the registration records maintained by the Trustee, setting forth the nature of the proposed supplemental indenture and stating that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Registered Owners. The Borrower and/or the Lessee shall be jointly and severally responsible for such expenses. If, within sixty (60) days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Registered Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. The failure of a Registered Owner to respond to any request for consent under this paragraph shall be deemed to be a rejection of such request.

Section 10.03 Execution of Supplemental Indentures. The Trustee is authorized to join with the Authority in the execution of any such supplemental indenture and to make further agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such supplemental indenture which materially adversely affects its rights, duties or immunities under this Indenture. The Trustee shall require delivery of an opinion of Bond Counsel to the effect that each such supplemental indenture (a) has been validly authorized and duly executed by the Authority and is enforceable against the Authority in accordance with its terms, (b) will not adversely affect the qualification of the Bonds as obligations which may be issued pursuant to the Act, (c) will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes and (d) is permitted pursuant to the terms of this Indenture. Any supplemental indenture executed in accordance with the provisions of this Article X shall thereafter form a part of this Indenture and all the terms and

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Section 10.07 Amendments, etc. of Deed of Trust Not Requiring Consent of Registered Owners. The Trustee may, without the consent of or notice to the Registered Owners, consent to any amendment, change or modification of any Deed of Trust as may be required (a) by the provisions of such Deed of Trust or this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission therein, or (c) in connection with any other change therein which is not to the adverse prejudice of the Trustee nor, based on the advice of the Underwriter, materially adversely affects the interests of the Registered Owners of the Bonds, including granting of easements and releases of property permitted by the terms thereof.

Section 10.08 Amendments, etc. of Deed of Trust Requiring Consent of Registered Owners. Except for the amendments, changes or modifications referred to in Section 10.07 hereof, the Trustee shall not consent to any other amendment, change or modification of any Deed of Trust without the giving of notice and the written approval or consent of the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, subject to the same limitations set forth in Section 10.02 hereof. Such notice and consent shall be given and procured as provided in Section 10.02 hereof. If at any time the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Deed of Trust, the Trustee shall, upon being reasonably indemnified by the Borrower with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the designated office of the Trustee for inspection by all Registered Owners. If, within sixty (60) days following the mailing of such notice, the Registered Owners of the requisite principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution of the agreement reflecting such amendment, change or modification thereof as herein provided, no Registered Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Section 10.09 Execution of Amended Deed of Trust. The Trustee shall, prior to its consent to any supplemental amendment or change to any Deed of Trust, require delivery of an Opinion of Counsel and/or an opinion of Bond Counsel to the effect that any such supplemental amendment or change to any Deed of Trust (a) has been validly authorized and duly executed by all of the parties thereto and is enforceable against such parties in accordance with its terms, (b) will not adversely affect the qualification of the Bonds as obligations which may be issued pursuant to the Act, (c) will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes and (d) is permitted pursuant to the terms of this Indenture. After execution thereof, any supplemental amendment, modification or change to any Deed of Trust executed in accordance with the provisions of this Article X shall thereafter form a part of such Deed of Trust and all the terms and conditions contained in any such amendment, modification or change to any Deed of Trust as to any provision authorized to be contained therein shall be deemed to be part of such Deed of Trust for any and all purposes.

Section 10.10 Consent of Original Purchaser, Underwriter, or Remarketing Agent. Notwithstanding anything in this Indenture to the contrary, (a) any original purchaser, underwriter or remarketing agent holding any Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Registered Owner of such Bonds to any supplemental agreement pursuant to this Article X, including any supplemental agreement that adversely affects the interests of other Registered Owners and (b) any such holder providing its consent under this Section 10.10 shall not be entitled to receive, nor shall the Trustee be required to provide, to such holder, any prior notice or other documentation regarding such supplemental agreement.

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ARTICLE XI

MISCELLANEOUS

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

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

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

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

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

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

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

Section 11.05 Third Party Beneficiaries. Notwithstanding anything in this Indenture to the contrary, it is specifically acknowledged and agreed that, to the extent of their rights hereunder (including, without limitation their rights to immunity and exculpation from pecuniary liability) each of the Authority Indemnified Persons is a third-party beneficiary of this Indenture, entitled to enforce such rights in his, her, its or their own name. Nothing in this Indenture shall confer any right upon any person other than the parties hereto and the specifically designated third-party beneficiaries of this Indenture.

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If to the Authority:

If to the Trustee:

Section 11.10 Payments Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercise of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day unless otherwise provided herein with the same force and effect as if done on the nominal date provided in this Indenture.

Section 11.11 No Personal Liability of Officials of Authority or Trustee. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of an Authority Indemnified Person in his or her individual capacity or any officer, agent or employee of the Trustee in his or her individual capacity, and neither any Authority Indemnified Person nor any Trustee Indemnified Person, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the execution and delivery of this Indenture or the Loan Agreement.

Section 11.12 Bonds Owned by Authority, Borrower or Lessee. In determining whether Registered Owners of Bonds in the requisite aggregate principal amount have concurred in any direction, consent or waiver under this Indenture, Bonds which are owned by the Authority, the Borrower or the Lessee or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Borrower or the Lessee (unless the Authority, the Borrower, the Lessee or such person owns all the Bonds which are then Outstanding) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only the Bonds which the Trustee knows are so owned shall be so disregarded. The Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Authority, the Borrower, the Lessee or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Borrower or the Lessee. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.13 Agreement to Provide Ongoing Disclosure. Pursuant to Section 8.23 of the Lease Agreement and Section 8.16 of the Loan Agreement, respectively, the Lessee and the Borrower have undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority and the Trustee shall have no liability to the Registered Owners of the Bonds or any other person with respect to Securities Exchange Commission Rule 15c2-12, as amended. Notwithstanding any other provision of this Indenture, failure of the Lessee and the Borrower to comply with the continuing disclosure requirements shall not be considered an Event of Default hereunder or under the Lease Agreement or under the Loan Agreement, as applicable; however, a Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Lessee and/or the Borrower to comply with their obligations under Section 8.23 of the Lease Agreement and Section 8.16 of the Loan Agreement, respectively.

Section 11.14 Right to Inspect. Following reasonable notice to the Borrower and the Lessee, at any and all reasonable times, the Trustee and the Authority and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right during regular business hours fully to inspect the Facilities, including all books and records of the Borrower and the Lessee (excluding records

Section 11.06 Governing Law, Jurisdiction and Venue. This Indenture shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to any conflicts of laws principles.

All claims of whatever character arising out of this Indenture, or under any statute or common law relating in any way, directly or indirectly, to the subject matter hereof or to the dealings between the Authority and any other party hereto, if and to the extent that such claim potentially could or actually does involve the Authority or any Authority Indemnified Person, shall be brought in any state or federal court of competent jurisdiction located in Dane County, Wisconsin. By executing and delivering this Indenture, each party hereto irrevocably: (i) accepts generally and unconditionally the exclusive jurisdiction and venue of such courts; (ii) waives any defense of *forum non conveniens*; and (iii) agrees not to seek removal of such proceedings to any court or forum other than as specified above. The foregoing shall not be deemed or construed to constitute a waiver by the Authority of any prior notice or procedural requirements applicable to actions or claims against or involving joint powers commissions or governmental units of the State of Wisconsin that may exist at the time of and in connection with such matter.

Section 11.07 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.08 Non-Liability of Authority. The Authority shall not be obligated to pay the principal of, premium, if any, or interest on the Bonds or any costs incidental thereto, except from the Trust Estate. Neither the faith and credit nor the taxing power of any Sponsor, any Member, the State of Wisconsin or any other political subdivision or agency thereof or any political subdivision approving the issuance of the Bonds, nor the faith and credit of the Authority, is pledged to the payment of the principal of, premium, if any, or interest on the Bonds or any costs incidental thereto. The Authority has no taxing power. The Authority shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bonds or the Loan Agreement, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement; and except as may result solely from the Authority's own willful misconduct.

The Trustee hereby acknowledges that the Authority's sole source of moneys to repay the Bonds is the Trust Estate, and hereby agrees that if such amounts in the Trust Estate shall ever prove insufficient to pay all principal of, premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise) or any costs incidental thereto, then upon notice or demand from the Trustee, the Borrower in accordance with Section 8.01 of this Indenture shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium, if any, or interest, or costs incidental thereto including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Authority, the Borrower or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Section 11.09 Notices. Except as otherwise provided in Section 8.01, all notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, facsimile (confirmed by certified mail), email (confirmed by certified mail), return receipt requested, postage prepaid, or overnight courier, addressed as follows:

If to the Borrower:
or the Lessee:

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the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired; provided however, that any disclosure to any third party other than the Bondholders and Beneficial Owners of the results of any such inspection shall be made only if permitted by law and then only with proper respect and due regard for the confidentiality requests of donors to the Borrower or the Lessee.

Additionally, at the direction of the Borrower, the Authority hereby appoints the Trustee to keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts and disbursements received or disbursed according to this Indenture, and such books shall be available for inspections by the Registered Owner of any of the Bonds and by the Borrower during normal business hours of the Trustee and under reasonable conditions. Any costs associated with such inspection shall be borne by such Registered Owner or the Borrower, as applicable.

Section 11.15 Incorporation of Terms of Loan Agreement and Lease Agreement. The Trustee hereby acknowledges receipt of the Loan Agreement and the Lease Agreement, and accepts and agrees to perform all duties and obligations specifically assigned to it under the terms of the Loan Agreement and the Lease Agreement.

Section 11.16 No Obligation to Enforce Assigned Rights. Notwithstanding anything to the contrary in this Indenture or the Loan Agreement, the Authority shall have no obligation to, and instead the Trustee and/or the Registered Owners, as the case may be, in accordance with this Indenture or the Loan Agreement, shall have the sole and exclusive right, without any notice to, direction from or action by the Authority (unless otherwise expressly required hereby), to take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than the Authority's Unassigned Rights) under this Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Loan Agreement.

Section 11.17 Non-Impairment. Nothing in this Indenture shall be deemed or construed to limit, impair or affect in any way the Authority's (or any Authority Indemnified Person's) right to enforce the Authority's Unassigned Rights, regardless of whether there is then existing an Event of Default (including, without limitation, a payment default), or any action based thereon or occasioned by an Event of Default or alleged Event of Default, and regardless of any waiver or forbearance granted by the Trustee or any Registered Owner in respect thereof. Any default or Event of Default in respect of the Authority's Unassigned Rights may only be waived with the Authority's written consent.

Section 11.18 Content of Certificates. Notwithstanding any provision hereof to the contrary, whenever any certificate or opinion is required by the terms of this Indenture to be given by the Authority on its own behalf, any such certificate or opinion may be made or given by an Authorized Signatory (and in no event individually) and may be based (i) insofar as it relates to factual matters, upon a certificate of or representation by the Trustee or the Borrower; and (ii) insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, in each case under clause (i) or (ii) without further investigation or inquiry by such Authorized Signatory or otherwise on behalf of the Authority.

(Remainder of page left blank intentionally)

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

PUBLIC FINANCE AUTHORITY

By: _____
Name: _____
Title: Assistant Secretary

UMB BANK, n.a.,
as Trustee

By: _____
Name: Brian P. Krippner
Title: Senior Vice President

[PFA/North East Carolina Preparatory School Series 2024 Bonds – Indenture of Trust]

[PFA/North East Carolina Preparatory School Series 2024 Bonds – Indenture of Trust]

EXHIBIT A

FORM OF BOND

THIS BOND HAS BEEN AUTHORIZED AND ISSUED PURSUANT TO THE LAWS OF THE STATE OF WISCONSIN, INCLUDING PARTICULARLY SECTION 66.0304 OF THE WISCONSIN STATUTES, AS AMENDED. BONDS ISSUED UNDER SECTION 66.0304 SHALL NOT BE INVALID FOR ANY IRREGULARITY OR DEFECT IN THE PROCEEDINGS FOR THEIR SALE OR ISSUANCE.

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 ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURE, THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

THIS BOND IS A SPECIAL LIMITED OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED IN THE LOAN AGREEMENT) AND, EXCEPT FROM SUCH SOURCE, NONE OF THE AUTHORITY, ANY MEMBER (AS DEFINED IN THE LOAN AGREEMENT), ANY SPONSOR (AS DEFINED IN THE LOAN AGREEMENT), ANY AUTHORITY INDEMNIFIED PERSON (AS DEFINED IN THE LOAN AGREEMENT), THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THIS BOND SHALL BE OBLIGATED TO PAY THE PRINCIPAL HEREOF, PREMIUM, IF ANY, OR INTEREST HEREON OR ANY COSTS INCIDENTAL HERETO. THIS BOND IS NOT A DEBT OF THE STATE OF WISCONSIN OR ANY MEMBER AND DOES NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE, IN ANY MANNER, ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THIS BOND TO LEVY ANY TAX OR TO MAKE ANY APPROPRIATION FOR PAYMENT OF THE PRINCIPAL HEREOF, PREMIUM, IF ANY, INTEREST HEREON OR ANY COSTS INCIDENTAL HERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY MEMBER, THE STATE OF WISCONSIN OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OR ANY POLITICAL SUBDIVISION APPROVING THE ISSUANCE OF THIS BOND, NOR THE FAITH AND CREDIT OF THE AUTHORITY, ANY SPONSOR OR ANY AUTHORITY INDEMNIFIED PERSON, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL HEREOF, PREMIUM, IF ANY, INTEREST HEREON OR ANY COSTS INCIDENTAL HERETO. THE AUTHORITY HAS NO TAXING POWER.

PUBLIC FINANCE AUTHORITY
[TAXABLE] CHARTER SCHOOL REVENUE AND REFUNDING BONDS
(NORTH EAST CAROLINA PREPARATORY SCHOOL PROJECT)
SERIES 2024A/SERIES 2024B

NO. [RA –][RB –] \$[_____]
Maturity Date Dated Interest Rate CUSIP

REGISTERED OWNER: CEDE & CO.
Principal Amount: _____ DOLLARS

THE PUBLIC FINANCE AUTHORITY (together with its successors and assigns, the "Authority"), a joint powers commission duly organized and existing under the laws of the State of Wisconsin, particularly Sections 66.0301, 66.0303 and 66.0304 of the Wisconsin Statutes, as amended (the "Act"), for value received, hereby promises to pay, from the sources hereinafter described, the principal amount stated above in lawful money of the United States of America to the Registered Owner named above, or registered assigns, on the maturity date stated above (unless this Bond shall have been called for prior redemption, in which case on such redemption date), upon the presentation and surrender hereof at the designated corporate trust office of UMB Bank, n.a., as trustee (the "Trustee") under an Indenture of Trust dated as of May 1, 2024 (the "Indenture"), by and between the Authority and the Trustee, and to pay, from like sources, to the person who is the Registered Owner hereof on the last day of the calendar month next preceding any Interest Payment Date (the "Regular Record Date") by check or draft mailed to such Registered Owner (except that registered owners of at least \$1,000,000 in aggregate principal amount of the Series [] Bonds (as defined below) Outstanding may, by written request received by the Trustee at least ten (10) Business Days (as defined in the Loan Agreement) prior to the Regular Record Date, receive payment of interest by wire transfer at the address specified in such request, which address must be in the United States) at his or her address as it last appears on the registration books kept for that purpose at the offices of the Trustee, interest on said sum in like coin or currency from the date hereof at the interest rate set forth above, payable semiannually on June 15 and December 15 of each year, commencing December 15, 2024 until payment of the principal hereof has been made or provided for. Any such interest not so timely paid or duly provided for shall cease to be payable to the Registered Owner hereof at the close of business on the Regular Record Date and shall be payable to the Registered Owner hereof at the close of business on a Special Record Date for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owners of the Series [] Bonds not less than ten (10) days prior thereto. Notwithstanding any provision herein to the contrary, at no time, whether as a result of an Event of Default or otherwise, shall the interest on the Series [] Bonds exceed the Maximum Rate (as defined in Exhibit G to the Loan Agreement).

This Bond is one of the Public Finance Authority [Taxable] Charter School Revenue [and Refunding] Bonds (North East Carolina Preparatory School Project), Series [] (the "Series _____ Bonds"), duly authorized by the Authority in the aggregate principal amount of \$[] issued under and equally and ratably secured by the Indenture. Concurrently with the issuance of the Series [] Bonds, the Authority has issued its \$[] [Taxable] Charter School Revenue [and Refunding] Bonds (North East Carolina Preparatory School Project), Series [] (the "Series [] Bonds" and, together with the Series [] Bonds, the "Series [] Bonds"), secured on a parity basis with the Series [] Bonds. The Series [] Bonds have been issued under the Act for purposes of

financing the costs of (i) _____ (the "Series [] Facilities") and (ii) paying certain issuance expenses (collectively, the "Series [] Project").

As provided in the Indenture, additional bonds of the Authority may be issued only with respect to a Project (as defined in the Loan Agreement) and may be secured on a parity basis with the [LIST ALL OUTSTANDING BONDS]. Such additional bonds may be issued from time to time in one or more series, in various principal amounts and for the benefit of NECP Holdings, LLC, a North Carolina non-profit corporation (the "Borrower"), may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Indenture, and the aggregate principal amount of such bonds and other obligations issued and to be issued under the Indenture is not limited.

This Series [] Bond is a special, limited obligation of the Authority payable solely from and secured by an assignment and pledge of (i) all right, title and interest of Authority in and to, including amounts payable under, the Loan Agreement dated as of May 1, 2024 (the "Loan Agreement"), as amended from time to time, between the Authority and the Borrower (except the Authority's Unassigned Rights, as defined in the Loan Agreement); (ii) all right, title and interest of Authority, if any, and the Borrower in and to, including amounts payable under, the Lease Agreement dated as of May 1, 2024 (the "Lease Agreement"), as amended from time to time, between the Borrower, as lessor, and North East Carolina Preparatory School, Inc., a North Carolina non-profit corporation, as lessee (the "Lessee"), (except the Borrower's Unassigned Rights and the Authority's Unassigned Rights, each as defined in the Loan Agreement); (iii) the rights, title and interests of the Authority, if any, in the Mortgaged Estate, subject to Permitted Encumbrances (as defined in the Loan Agreement); (iv) the Loan Payments (as defined in the Loan Agreement) except those payments relating to the Authority's Unassigned Rights; (v) the rights, title and interests of the Authority, if any, and the Borrower under the Series [] Promissory Note, the Deed of Trust (as defined in the Loan Agreement); (vi) all Funds created in the Indenture (other than the Cost of Issuance Fund and the Rebate Fund) subject to certain exceptions provided in the Indenture; and (vii) any and all other interests in real or personal property of every name and nature specifically mortgaged, pledged or hypothecated, as and for additional security by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee.

Redemption Provisions

Optional Redemption.

(a) The Series 2024A Bonds maturing on or after June 15, 20[33], are subject to optional redemption prior to maturity on June 15, 20[32] and on any date thereafter at the option of the Authority (which option shall be exercised upon the written direction of the Borrower from prepayment of the Series 2024A Promissory Note made by the Borrower pursuant to Section 11.1 of the Loan Agreement), in whole or in part, of the maturity selected by the Borrower, and if less than all of a maturity, then as selected by the Borrower or by lot within a maturity, if not otherwise selected by the Borrower, at a redemption price equal to 100% of the principal amount of Series 2024A Bonds to be redeemed, plus accrued interest to the redemption date.

Upon the delivery of such written request by the Borrower to the Trustee, the Authority shall be deemed, without any action on the Authority's part, to have exercised its option to redeem the Series 2024A Bonds under this Section.

The Series 2024B Bonds are not subject to optional redemption prior to maturity.

Extraordinary Redemption of Bonds Upon Occurrence of Certain Events. The Series [] Bonds are also subject to extraordinary redemption at the expense of the Borrower from the Net Proceeds

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(c) The Series [] Bonds maturing [], 20[] are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series [] Bond Maturing [], 20[]	
Date	Principal Amount

* Maturity Date

(d) The Series [] Bonds maturing [], 20[] are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series [] Bond Maturing [], 20[]	
Date	Principal Amount

* Maturity Date

(e) Additional Bonds of a Series may be subject to mandatory sinking fund redemption at such times and upon such terms as shall be fixed by the related Supplemental Indenture relating to such Bonds.

Mandatory Redemption Upon Determination of Taxability. The Series [] Bonds are subject to mandatory redemption as a whole at the principal amount thereof, plus accrued interest thereon to the date of redemption, plus a three percent (3%) premium, upon the occurrence of a Determination of Taxability related to the Series [] Bonds, as provided in the Indenture.]

Mandatory Redemption From Excess Moneys in the Project Fund. The Trustee shall redeem the Series [] Bonds in the manner set forth in Section 5.03(c) of the Indenture, in part, on the earliest practicable date selected by the Trustee in increments of \$5,000 and at a redemption price of 100% of the principal amount of such Bonds being redeemed plus accrued interest to the redemption date, from unused amounts on deposit in a subaccount of the Project Fund following the Completion Date that are not used to pay or reimburse the Borrower for the payment of interest on the Series [] Bonds.

Method of Selecting Bonds; Notices. Unless otherwise specifically stated in the Indenture, any partial redemption of the Series [] Bonds shall be redeemed in inverse order of maturity, or if less than all of the Series [] Bonds in a single maturity shall be redeemed, the Series [] Bonds redeemed shall be selected by lot within such maturity.

In the case of every redemption (other than mandatory sinking fund redemption), the Trustee shall cause notice of such redemption by mailing by first-class mail a copy of the redemption notice to the Authority and the Registered Owners of the Series [] Bonds designated for redemption in whole or

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of any insurance policy or condemnation award and in the event the Facilities or any portion thereof are damaged or destroyed or taken in condemnation proceedings as provided in Section 7.2 of the Loan Agreement. If called pursuant to Section 5.02 of the Indenture, the Series [] Bonds are callable on any date in whole or in part from and to the extent of funds on deposit under the Indenture and available for this purpose at a redemption price equal to the principal amount of each Series [] Bond redeemed and accrued interest to the redemption date.

The Series [] Bonds are subject to redemption, prior to their stated maturity, in whole or in part, at the expense of the Borrower on any Interest Payment Date from and to the extent of funds on deposit under the Indenture and available for this purpose at a redemption price equal to the principal amount of each Bond redeemed and accrued interest to the redemption date if, as a result of any changes in the Constitution of the State of North Carolina or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Borrower in good faith, the Loan Agreement and the Series 2024 Promissory Note evidencing the Loan have become subject to mandatory prepayment because the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement.

Mandatory Sinking Fund Redemption.

(a) The Series [] Bonds maturing [], 20[] are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series [] Bond Maturing [], 20[]	
Date	Principal Amount

* Maturity Date

(b) The Series [] Bonds maturing [] are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from amounts on deposit in the Bond Fund on the redemption dates and in the principal amounts as follows:

Series [] Bond Maturing [], 20[]	
Date	Principal Amount

* Maturity Date

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in part, at their addresses as the same shall last appear upon the registration records, in each case not more than sixty (60) nor less than thirty (30) days prior to the redemption date, provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Series [] Bonds. In the case of optional redemption, extraordinary redemption upon the occurrence of certain events, and mandatory redemption upon a Determination of Taxability, the Trustee may state that the redemption is conditioned upon receiving from the Borrower, prior to the redemption date, sufficient amounts to redeem such Series [] Bonds and that if such money is not so received, no Series [] Bonds shall be redeemed.

Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Series [] Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Series [] Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Series [] Bonds or portions thereof to be redeemed.

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

This Series [] Bond is fully transferable and exchangeable by the Registered Owner hereof in person or accompanied by an assignment duly executed by the Registered Owner by his or her duly authorized attorney on the registration books kept by the Trustee, upon surrender of this Series [] Bond together with a duly endorsed written instrument of transfer; subject, however, to the terms of the Indenture which limit the transfer and exchange of Series [] Bonds during certain periods. Upon such transfer or exchange a new fully registered bond of Authorized Denomination or Denominations for a like series, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange therefor, all subject to the terms, limitations and conditions set forth in the Indenture. The Trustee shall require the payment by any Registered Owner of this Series [] Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Authority and the Trustee may deem and treat the person in whose name this Series [] Bond is registered as the absolute owner hereof, whether or not this Series [] Bond shall be overdue, for the purpose of receiving payment and for all other purposes, except to the extent otherwise provided herein and in the Indenture with respect to Regular Record Dates and Special Record Dates for the payment of interest, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding the foregoing, so long as the ownership of the Series [] Bonds is maintained in book-entry form by The Depository Trust Company (the "Securities Depository") or a nominee thereof, this Series [] Bond may be transferred in whole but not in part only to the Securities Depository or a nominee thereof or to a successor Securities Depository or its nominee.

To the extent permitted by, and as provided in, the Indenture, modifications or amendments of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Authority and of the Registered Owners of the Series [] Bonds may be made by the Authority and the Trustee but without the consent of the Registered Owners of the Series [] Bonds in certain cases described in the Indenture, including any change which does not materially adversely affect the interests of the registered owners of the Series [] Bonds. Certain other amendments may be made by the Authority and the Trustee with the consent of the registered owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such modification or amendment shall be made which will constitute an extension of the maturity of, or a reduction in the principal amount of, or a reduction of the rate of interest on or extension of the time of payment of interest on, or a reduction of any premium

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payable upon redemption of, any Bond, which are unconditional unless consented to by all Registered Owners adversely affected by such change. Any such consent by the Registered Owner of this Series [] Bond shall be conclusive and binding upon such Registered Owner and upon all future registered owners of this Series [] Bond and of any Series [] Bond issued upon the transfer or exchange of this Series [] Bond whether or not notation of such consent is made upon this Series [] Bond.

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

None of the officials, officers, agents or employees of the Borrower nor any of the Authority Indemnified Persons or any person executing the Series [] Bonds shall be liable personally on the Series [] Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

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

No covenant or agreement contained in the Series [] Bonds or in the Indenture shall be deemed to be the covenant or agreement of any Authority Indemnified Person in his or her individual capacity or of any officer, agent or employee of the Trustee in his or her individual capacity, and neither the Authority Indemnified Persons nor any official executing the Series [] Bonds, including any officer or employee of the Trustee, shall be liable personally on the Series [] Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No covenant or agreement contained in the Loan Agreement shall be deemed to be the covenant or agreement of any Authority Indemnified Person or any appointed official, officer, agent or employee of the Borrower in his or her individual capacity, and neither the Authority Indemnified Persons nor the members of the governing body of the Borrower shall not be liable personally or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

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

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

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IN WITNESS WHEREOF, the Public Finance Authority has caused this Series [] Bond to be signed in its name and on its behalf by the manual or facsimile signature of a duly authorized representative of the Authority.

PUBLIC FINANCE AUTHORITY

By: _____
Name: _____
Title: Assistant Secretary

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

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(FORM OF CERTIFICATE OF AUTHENTICATION)

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

UMB BANK, n.a.,
as Trustee

By: _____
Authorized Signatory

(END OF FORM OF CERTIFICATE OF AUTHENTICATION)

(FORM OF ASSIGNMENT)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Social Security or Federal Taxpayer Identification Number)

(Please print or typewrite Name and Address,
including Zip Code, of Assignee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints the Trustee under the Indenture as registrar and attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

Signature guaranteed by:

NOTICE: Signature of the registered owner must be guaranteed by an eligible guarantor institution pursuant to Securities and Exchange Rule 17Ad-15

NOTICE: The signature of the registered owner to this assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

(END OF FORM OF BOND)

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LOAN AGREEMENT

by and between

PUBLIC FINANCE AUTHORITY
as the Authority

and

NECP HOLDINGS, LLC
as the Borrower

\$27,610,000	\$1,050,000
Public Finance Authority	Public Finance Authority
Charter School Revenue and Refunding Bonds	Taxable Charter School Revenue and Refunding Bonds
(North East Carolina Preparatory School Project)	(North East Carolina Preparatory School Project)
Series 2024A	Series 2024B

Dated as of May 1, 2024

Pursuant to the Indenture (as defined herein), the Authority has granted, bargained, sold, alienated, pledged, set over and confirmed to the Trustee (as defined herein) for the benefit of the owners of the Bonds, all rights and interests of the Authority in this Loan Agreement, as amended from time to time, except for the Authority's Unassigned Rights (as defined in the Master Glossary attached hereto as Exhibit G).

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amounts sufficient for the payment of the principal of, premium, if any, or interest on the Series 2024 Bonds and costs incidental thereto;

WHEREAS, pursuant to and in accordance with the Act, the Authority proposes to make a loan (the "Loan") to the Borrower pursuant to this Loan Agreement for the purpose of financing the Series 2024 Project; and

WHEREAS, the Borrower desires to borrow from the Authority the proceeds of the Series 2024 Bonds for the purpose of financing the Series 2024 Project upon the terms and conditions hereinafter set forth in this Loan Agreement.

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

ARTICLE I

DEFINITIONS

All terms defined in the Master Glossary attached hereto as **Exhibit G** and not otherwise defined herein shall have the same meaning when used in this Loan Agreement.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations by Authority. The Authority makes the following representations to the Borrower:

(a) The Authority is a joint powers commission under the Act, the "commission" under Section 66.0304 of the Wisconsin Statutes, and a unit of government and body corporate and politic organized and existing under the laws of the State of Wisconsin; and has full power and authority under the Act to adopt the Bond Resolution, to enter into and to perform its obligations under the Authority Documents; and when executed and delivered by the respective parties thereto, the Authority Documents will constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitation on legal remedies against joint powers commissions or governmental units of the State of Wisconsin.

(b) By official action of the Authority prior to or concurrently herewith, the Authority has authorized and approved the issuance of the Bonds, the execution and delivery of the Authority Documents and the consummation by the Authority of the transactions contemplated thereby.

(c) To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Authority Documents or contesting in any way the existence or powers of the Authority relating to the authorization, issuance and sale of the Bonds.

LOAN AGREEMENT

This **LOAN AGREEMENT**, dated as of May 1, 2024 (this "Loan Agreement"), is by and between the **PUBLIC FINANCE AUTHORITY** (together with its successors and assigns, the "Authority"), a joint powers commission duly organized and validly existing under the laws of the State of Wisconsin, particularly in Sections 66.0301, 66.0303 and 66.0304 of the Wisconsin Statutes, as amended (the "Act"), and **NECP HOLDINGS, LLC** (the "Borrower"), a North Carolina limited liability company. All terms used but not defined herein shall have the meaning set forth in the Master Glossary attached hereto as **Exhibit G**.

WITNESSETH:

WHEREAS, the Authority is authorized to issue its revenue bonds for the purpose of financing the acquisition of the School;

WHEREAS, the Borrower, the sole member of which is North East Carolina Preparatory School, Inc. (the "Lessee"), a North Carolina nonprofit corporation designated as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), has applied for the financial assistance of the Authority in (a) refinancing the outstanding principal amount of the Authority's Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019A and Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019B (Subordinate), the proceeds of which (i) financed the acquisition of an educational facility located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the "Campus") used by the Corporation for the operation of a charter school known as North East Carolina Preparatory School (the "School"); (ii) funded a debt service reserve fund and (iii) paid for costs of issuance, (b) financing certain capital improvements, including, but not limited to, the acquisition of approximately 40 acres of land adjacent to the Campus, the installation of athletic fields, the construction and equipping of athletic field houses, and certain other capital improvements on the Campus, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Bonds (collectively, the "Series 2024 Project");

WHEREAS, the School Facility and the New Money Improvements (collectively, as further defined in Exhibit G to the Loan Agreement, the "Series 2024 Facilities") as well as the rest of the Campus will be leased by the Borrower to the Lessee, pursuant to the Lease Agreement dated as of May 1, 2024 (the "Lease Agreement"), between the Borrower and the Lessee, for the operation of the School;

WHEREAS, the Campus is located within the territorial limits of the State of North Carolina (the "Project Jurisdiction") and the Authority, based on representations of the Borrower but without independent investigation, has found and determined that the financing of the Series 2024 Project will promote significant economic, cultural and community development opportunities, including the creation or retention of employment, the stimulation of economic activity and the promotion of improvements in the health, safety and welfare of persons in the Project Jurisdiction;

WHEREAS, the Authority has authorized the issuance of its Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project), Series 2024A (the "Series 2024A Bonds"), in the aggregate principal amount of \$27,610,000, and its Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project), Series 2024B (the "Series 2024B Bonds" and, together with the Series 2024A Bonds, the "Series 2024 Bonds"), in the aggregate principal amount of \$1,050,000 and has entered into this Loan Agreement with the Borrower specifying the terms and conditions of a loan by the Authority to the Borrower of the proceeds of the Series 2024 Bonds to provide for financing of the Series 2024 Project and of the payment by the Borrower to the Authority of

(d) The execution and delivery by the Authority of the Authority Documents and compliance with the provisions on the Authority's part contained therein will neither (i) materially conflict with or constitute a material breach of or default under any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor (ii) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

(e) The execution and delivery by the Authority of the Authority Documents and compliance with the provisions on the Authority's part contained therein will neither (i) materially conflict with or constitute a material breach of or default under any applicable State of Wisconsin or federal law, administrative regulation, judgment or decree, nor (ii) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer under the terms of any such applicable State of Wisconsin or federal law, administrative regulation, judgment or decree, except as provided by the Authority Documents.

Section 2.2 Representations by Borrower. The Borrower makes the following representations and warranties to the Authority, the Trustee and the Underwriter:

(a) The Borrower's representations and warranties are made as of the date of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers.

(b) The Borrower's representations and warranties survive the issuance of the Bonds.

(c) The Borrower's representations and warranties remain operative and in full force and effect regardless of any investigations by or on behalf of the Authority or the results thereof.

(d) The Borrower is duly organized and existing as a limited liability company under the laws of the State of North Carolina, and is in existence in North Carolina.

(e) The Borrower is a disregarded entity for federal tax purposes. The Borrower's sole member is the Lessee. The Lessee is an organization described in Section 501(c)(3) of the Code, does not constitute a private foundation under Section 509(a) of the Code, and the income of the Lessee is exempt from federal taxation under Section 501(a) of the Code. The Lessee has received a determination from the Internal Revenue Service to the foregoing effect, and none of the bases for such determination have changed since the date thereof.

(f) The Borrower is organized and operated with the specific power to own the Facilities, has been duly authorized to execute each of the Borrower Documents and to carry out and consummate all of the transactions contemplated thereby and by the Offering Document.

(g) The Borrower Documents have been duly authorized, executed and delivered by the Borrower.

(h) (i) This Loan Agreement and the other Borrower Documents, when assigned to the Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their terms, including, without limitation, by the Trustee for the benefit of the Registered Owners and the Beneficial Owners of the Bonds, and (ii) the agreements, obligations and undertakings of the Borrower in respect of the Authority's Unassigned Rights constitute the legal, valid, and binding agreements of the Borrower enforceable against the Borrower (A) by the Authority in its own right, or (B) in the case of the rights of any Authority Indemnified Person

(including, without limitation, the right of any Authority Indemnified Person to indemnification and immunity from liability), by such Authority Indemnified Person in his, her or its own right in accordance with their respective terms.

(i) The execution and delivery of the Borrower Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Borrower's articles of organization or operating agreement, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or 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 Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents, or the financial condition, assets, properties or operations of the Borrower.

(j) No consent or approval of any trustee or holder of any indebtedness of the Borrower or any guarantor of indebtedness of or other provider of credit or liquidity to the Borrower, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Borrower Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(k) All financial statements and information heretofore delivered to the Authority by the Lessee, as the sole member of the Borrower, including without limitation, information relating to the financial condition of the Lessee, the Borrower, and the Facilities, fairly and accurately present the financial position thereof and all financial statements have been prepared (except where specifically noted therein) in accordance with Generally Accepted Accounting Principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the Borrower, the Lessee, or the other subjects of such statements.

(l) The Borrower has good and marketable title to the Facilities free and clear from all encumbrances other than Permitted Encumbrances.

(m) The Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (1) under the Borrower Documents, or (2) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents or the Indenture, or the financial condition, assets, properties or operations of the Borrower.

(n) All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State of North Carolina and the federal government have been obtained with respect to the acquisition, construction, renovation, improvement, and equipping of the Series 2024 Facilities to the extent such certificates, approvals, permits and authorizations can be obtained, the Series 2024 Facilities will be operated pursuant to and in accordance with such certificates, approvals, permits and authorizations, and the Borrower has no reason to believe it will not be able to obtain any

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within the meaning of Section 148(a) of the Code (or their statutory predecessors). The Borrower will not fail to meet any applicable requirement of Sections 141, 142, 145, 147, 148, 149 and 150 of the Code (or their statutory predecessors) or cause the interest on the Tax-Exempt Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax under the Code and will not cause interest on the Tax-Exempt Bonds to lose its exclusion from taxable income under applicable state law. To that end, the Borrower will comply with all requirements of Sections 141, 142, 145, 147, 148, 149 and 150 of the Code (or their statutory predecessors) to the extent applicable to the Tax-Exempt Bonds. In the event that at any time the Borrower is of the opinion that, for purposes of this Section 2.3, it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee or otherwise, the Borrower shall so instruct the Trustee in writing.

(b) The Borrower hereby covenants and agrees that it will not enter into any arrangement, formal or informal, pursuant to which the Borrower (or any "related party," as defined in Treasury Regulations §1.150-1(b)) shall purchase the Tax-Exempt Bonds. This covenant shall not prevent the Borrower from purchasing Bonds in the open market for the purpose of tendering them to the Trustee for purchase and retirement.

(c) The Borrower covenants to comply with the terms and conditions of the Tax Agreement and to pay when due any amount required to be paid to the United States in accordance with the Tax Agreement and this Loan Agreement.

(d) The Borrower covenants to comply with the covenants and procedures set forth in Section 3.14 of the Indenture and to deposit in the Rebate Fund such amount as may be necessary to maintain the deposit in the Rebate Fund at the Rebate Requirement.

Within 60 days after the end of every fifth Rebate Year, the Borrower, in reliance upon the report of the Rebate Analyst, shall deliver to the Authority a certificate stating that all necessary actions have been taken as required by the Indenture and the Tax Agreement, including but not limited to, (i) the required arbitrage rebate calculations, and (ii) payment of the Rebate Amount, if any, in accordance with Section 148(f) of the Code and the direction of the Rebate Analyst.

(e) All covenants and obligations of the Borrower contained in this Section 2.3 of this Loan Agreement shall remain in effect and be binding upon the Borrower until all of the Tax-Exempt Bonds have been paid, notwithstanding any earlier termination of this Loan Agreement or any provision for payment of principal of and premium, if any, and interest on the outstanding Tax-Exempt Bonds and Loan Payments and release and discharge of the Indenture.

(f) Notwithstanding any provision of this Section 2.3, if the Borrower provides, at the Borrower's expense, to the Trustee and to the Authority an opinion of Bond Counsel to the effect that any action required under this Section, the Tax Agreement, or Section 3.14 of the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusions from gross income of interest on the Tax-Exempt Bonds pursuant to Section 103(a) of the Code, the Borrower, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions of this Section 2.3, the Tax Agreement and Section 3.14 of the Indenture, and the covenants hereunder shall be deemed to be modified to that extent.

(g) The Borrower agrees that it will not take any action or omit to take any action or cause or permit any circumstance to arise or continue if such action or circumstance or omission would cause any revocation or adverse modification of the federal tax status of the Borrower as a 501(c)(3) organization, unless it obtains, at the Borrower's expense, an opinion of Bond Counsel, addressed to the Trustee that such revocation or modification will not adversely affect the exclusion from gross income under Section 103(a)

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certificates, approvals, permits and authorizations required to complete the acquisition, construction and equipping of the Series 2024 Facilities.

(o) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or the assets, properties or operations of the Borrower which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by or the validity of the Borrower Documents, or upon the financial condition, assets, properties or operations of the Borrower.

(p) None of the representations of the Borrower contained in the Borrower Documents or any oral or written statement, exhibit, financial statement (whether audited or unaudited, and any other financial information provided in connection therewith) or report furnished by or on behalf of the Borrower to the Authority (in connection with, among other things, the Borrower's application for financing and the negotiation of this and the other Borrower Documents, regardless of whether the Authority is a party thereto), the Lessee, Bond Counsel or the Underwriter in connection with the transactions contemplated hereby, and no official statement or other offering document in connection with the Series 2024 Bonds, as of its date or as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated herein or therein or necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading; provided, however, that with regard to any written information, exhibit or report furnished to the Authority by the Borrower in its application for financing, that the representation and warranty in this subsection (p) is made only to the Authority and may not be relied upon by any other Person. The Borrower has not failed to disclose any facts to the Authority, the Lessee, Bond Counsel or the Underwriter in writing that materially and adversely affect or in the future may (so far as the Borrower can now reasonably foresee) materially and adversely affect the properties, business, prospects, profits, or condition (financial or otherwise) of the Borrower, or the ability of any Borrower to perform its obligations under the Borrower Documents or any documents or transactions contemplated hereby or thereby.

(q) The Borrower (i) understands the structure of the transactions related to the financing and refinancing of the Facilities; (ii) is familiar with all the provisions of the documents and instruments related to such financing and refinancing to which the Borrower is a party or of which the Borrower is a beneficiary; (iii) understands the risk inherent in such transactions, including, without limitation, the risk of loss of the Facilities; (iv) has not relied on the Authority or the Underwriter for any guidance or expertise in analyzing the financial consequences of such financing and refinancing transactions or otherwise relied on the Authority in any manner, except to issue the Series 2024 Bonds in order to provide funds for the Loan pursuant to the terms and conditions of this Loan Agreement, the Indenture and the Bond Purchase Agreement; and (v) acknowledges that the Authority makes no warranty, either express or implied, as to the Facilities or that they will be suitable for the Borrower's or the Lessee's purposes or needs.

Section 2.3 Borrower's Tax Covenants. The Borrower represents and covenants that:

(a) The Borrower will not take any action or omit to take any action, which action or omission will adversely affect the exclusion from gross income of the interest on the Tax-Exempt Bonds for federal income tax purposes or cause the interest on the Tax-Exempt Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax under the Code, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon an opinion of Bond Counsel, and in all cases at the sole expense of the Borrower, as may rescind or otherwise negate such action or omission. The Borrower will not directly or indirectly, use or permit the use of any Bond Proceeds of any Series of Tax-Exempt Bonds or any other funds of the Borrower, or take or omit to take any action, that would cause the Tax-Exempt Bonds to be or become "arbitrage bonds"

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of the Code of interest paid on the Tax-Exempt Bonds or cause the interest on the Tax-Exempt Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax under the Code.

(h) The following obligation to make payments is subject to the limitations in subsection (iii) below.

(i) *To Correct Underpayments.* If the Borrower shall be notified by the Authority or the Trustee as of any date that any payment made to the United States Treasury in respect of the Tax-Exempt Bonds pursuant to the rebate provisions of the Indenture shall have failed to satisfy any requirement of Regulations § 1.148.3 (whether or not such failure shall be due to any default by the Borrower), the Borrower shall (1) pay to the Trustee (for deposit to the Rebate Fund) the correct amount in respect thereof, interest thereon, and any penalty imposed under Regulations § 1.148.3(h), and (2) in the event that the Borrower has any knowledge of the reason for such failure, deliver to the Trustee a brief written explanation of such failure and any basis for concluding that such failure was not due to willful neglect.

(ii) *Preservation of Accounting Records.* The Borrower shall retain, and on request of the Rebate Analyst or the Trustee, provide to any such person copies of all of the Borrower's accounting records relating to the accounts and subaccounts in the Funds, for at least six years after the later of the first maturity (whether at stated maturity or earlier prepayment) of the Promissory Note or the first date on which no Tax-Exempt Bonds are Outstanding.

(iii) *Limitation.* The Borrower shall have no responsibility or liability to the Authority or any other person for, and shall not be obligated to make payments in respect of, any rebate obligation other than as specifically stated herein, and then only to the extent of the Rebate Amount relating to funds held under the Indenture and any further Rebate Amount owed as a result of the actions or omissions of the Borrower. Furthermore, the Borrower's obligation to retain records with respect to the Rebate Fund held by the Trustee shall be limited to those records it receives from the Trustee.

Section 2.4 Borrower's Covenant to Comply With Charter School Laws. The Borrower covenants to cause the Lessee, pursuant to the Lease Agreement, to comply fully in all respects with the provisions of the Charter School Act applicable to it so long as any Bonds remain Outstanding.

Section 2.5 Environmental Representations. The Borrower does hereby represent and warrant, to the Authority, the Trustee and the Underwriter that:

(a) *Condition of Facilities.* Based on the Environmental Report, other than the information disclosed in the Environmental Report, there has been no release, discharge or emission, or a threat of release, discharge or emission, of any Regulated Chemical on, under, in or about the Land, nor has any such Regulated Chemical migrated or threatened to migrate from other properties upon, about or beneath the Facilities.

(b) *Previous Use of Facilities.* To its knowledge, neither the Borrower nor the Lessee or, based on the Environmental Report, any previous owner, tenant, occupant or user of the Facilities, or any other Person, has engaged in or permitted any operations or activities upon, or any use or occupancy of the Facilities, or any portion thereof, whether legal or illegal, accidental or intentional, for the purpose of or in any way involving the handling, manufacture, treatment, storage, use, generation, release, discharge, refining, dumping or disposal of any Regulated Chemical, on, under, in or about the Facilities, nor has any

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such party transported any Regulated Chemical to, from or across the Facilities, except as specifically disclosed in the Environmental Report.

(c) *Property Adjoining Facilities.* Based on the Environmental Report, except as specifically noted in the Environmental Report, no adjoining property has been used as a manufacturing, storage or disposal site for Regulated Chemicals nor is any other property adjoining the Facilities affected by a violation of Environmental Requirements.

(d) *No Notice of Violations of Environmental Requirements.* The Borrower has not received any notice, whether written or oral, concerning the Land, for any alleged violation or requiring compliance of Environmental Requirements, whether or not corrected to the satisfaction of the appropriate authority, or notice or other communication concerning alleged liability for Environmental Damages in connection with the Land, and to the Borrower's knowledge there exists no investigation, administrative order, consent order and agreement, litigation, settlement or judgment, whether proposed, threatened, anticipated or in existence with respect to the Land.

(e) *Survival of Representations and Warranties.* The representations and warranties set forth in this Section 2.5 shall survive the expiration or termination of the Borrower Documents, the payment of the Bonds, and the discharge of any obligations owed by the parties to each other and will survive any transfer of title to the Facilities, whether by foreclosure, or otherwise and shall not be affected by any investigation by or on behalf of the Authority or the Trustee or any information which the Authority or the Trustee may have or obtain with respect thereto.

ARTICLE III

TERM OF LOAN AGREEMENT

This Loan Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the payments on the Promissory Notes shall have been fully paid or provision is made for such payment pursuant to Section 11.1 hereof and Section 7.01 of the Indenture and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Promissory Notes, all fees and expenses of the Authority accrued and to accrue through final payment of the Promissory Notes and all other liabilities of the Borrower accrued and to accrue through final payment of the Promissory Notes under this Loan Agreement and the Indenture have been paid or provision is made for such payments pursuant to Section 11.1 hereof and Section 7.01 of the Indenture; provided, however, that notwithstanding any other provision hereof, and as further set forth in Section 12.20 of this Loan Agreement, the provisions of this Loan Agreement concerning (i) the tax-exempt status of the Tax-Exempt Bonds (including, but not limited to provisions concerning rebate); (ii) the interpretation of this Loan Agreement; (iii) governing law, jurisdiction and venue; (iv) the Authority's right to rely on written representations of others contained herein or in any other document or instrument issued or entered into in respect of the Bonds, regardless of whether the Authority is a party thereto; (v) the indemnification rights and exculpation from liability of the Indemnified Parties; and (vi) any other provision of this Loan Agreement not described or enumerated above that expressly provides for its survival, shall survive and remain in full force and effect notwithstanding the payment or redemption in full, or defeasance of the Bonds, the discharge of the Indenture, and the termination or expiration of this Loan Agreement.

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Borrower and the Construction Administrator, if any, stating the Completion Date has occurred and that such Series Project has been acquired, constructed, improved, renovated, and/or equipped by the Borrower in substantial compliance with the plans and specifications relating thereto. The Construction Administrator, if any, shall sign Exhibit E when it has verified that the following documents or certificates have been delivered to it:

- (i) A certificate of occupancy from the appropriate governmental authority;
- (ii) Final lien waivers from all persons furnishing labor or materials with respect to the Series Project;
- (iii) Certificate of Substantial Completion using AIA form G704 or similar form executed by the General Contractor stating that the Series Project has Facility has achieved Substantial Completion, meaning that the Series Project and all related site improvements have been substantially completed (subject to customary punch list items) in accordance with the plans and specifications, the permits, the Project budget, and all applicable legal requirements; and
- (iv) Evidence that the Series Project is insured as required by Section 6.3 of the Lease Agreement.

(b) The Construction Administrator will not be responsible for verifying the accuracy of the documents delivered to it under this Section 4.3.

(c) On the Completion Date, the Excess shall be applied as follows: at the written direction of the Borrower, the Excess shall be disbursed to reimburse the Borrower for interest paid on the Bonds prior to the Completion Date and for interest on the Bonds for up to one year thereafter (provided only for interest allocable to the New Money Improvements, which amount may not exceed \$28,660,000); otherwise, the Trustee shall apply such Excess to the redemption of a portion of the related Series of Bonds as provided in Section 5.03(c) of the Indenture.

Section 4.4 Disbursements From Cost of Issuance Fund.

(a) The Authority has, in the Indenture, authorized and directed the Trustee to make payments from the Cost of Issuance Fund for the payment of issuance expenses as provided in this Section. On the Bond Closing for each Series of Bonds, the Trustee shall disburse amounts as set forth on Exhibit D hereto (as such exhibit may be amended by a supplement or an amendment from time to time for each new Series of Bonds) to the parties listed on such exhibit from the Fund indicated on such exhibit. Payments shall be made from a subaccount of the Cost of Issuance Fund related to a Series of Bonds only for paying the costs of legal, accounting, organization, marketing, trustee or other special services and other fees and expenses, incurred or to be incurred by or on behalf of the Authority, the Borrower, or the Lessee in connection with the issuance of such Series of Bonds. The Authority does not make any warranty, either express or implied, that the moneys in the Cost of Issuance Fund available for payment of the foregoing costs will be sufficient to pay such costs in full, and the Borrower agrees to pay such costs in excess of the amount in the Cost of Issuance Fund from any moneys legally available for such purpose. The Borrower shall not be entitled as a result of paying the issuance expenses pursuant to this Section to any reimbursement therefor from the Authority, the Trustee, the Registered Owners or the Beneficial Owners of the Bonds, nor shall it be entitled to any diminution in or postponement of the Loan Payments or other amounts required to be paid under this Loan Agreement.

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ARTICLE IV

THE PROJECT; ISSUANCE OF SERIES 2024 BONDS

Section 4.1 Agreement to Issue Series 2024 Bonds; Application of Series 2024 Bond Proceeds. In order to provide funds to make the Loan for payment of the Costs of the Series Project for the Series 2024 Project, the Authority will sell and cause to be delivered to the initial purchasers thereof the Series 2024 Bonds and direct the Trustee to deposit from the proceeds of the Series 2024 Bonds with respect to the Borrower, as described in the Indenture.

Section 4.2 Disbursements From the Project Fund.

(a) The Authority has, in the Indenture, authorized and directed the Trustee to disburse the moneys in the appropriate subaccount of the Project Fund to pay the related Costs of a Series Project. On the Bond Closing for each Series of Bonds, the Trustee shall disburse amounts as set forth on Exhibit D hereto (as such exhibit may be amended from time to time by a supplement or an amendment to the Loan Agreement) to the parties listed on such exhibit from the Fund indicated on such exhibit. In addition, the Trustee shall transfer monies in the subaccount of the Project Fund to the payees identified in requisitions, in the form attached hereto as Exhibit C, no more often than twice per month within five Business Days of receipt by the Trustee of such completed and executed requisitions. The Borrower shall submit all requests for disbursements within sixty (60) days of incurring the applicable Costs of a Series Project relating to a Series. Each requisition shall be accompanied by the items listed in subsection (b) below.

(b) Each requisition shall be in the form set forth on Exhibit C, submitted in writing and signed by the Borrower, and approved in writing by the Construction Administrator, if any. The Construction Administrator shall approve such requisition when it has received the following documents (provided the Trustee shall have no obligation to receive or review any such attachments):

- (i) Pay applications from the General Contractor on AIA Forms G702/703, signed and notarized by the General Contractor, and, if applicable, the architect;
- (ii) Sworn statement or invoices from each sub-contractor to be paid with the funds being requisitioned;
- (iii) Conditional lien waivers from the General Contractor and each major sub-contractor to be paid with the funds being requisitioned;
- (iv) Updated construction schedule;
- (v) A schedule indicating the amount requested for each item shown on the project budget, the amount previously disbursed for each such item and the amount remaining to be paid;
- (vi) Copies of all change orders approved since the previous pay application; and
- (vii) Any other items that the Construction Administrator may request from the General Contractor.

Section 4.3 Establishment of Completion Date.

(a) For each Series Project, the Borrower shall furnish to the Trustee a certificate in the form of Exhibit E hereto (the "Completion Certificate") signed by the Authorized Representative of the

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(b) Any amounts remaining on deposit in a subaccount of the Cost of Issuance Fund related to a Series of Bonds on the date which is ninety (90) days after the related Bond Closing shall be transferred by the Trustee to the subaccount of the Project Fund related to such Series of Bonds.

Section 4.5 Obligation of Borrower to Furnish Documents to Trustee. The Borrower agrees that the requisitions referred to in Section 4.2 hereof must be furnished to the Trustee before the Trustee will disburse funds held under the Indenture. The Trustee may rely conclusively on any requisition delivered to it pursuant to this Loan Agreement and shall have no duty to make any independent investigation in connection therewith. The Borrower acknowledges that, under the provisions of the Foreign Account Tax Compliance Act, the Trustee is obligated to withhold a percentage of the proceeds from any disbursement to a payee that has not delivered to the Trustee a tax identification number on a correctly completed IRS Form W-9. If requested by the Trustee, the Borrower shall provide the Trustee with a copy of any such completed Form W-9 form for the initial disbursement to any payee pursuant to any provision hereof, the Indenture or the Lease. The Trustee may confirm each funds transfer instruction by telephone call back procedure (or any other security procedure then in effect). The parties understand that the Trustee's inability to receive or confirm funds transfer instructions pursuant to its security procedures may result in a delay in accomplishing such funds transfer and agree that the Trustee shall not be liable for any loss caused by any such delay.

Section 4.6 Investment of Moneys. Any moneys held as a part of the Funds shall be invested, reinvested and transferred to other Funds by the Trustee at the written direction of the Authorized Representative of the Borrower as provided in Article VI of the Indenture. In addition, the Borrower covenants that any money held as a part of the Funds shall be invested in compliance with the procedures established by the Tax Agreement. The Borrower shall provide to the Trustee at least once every five years from the date of issuance of each Series of Bonds a certificate of the Borrower to the effect that (a) all requirements of this Loan Agreement and the Indenture with respect to the Rebate Fund have been met on a continuing basis, (b) the proper amounts have been and are on deposit in the Rebate Fund, and (c) timely payment of all amounts due and owing to the United States Treasury have been made. If the certifications required by either (b) or (c) above cannot be made, the certificate shall so state and shall be accompanied by money of either the Borrower or the Lessee, together with a direction from the Borrower to the Trustee to either deposit such money to the Rebate Fund or to pay such money over to the United States Treasury, as appropriate, or directions from the Borrower to the Trustee to transfer investment income available in any Fund to the Rebate Fund or to the United States Treasury, as appropriate.

Section 4.7 Tax Covenant. The Borrower covenants, represents and warrants that the procedures set forth in the Tax Agreement implementing the covenants in Section 2.3 shall be complied with to the extent necessary under the Code to maintain the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes or to avoid the application of any penalties under the Code, subject to any applicable statute of limitations.

Section 4.8 Title Insurance.

(a) On the date of recordation of the Original Deed of Trust or any modification thereto, or any new Deed of Trust, the Trustee shall be provided with a commitment to issue a standard owner's title insurance policy insuring the Borrower's interest in and a commitment to issue an extended form lender's title insurance policy insuring the Trustee's interest in and Lien against the real estate described in Exhibit A to such Deed of Trust, subject to Permitted Encumbrances, in an amount not less than the outstanding principal amount of the Bonds. The Trustee shall hold such commitment solely as a repository on behalf of the Registered Owners and the Beneficial Owners and shall have no duty to review any such commitment. Each Deed of Trust shall be recorded in the real property records of the County of Edgecombe (or such

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other county where the related Real Property is located) and shall provide the Trustee with a perfected first priority Lien interest in the Real Property, subject to any Permitted Encumbrances.

(b) Upon the execution by the Borrower of a Deed of Trust, and the subsequent recording thereof, and upon the filing of UCC-1 financing statements or amendments thereto, the Trustee will have a valid Lien on the Real Property and a valid perfected security interest in the personal property pledged pursuant to such Deed of Trust subject to no Liens, charges or encumbrances other than the Permitted Encumbrances, and the Borrower and Lessee will each take all necessary actions including filing continuation statements to continue the perfection of such Lien and security interest.

Section 4.9 Disbursements from the Repair and Replacement Fund. The Authority has, in the Indenture, authorized and directed the Trustee to make payments from the Repair and Replacement Fund as provided in this Section. Payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of a written requisition from an Authorized Representative of the Borrower, in the form set forth as **Exhibit F** hereto 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 Facilities 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. The Trustee shall not be bound to make an investigation into the facts behind, or matters stated in, any such requisition.

ARTICLE V

PAYMENT PROVISIONS

Section 5.1 Loan Payments and Other Amounts Payable.

(a) The Borrower shall pay or cause to be paid as repayment of the Loan, until the principal of, premium, if any, and interest on the Promissory Notes shall have been paid or provision for the payment thereof shall have been made in accordance with this Loan Agreement, into the Bond Fund on or before each Lease Payment Date during the term of this Loan Agreement, an amount sufficient to pay principal and interest then due on the Promissory Notes in accordance with the payment schedule set forth in the Lease Agreement; provided, however, that the Borrower shall receive, without duplication, (A) a credit against such payments of interest to the extent funds are on deposit in the Bond Fund pursuant to Section 3.03 of the Indenture and available to pay interest on the Series 2024 Bonds on the next Interest Payment Date and (B) a credit against such payments of interest and principal in an amount equal to the excess of the amount on deposit in the Bond Fund on the applicable Lease Payment Date over the amount required to be on deposit in the Bond Fund solely by reason of payments made pursuant to the first sentence of this Section 5.1(a). With respect to principal payments to be made on each Lease Payment Date toward the principal amount to be due on June 15, 2054, and interest payments to be made on each Lease Payment Date towards the interest amounts to be due on December 15, 2053 and June 15, 2054 such monthly payments shall take into account and be reduced by amounts on deposit in the applicable subaccount of the Debt Service Reserve Fund.

(b) The Borrower shall pay or provide for the payment of the required amount into the Debt Service Reserve Fund upon notice of any deficiency in the Debt Service Reserve Fund in accordance with Sections 3.05 and 3.06 of the Indenture. If the Trustee determines on any valuation date permitted by Sections 3.05 and 3.06 of the Indenture that the amount in a subaccount of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement for such Series of Bonds, and the deficiency is caused solely by a decreased value of the Investment Obligations therein and not due to a transfer to cure a shortfall in the Bond Fund, the Borrower covenants and agrees to pay to the Trustee for deposit into the

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(j) The Borrower agrees to pay or cause to be paid any amounts due and payable by the Borrower as arbitrage rebate under Section 148 of the Code, pursuant to Borrower's covenants and agreements with respect thereto in the Tax Agreement.

(k) In addition to and without in any way limiting the Borrower's obligations to pay and indemnify the Authority and the Authority Indemnified Persons against fees, costs and charges arising out of or in connection with this Loan Agreement, the Borrower Documents, the Bonds or the Indenture, the Borrower shall pay, upon the closing of the issuance of the Series 2024 Bonds and as a condition thereto: (i) to the Authority, the Authority Issuance Fee (less, if applicable, any application fee heretofore paid by the Borrower to the Authority); and (ii) attorney's fees of \$22,500 incurred by the Authority in connection with the issuance of the Bonds.

In the event the Borrower should fail to make or fail to cause to be made any of the payments required by this Section, the item in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same and, with respect to the payments required by subsections (a), (b), (c), (d), (e), (f), (h) and (i) of this Section 5.1, to pay interest at the highest rate of interest borne by any of the Bonds, or the maximum rate permitted by law if less than such rate.

It is understood that all of the payment obligations of the Borrower under this Loan Agreement, including particularly the payment obligations under this Section 5.1, correspond to payment obligations of the Lessee under the Lease Agreement. As security for such payment obligations, the Borrower pledges only those interests described in Section 5.2 hereof.

The payments set forth in subsections (e) and (f) of this Section 5.1 shall be billed to the Borrower by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Borrower within thirty (30) days after the date of invoice. Notwithstanding the foregoing, the Authority may, but shall not be required to, submit a bill to the Borrower for payment of the Authority Annual Fee.

The Authority Annual Fee shall be calculated, and shall be paid in semiannual installments, on the six (6)-month anniversary of the Bond Closing and subsequently on the same day every sixth (6th) month thereafter (or such other semiannual dates as are specified by the Authority). The amount of each semiannual payment shall be determined by multiplying (i) the principal amount of Bonds Outstanding as of the last day of the calendar month preceding the installment payment due date by (ii) 0.03 percent (3 basis points) by (iii) one-half (1/2). If applicable, the Authority Annual Fee for the first and last periods shall be prorated. Any invoice furnished to the Borrower by the Authority pursuant to this Section 5.1 shall be deemed to constitute a written notice under Section 10.1(b) sufficient to cause the 30-day period specified in said Section 10.1(b) to commence.

Section 5.2 Pledge by Borrower. In fulfillment of its obligations hereunder, to secure the payment of the Loan and the Promissory Notes securing such Loan, the Borrower hereby pledges and assigns to the Authority and the Trustee, and grants to the Authority and Trustee a lien on and security interest in, the following:

(a) all of the Borrower's right, title and interest in and to the Mortgaged Estate, including all related additions, replacements, substitutions and proceeds for the purposes of securing such Loan;

(b) all receipts, revenues and rights of the Borrower under the Lease Agreement (except the Lessor's Unassigned Rights), including the Lessee's assignment of the Revenues; and

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appropriate subaccount of the Debt Service Reserve Fund an amount equal to the amount by which the amount in the subaccount of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement for such Series on or prior to the next occurring Lease Payment Date following that valuation date. If on any Lease Payment Date the amount in a subaccount of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement for such Series and the deficiency is caused by a transfer to cure a shortfall in the Bond Fund resulting from the failure of the Borrower to make the payments due on the related Promissory Note, the Borrower agrees pursuant to this Section 5.1 to pay to the Trustee for all amounts transferred to the Bond Fund to make up for such failure of the Borrower to make the payments due on the related Promissory Note in not more than twelve substantially equal monthly installments beginning on the Lease Payment Date in the month following such deficiency; and provided that no such installment shall be less than \$5,000. In the event of any Act of Bankruptcy by the Borrower or the Lessee, neither the Borrower nor the Lessee shall assert, claim or contend that any portion of the Debt Service Reserve Fund is property of its bankruptcy estate as defined by 11 U.S.C. § 541.

(c) On or before any redemption date (other than a sinking fund redemption date), the Borrower shall pay as repayment of the Loan for deposit into the Bond Fund an amount of money which, together with the payments made by the Borrower on its Promissory Notes then on deposit in the Bond Fund, is sufficient to pay the principal of and premium, if any, and interest accrued to the redemption date on the Bonds called for redemption.

(d) The Borrower shall pay or cause to be paid to the Trustee for deposit to the Rebate Fund all amounts required to be deposited in the Rebate Fund pursuant to the Indenture and Section 148 of the Code. The Borrower shall also hire or cause the Lessee to hire and pay the fees and expenses of a Rebate Analyst.

(e) The Borrower agrees to pay or cause to be paid all reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture, including any extraordinary fees and expenses as and when the same become due and payable. Extraordinary fees are payable to the Trustee for duties or responsibilities not expected to be incurred at the outset of the transaction, not routine or customary, and not incurred in the ordinary course of business. Payment of extraordinary fees is appropriate where particular inquiries, events or developments are unexpected, even if the possibility of such things could have been identified at the inception of the transaction and the fees and expenses of accountants, consultants, attorneys and other experts as may be engaged by the Trustee to assist the Trustee with the services it provides under the Indenture, this Loan Agreement and the other related transaction documents are included therein.

(f) In addition to the other Loan Payments, the Borrower agrees to pay or cause to be paid all of the Additional Payments to the Authority or the Trustee, as the case may be.

(g) In the event of a Determination of Taxability and mandatory redemption resulting therefrom as set forth in Section 5.03(b) of the Indenture, the Borrower agrees to prepay the related Promissory Note and pay all premiums required by such redemption in full.

(h) The Borrower agrees to pay or cause to be paid all reasonable fees, charges and expenses of the Construction Administrator, if any.

(i) In the event the amount on deposit to the Repair and Replacement Fund is less than the Repair and Replacement Fund Requirement, the Borrower shall pay or cause to be paid to the Trustee an amount of \$5,000 on each Lease Payment Date until the amount on deposit in the Repair and Replacement Fund is equal to the Repair and Replacement Fund Requirement.

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(c) any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Borrower or by anyone on its behalf.

Section 5.3 Payees of Payments. The Loan Payments provided for in Section 5.1(a) and (c) hereof shall be paid in immediately available funds to the Trustee for the account of the Authority and shall be deposited into the Bond Fund. The payments provided for in Section 5.1(b) hereof shall be paid to the Trustee as provided in Section 3.05 and 3.06 of the Indenture and shall be deposited in the Debt Service Reserve Fund. The payments to be made to the Trustee under Section 5.1(e) hereof shall be paid directly to the Trustee for its own use. The payments to be made to the Authority under Section 5.1(f) hereof shall be paid directly to the Authority to be used to pay the fees, expenses, and costs for which such payments were made, or, in the case of Additional Payments under subparagraph (c) of the definition thereof, for its own use. The payments provided for in Section 5.1(j) hereof shall, with respect to payments required in the Tax Agreement, be paid to the Trustee for the account of the Authority and deposited into the Rebate Fund. The payments to be made to the Construction Administrator, if any, under Section 5.1(h) hereof shall be paid directly to the Construction Administrator for its own use. The payments provided in Section 5.1(i) hereof shall be paid to the Trustee as provided in Section 3.16 of the Indenture and shall be deposited in the Repair and Replacement Fund.

Section 5.4 Obligations of Borrower Hereunder Unconditional. Except as provided herein, the obligations of the Borrower to make the payments required hereunder and to perform and observe the other agreements on their part contained herein shall be absolute and unconditional. The Borrower (a) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for herein, (b) will perform and observe all of the other agreements contained in this Loan Agreement, the Lease Agreement, the Deed of Trust and the Promissory Notes, and (c) except as provided in Article XI hereof, will not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Facilities, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of North Carolina or any political subdivision of either, any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied. The Borrower may at its own cost and expense and in its own name, prosecute or defend any action or proceeding or take any other action involving third persons which the Borrower deems reasonably necessary in order to secure or protect its or its lessee's rights of possession, occupancy and use of the Facilities.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

Section 6.1 Maintenance and Modifications of Facilities by Borrower. The Borrower agrees that during the term of this Loan Agreement it will operate and maintain the Facilities or cause the Facilities to be operated and maintained, in compliance with all governmental laws, building codes, ordinances and regulations and zoning, land use and similar laws applicable to the Facilities, unless the same are being contested in good faith by appropriate proceedings. The Borrower agrees that during the term of this Loan Agreement it will at its own expense, or at the expense of the Lessee, (a) keep the Facilities in a safe condition as required by law and (b) except to the extent the Borrower or the Lessee has determined that any portion of the Facilities is obsolete or not useful in its operations, keep the Facilities in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external

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and structural repairs) and renewals and replacements thereof all of which shall be accomplished in a workmanlike manner in accordance with all applicable laws. The Borrower may dispose of portions of the Facilities that the Borrower determines to be obsolete or not useful to operations of the Facilities. The Borrower or the Lessee may also, at their own expense, make from time to time any additions, modifications or improvements to the Facilities they may deem desirable for their purposes that do not substantially reduce their value; provided that all such additions, modifications and improvements made by the Borrower or the Lessee which are affixed to the Facilities shall become a part of the Facilities. The Borrower will not permit the removal of any personal property from the Facilities unless such personal property is obsolete, sold for fair market value or will be replaced with personal property of an equal or greater value. The Borrower will not permit any Liens, security interests or other encumbrances other than Permitted Encumbrances to be established or to remain against the Facilities for labor or materials furnished in connection with the Facilities or any additions, modifications, improvements, repairs, renewals or replacements made by the Borrower or the Lessee to the Facilities; provided that if the Borrower first notifies the Trustee of their intention to do so, the Borrower and/or the Lessee may, so long as no Event of Default has occurred and is continuing, diligently prosecute, in good faith, at their own expense, a contest of any mechanics' or other Liens filed or established against the Facilities and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Facilities or any part thereof will be subject to loss or forfeiture, in which event the Borrower shall promptly pay or cause to be paid, satisfied and discharged all such unpaid items. The Authority will, subject to Section 12.23 and at the expense of the Borrower, cooperate fully with the Borrower in any such contest. In the event that the Borrower shall fail to pay or cause to be paid any of the foregoing items required by this Section to be paid by the Borrower, the Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Trustee shall become an additional obligation of the Borrower under this Loan Agreement, which amount the Borrower agrees to pay on demand together with interest thereon at a rate which shall be equal to the highest rate of interest borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

Section 6.2 Taxes, Other Governmental Charges and Utility Charges. The Borrower will pay or cause to be paid, as the same become due, (a) all taxes and governmental charges of any kind whatsoever or payments in lieu of taxes that may at any time be lawfully assessed or levied against or with respect to the Facilities or any interest therein, or any machinery, equipment or other property installed or brought by the Borrower or the Lessee therein or thereon which, if not paid, will become a lien on the Mortgaged Estate prior to or on a parity with the lien thereon under this Loan Agreement or the Deed of Trust, (b) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities, and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a Lien on the Mortgaged Estate; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay or cause the payment of only such installments as may have become due during the term of this Loan Agreement. The Borrower or the Lessee may, at their own expense, but only if no Event of Default (excluding the issue being contested hereunder) has occurred and is continuing, diligently prosecute and in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom if, in the Opinion of Counsel, the Facilities shall not be subject to loss or forfeiture. In the event that the Borrower is not able to obtain such Opinion of Counsel, such taxes, assessments or charges shall be paid promptly or secured by posting a bond with the Trustee equal to 125% of the unpaid amount. The Authority, subject to Section 12.23 and at the expense of the Borrower or the Lessee, shall cooperate fully with the Borrower and the Lessee in any such contest. In the event that the Borrower shall fail to pay any of the foregoing items required by this Section to be paid by the Borrower, the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Trustee shall become an additional obligation of the Borrower payable to the Trustee, which amount the Borrower agrees to pay on demand together with interest thereon at a rate which

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The Borrower will not do or permit any act or thing, business or operation, that materially increases the dangers, or poses an unreasonable risk of harm, or impairs, or may impair, the value of the Facilities, or any part thereof.

(b) **Maintenance of Facilities.** The Borrower shall maintain the Facilities or cause the Facilities to be maintained free from contamination by Regulated Chemicals and shall not intentionally or unintentionally allow a release, discharge or emission, of any Regulated Chemical on, under, in or about the Facilities.

(c) **Notice of Environmental Problem.** The Borrower (provided that the Borrower shall only forward to the Trustee those notices, letters, citations, orders, warnings, complaints, inquiries, claims or demands actually received by the Borrower) shall promptly provide a copy to the Trustee, and in no event later than fifteen (15) days from the Borrower's receipt or submission, of any notice, letter, citation, order, warning, complaint, inquiry, claim or demand that:

(i) the Borrower and/or any tenants or sublessees have violated, or are about to violate, any Environmental Law or Environmental Requirement;

(ii) there has been a release, or there is a threat of release, of any Regulated Chemical from the Facilities;

(iii) the Borrower and/or any tenants or sublessees may be or are liable, in whole or in part, for the costs of cleaning up, remediating, removing or responding to a release of any Regulated Chemical; or

(iv) any portion of the Mortgaged Estate is subject to a Lien in favor of any governmental entity for any liability, costs or damages, under Environmental Requirements arising from, or costs incurred by such governmental entity in response to, a release of any Regulated Chemical.

(d) **Response Action.** The Borrower shall take all appropriate responsive action, including any removal and remedial action, in the event of a release, emission, discharge or disposal of any Regulated Chemical in, on, under or about the Facilities, so as to remain in compliance with the above, and to keep the Facilities free from, and unaffected by, Regulated Chemicals.

(e) **No Liens or Encumbrances.** The Borrower shall prevent the imposition of any liens or encumbrances against the Mortgaged Estate for the costs of any response, removal, or remedial action or cleanup of any Regulated Chemicals.

(f) **Compliance with Environmental Requirements.** The Borrower shall carry on the business and operations at the Facilities to comply in all respects and will continue to remain in compliance with all applicable Environmental Requirements and maintain all permits and licenses required thereunder.

(g) **Additional Environmental Reports.** As long as there are any Bonds Outstanding, the Borrower shall provide or shall cause the Lessee to provide the Trustee with a copy of any Environmental Report performed during that time. The Trustee shall have no duty to review or analyze any such environmental report and shall not be required to act upon the same unless (i) it has received a written notice from the Borrower that the report creates an Event of Default hereunder and (ii) direction to act and indemnify satisfactory to it from Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding in accordance with the Indenture.

shall be equal to the highest rate of interest borne by the Bonds or the maximum rate permitted by law if less than such rate.

Section 6.3 Insurance Required. Beginning on the date of recordation of the Original Deed of Trust and thereafter throughout the term of this Loan Agreement, the Borrower shall keep or cause to be kept, the insurance coverages described in Section 6.3 of the Lease Agreement. The Trustee shall not be responsible for monitoring the Borrower's compliance with this Article VI or the sufficiency of coverage or the amounts of any such policies.

Section 6.4 Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to subsection (i) of Section 6.3(a) of the Lease Agreement shall be applied as provided in Article VII hereof. The Net Proceeds of insurance carried pursuant to subsections (ii), (iii) and (iv) of Section 6.3(a) of the Lease Agreement shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid.

Section 6.5 Advances by Trustee. In the event the Borrower or the Lessee shall fail to maintain the full insurance coverage required by this Loan Agreement and the Lease Agreement or shall fail to keep the Facilities in the condition required hereby (except as otherwise herein permitted), the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and the Trustee may use amounts on deposit in the Repair and Replacement Fund to make such payments.

Section 6.6 Environmental Indemnity. In addition to the indemnification set forth in Section 8.6 hereof, the Borrower shall cause the Lessee and its successors, heirs and assigns, to provide the indemnity related to environmental matters described in Section 6.6 of the Lease Agreement to the Registered Owners, the Beneficial Owners and the Trustee, and their successors, assigns, trustees, directors, officers, employees, agents, contractors, subcontractors, licensees, and invitees, as well as the Authority and the Authority Indemnified Persons.

Section 6.7 Environmental Covenants.

(a) **Use of Facilities.** The Borrower will not conduct, or allow to be conducted, any business, operation or activity on, under or in the Facilities, or employ or use the Facilities or allow for it to be employed or used, to manufacture, transport, treat, store or dispose any Regulated Chemical which would be reasonably expected to give rise to a Material Adverse Effect by violating or potentially violating Environmental Requirements, including, but not limited to, any action which would:

(i) bring the Borrower or the Facilities within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §6901, *et seq.*;

(ii) cause, or allow to be caused, a release or threat of release, of hazardous substances on, under, in, or about the Facilities as defined by, and within the ambit of, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §9601, *et seq.*; and

(iii) violate the Clean Air Act of 1970, as amended, 42 U.S.C. §7401, *et seq.*, or other similar North Carolina, regional or local statute, law, regulation, rule or ordinance, including without limitation, the laws of North Carolina, or any other statute providing for the financial responsibility for cleanup for the release or threatened release of substances provided for thereunder.

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Section 6.8 Additional Environmental Provisions.

(a) **Right to Notify Agencies.** To the extent the Trustee receives written notice, whether from the Borrower or any other party, stating that the Borrower or the Lessee is in violation of any environmental law, statute, regulation, ordinance, rule or order, whether federal, state or local, or that there has been a release or threat of release of any Regulated Chemical from or upon the Facilities, the Trustee shall promptly notify the Borrower and the Registered Owners of such notice.

(b) **Right of Inspection.**

(i) The Trustee at any time and from time to time, with reasonable cause and notice, either prior to or after the occurrence of any Event of Default hereunder, may require the Borrower to submit to the Trustee within ninety (90) days of either the notice required under Section 6.7(c) hereof or a written request from the Trustee, a written report of a site assessment and environmental audit, in scope, form and substance, and prepared by an independent, competent and qualified engineer, satisfactory to the Trustee, showing that the engineer made all appropriate inquiry consistent with good commercial and customary practice, such that consistent with generally accepted engineering practice and procedure, no evidence or indication came to light which would suggest there was a release of substances on, under, in or about the Facilities which could necessitate an environmental response action, and which demonstrates that the Facilities complies with, and does not deviate from, all applicable environmental statutes, laws, ordinances, rules and regulations, including any licenses, permits or certificates required thereunder, and that the Borrower is in compliance with, and has not deviated from, the representations and warranties set forth in Sections 2.7 and 6.7 hereof. The Trustee shall serve as a repository of any Environmental Assessment, certificates, reports, or other materials provided pursuant to this Section and shall not be required to request or act upon the same. As long as there are any Bonds Outstanding, the Borrower shall provide or shall cause the Lessee to provide the Trustee with a copy of any Environmental Report performed during that time. The Trustee shall have no duty to review or analyze any such environmental report.

(ii) The Borrower hereby grants, and will cause any tenants or users of the Facilities to grant, to Trustee, its agents, attorneys, employees, consultants and contractors, upon reasonable notice, and under reasonable conditions established by Borrower, which do not impede the performance of the Environmental Assessment, an irrevocable license and authorization to enter upon and inspect the Facilities, and perform such sampling, tests and analysis including without limitation, subsurface testing, soils and groundwater testing, and other tests which may physically invade the Facilities, as the Trustee or its agent determines is necessary.

(iii) The Borrower will cooperate with the consultants and supply to the consultants such historical and operational information as may be reasonably requested by the consultants, together with any notices, permits or other written communications pertaining to violations of Environmental Requirements and any and all necessary information and make available personnel having knowledge of such matters as may be required by the Trustee, Trustee's agents, consultants and engineers to complete an Environmental Assessment.

(iv) Should the Borrower fail to perform an Environmental Assessment within the time period set forth in Section 6.8(b)(i) hereof, the Trustee shall have the right but not the obligation to retain an environmental consultant to perform said Environmental Assessment.

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(v) The cost of performing any Environmental Assessment shall be paid by the Borrower upon demand of Trustee and any such obligations shall be included in the indebtedness under this Loan Agreement.

(c) *Event of Default.* If an Environmental Assessment reveals any violations of Environmental Requirements or the Borrower receives a notice of a violation of Environmental Requirements, and the Borrower fails to cure the violation in the time period and the manner specified in Section 10.1(b) hereof, such action will constitute an Event of Default.

(d) *No Assumption of Risk.* The Trustee's rights under this Section shall be exercised by it in its sole discretion and not for the benefit of the Borrower. The Trustee shall have no obligation (unless directed and indemnified as provided in the Indenture) to enter onto the Facilities or to take any other action which is authorized by this Article for the protection of its security interest. The Borrower specifically agrees and acknowledges that any action permitted under this Section shall not be construed to be the management or control of the Facilities by the Trustee.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.1 Damage, Destruction and Condemnation. In the event of a casualty or condemnation with respect to the Facilities, and so long as no Event of Default exists and is continuing, the Net Proceeds from any insurance policy or the Net Proceeds of any condemnation award resulting from such casualty or condemnation shall be used as follows:

(a) Whenever such Net Proceeds from any insurance policy or condemnation award are less than or equal to \$125,000, such Net Proceeds shall be paid directly to the Borrower and used for the repair, replacement or restoration of the Facilities to substantially the same condition as prior to such damage, destruction or condemnation.

(b) Whenever such Net Proceeds from any insurance policy or condemnation award are greater than \$125,000, such Net Proceeds shall be paid to the Trustee and held in a special trust account to be applied to repair, replace or restore the Facilities unless the Loan is to be prepaid as provided in Section 7.2.

(c) If the Net Proceeds are to be used to repair, replace or restore the Facilities, the proceeds in such special trust account shall be disbursed by the Trustee for the repair, restoration or replacement of the Facilities upon the receipt by the Trustee from the Borrower of (i) the certificates of an Authorized Representative of the Borrower which substantially states that such repairs, replacements or restorations will restore the Facilities to substantially its original condition, that such repairs, replacements or restorations when completed will comply with all applicable statutes, codes and regulations; (ii) the certificates of an Authorized Representative of the Borrower stating that sufficient moneys are available in such special trust account to pay for such repair, restoration or replacements to be completed and together with available business interruption insurance and other available revenues, to pay debt service on the Bonds and Operating Expenses of the Lessee during the restoration period and if at any time during the restoration the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Facilities, the Borrower or the Lessee shall provide the Trustee with cash or cash equivalents in an amount equal to the shortfall; (iii) requisitions from the Borrower to the Trustee requesting a disbursement; (iv) a certificate of the Borrower stating it has received (x) applicable Lien waivers, as determined by the Borrower; (y) a construction contract; and stating that the Borrower has acquired all permits and licenses necessary for such construction. If such Net Proceeds are in excess of \$250,000, in addition to those

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this Loan Agreement, to the same extent as if they were specifically described herein; provided that no buildings, improvements or equipment shall be acquired subject to any Lien or encumbrance other than Permitted Encumbrances.

Section 7.4 Investment of Net Proceeds. Any Net Proceeds of any insurance payments or condemnation awards with respect to the Facilities held by the Trustee pending restoration, repair or rebuilding shall be invested in Investment Obligations in the same manner as provided in Section 6.01 of the Indenture. Any earnings or profits on such investments shall be considered part of the Net Proceeds.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.1 No Warranty of Condition or Suitability by Authority. The Authority makes no warranty, either express or implied, as to the Facilities or that they will be suitable for the Borrower's purposes or needs or that the proceeds of any or all of the Bonds will be sufficient to pay the Costs of the Series Project.

Section 8.2 Consolidation, Merger, Sale or Conveyance. The Borrower agrees that during the term of this Loan Agreement it will maintain its corporate existence, will be duly qualified to do business in the State of North Carolina, will not merge or consolidate with, or sell or convey, except as provided in Section 8.11 hereof, all or substantially all of its interest in the Mortgaged Estate to any Person unless (i) no Event of Default has occurred and is continuing, (ii) it first acquires the consent of the Authority to such transaction, (iii) it provides to the Trustee notice of its intent at least ninety (90) days in advance of such consolidation, merger, sale or conveyance, and (iv) the acquirer of the interest in the Mortgaged Estate or the entity with which it shall be consolidated or the resulting entity in the case of a merger:

(a) shall assume in writing the performance and observance of all covenants and conditions of this Loan Agreement;

(b) shall provide the Authority and the Trustee with an opinion of Bond Counsel to the effect that such merger, consolidation, sale or conveyance would not adversely affect the validity of any of the Bonds or the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds;

(c) shall provide evidence to the Authority that none of the other entities which are a party to such consolidation, merger or transfer has any pending litigation other than that arising in the ordinary course of business or, has any pending litigation which could reasonably be expected to result in a substantial adverse judgment. For the purposes of the preceding sentence, the term "substantial adverse judgment" shall mean a judgment in an amount which exceeds the insurance or reserves therefor by a sum which is more than 2% of the aggregate net worth of the resulting, surviving or transferee corporation immediately after the consummation of such consolidation, merger or transfer and after giving effect thereto;

(d) shall provide evidence to the Authority that the surviving or acquiring entity has a consolidated tangible net worth (after giving effect to such consolidation, merger, sale or conveyance) of not less than the consolidated tangible net worth of the Borrower immediately prior to such consolidation, merger, sale or conveyance;

requirements listed in (i) through (vii) above, the Borrower shall also deliver to the Trustee: (A) an endorsement to the applicable title insurance policy insuring the continued priority of the Lien of each Deed of Trust, as applicable; and (B) an opinion of Bond Counsel to the effect that neither such repairs, replacements nor restorations nor such use of such casualty or condemnation proceeds adversely affects the exclusion from gross income for federal income tax purposes of interest on the Bonds. The Trustee shall have no duty to review or analyze the construction contract, the Lien waivers, or any endorsement to the title policy, if required. The Trustee shall retain 5% of the requested disbursements until it receives a certificate of the Borrower certifying the final completion of the repairs, replacements, restorations or improvements and that the Borrower has received or obtained certificates of occupancy, waivers of Liens and, if such Net Proceeds are in excess of \$250,000, an endorsement to the title policy for the Mortgaged Estate insuring the continued priority of each Deed of Trust, as applicable. If at any time during the restoration, the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Facilities, the Borrower or the Lessee will provide the Trustee with cash or cash equivalents in an amount equal to the shortfall. If after completion of any such repairs, replacements or improvements any funds remain in said special trust fund, the remaining funds shall be transferred by the Trustee for deposit FIRST, to the Rebate Fund to the extent of any deficiency therein, SECOND, to the Debt Service Reserve Fund to the extent of any deficiency therein, and THIRD, to the Bond Fund.

Section 7.2 Mandatory Prepayment from Insurance or Condemnation Proceeds or Due to Invalidity. The Loan and the Promissory Notes evidencing the Loan are subject to mandatory prepayment as a whole or in part, in the case of (a) below from Net Proceeds, at the principal amount thereof plus accrued interest thereon to the date of prepayment, but without premium, if any of the events set forth below shall occur:

(a) If the Net Proceeds of any insurance policy or condemnation award with respect to the Facilities are in excess of \$125,000 and either of the following occur:

(i) The Facilities shall have been damaged or destroyed in whole or in part to such extent that, as expressed in certificates of an Authorized Representative of the Borrower filed with the Trustee, (A) the Facilities cannot reasonably be restored within a period of six (6) consecutive months to the condition thereof immediately preceding such damage or destruction, (B) the Borrower or the Lessee is prevented from carrying on its normal operations for a period of six (6) consecutive months, or (C) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.3 hereof; or

(ii) Title to, or the temporary use for a period of six (6) months or more of, all or substantially all of the Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title.

(b) As a result of any changes in the Constitution of the State of North Carolina or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Borrower in good faith, this Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in this Loan Agreement.

Section 7.3 No Change in Loan Payments; No Liens. All buildings, improvements and equipment acquired in the repair, rebuilding or restoration of the Facilities shall be deemed a part of the Facilities and shall be available for use and occupancy by the Borrower and the Lessee, without the payment of any payments hereunder other than the Loan Payments and other payments required to be made under

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(c) shall provide evidence to the Authority that the Coverage Ratio of the Lessee for its most recently completed Fiscal Year would not have been reduced if such consolidation, merger, sale or conveyance had occurred during such preceding Fiscal Year;

(f) shall deliver to the Trustee within thirty (30) days of the close of such transaction, an Opinion of Counsel that all conditions herein have been satisfied and that all liabilities and obligations of the Borrower under the Borrower Documents shall become obligations of the new entity; provided, however, the Borrower shall not be released from same; and

(g) in the case of a consolidation, merger, sale or conveyance, shall provide to the Trustee and the Authority an Opinion of Counsel to the effect that the entity can continue to own or lease, as applicable, the Facilities for operation as a charter school in accordance with the Charter School Act.

Section 8.3 Further Assurances. The Authority and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Loan Agreement, subject, however, to the terms and conditions of Article X of the Indenture and Section 12.23 of this Loan Agreement.

Section 8.4 Reserved.

Section 8.5 Records and Accounts. The Borrower agrees that it will maintain proper books of records and accounts with full, true and correct entries of all of its dealings substantially in accordance with the practices of Generally Accepted Accounting Principles.

Section 8.6 Indemnification. To the fullest extent permitted by law, the Borrower hereby fully and forever and irrevocably releases, agrees to indemnify, hold harmless and defend the Authority, each Authority Indemnified Person, and the Trustee Indemnified Persons (together with the Authority and the Authority Indemnified Persons, the "Indemnified Parties") against any and all Liabilities to which the Indemnified Parties, or any of them, may become subject under any statutory law or regulation (including, without limitation, federal or state securities laws and regulations and federal tax laws or regulations) or at common law or otherwise arising out of or based upon or in any way relating to:

(a) the Bonds, the Indenture, this Loan Agreement, the Borrower Documents, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(b) the performance or observance by or on behalf of the Authority of those things on the part of the Authority agreed to be performed or observed hereunder and under the Indenture and the other documents identified in subsection (a) above;

(c) any act or omission of the Borrower or any of its affiliates or affiliated persons, agents, contractors, servants, employees, tenants or licensees in connection with the Facilities, the operation of the Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Facilities or any part thereof;

(d) any lien or charge upon payments by the Borrower to the Authority or the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Facilities;

(e) any violation of any Environmental Law and Environmental Requirements with respect to, or the release of any Regulated Chemicals from, the Facilities or any part thereof;

(f) the defeasance and/or redemption, in whole or in part, of the Bonds;

(g) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; except for the foregoing shall not apply to the extent of any information provided by the Authority for inclusion therein;

(h) any declaration of taxability of interest on the Tax-Exempt Bonds, or allegations that interest on the Tax-Exempt Bonds is taxable or any regulatory audit or inquiry regarding whether interest in the Tax-Exempt Bonds is taxable;

(i) any investigation or formal or informal inquiry by any federal, state, or local governmental or regulatory agency (including, but not limited to, the U.S. Securities & Exchange Commission) with respect to the Bonds or the transactions contemplated by the Authority Documents or in connection therewith;

(j) any third party request to the Authority for documents or information regarding the Bonds or related documents or transactions pursuant to the Federal Freedom of Information Act ("FOIA") or Wisconsin Public Records Law (Wis. Stat. §§ 19.21, et. seq.); to the extent not paid by the requesting party;

(k) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party; or

(l) any injury to or death of any Person or damage to property in or upon the Facilities or growing out of or connected with the use, nonuse, condition or occupancy of the Facilities;

except (A) in the case of the foregoing indemnification of the Trustee Indemnified Persons, to the extent such Liabilities are caused by the negligence or willful misconduct of such Trustee Indemnified Person; or (B) in the case of the foregoing indemnification of the Authority and the Authority Indemnified Persons, to the extent such Liabilities are caused by the willful misconduct of the Person seeking indemnification.

THE BORROWER EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE AUTHORITY AND THE AUTHORITY INDEMNIFIED PERSONS SHALL BE RELEASED FROM, AND INDEMNIFIED HEREUNDER AGAINST, LIABILITIES ARISING FROM THE AUTHORITY'S OR ANY AUTHORITY INDEMNIFIED PERSON'S OWN NEGLIGENCE OF ANY KIND, DESCRIPTION OR DEGREE (EXPRESSLY WAIVING THE COMPARATIVE NEGLIGENCE PROVISIONS OF SECTION 895.045 OF THE WISCONSIN STATUTES AND THE STATUTORY AND COMMON-LAW CONTRIBUTORY OR COMPARATIVE NEGLIGENCE LAWS OF ANY OTHER STATE OR JURISDICTION), OR BREACH OF CONTRACTUAL DUTY, WITHOUT REGARD TO OR THE NECESSITY OF ANY BREACH OR FAULT ON THE PART OF BORROWER OR ANY OTHER PERSON, EXCEPT INsofar AS AND TO THE EXTENT THAT

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Authorized Signatory shall be on behalf of the Authority and shall not result in any personal liability of such Authorized Signatory.

Section 8.9 Licenses and Qualifications. The Borrower will do, or cause to be done, all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals and to comply, or cause its lessees to comply, with such permits, licenses and other governmental approvals necessary for operation of the Facilities and the School as a charter school (as defined in the Charter School Act) (subject, however, to Section 8.11 hereof).

Section 8.10 Right to Inspect. Following reasonable notice to the Borrower and to the Lessee, at any and all reasonable times during business hours, the Trustee and the Authority and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Facilities, including all books and records of the Borrower (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired; provided, however, that they shall maintain these books and records in confidence unless required by applicable law to do otherwise and it is necessary to distribute the information to some other third party under applicable law.

Section 8.11 Lease or other Disposition of Mortgaged Estate. The Borrower represents that the terms of the Lease Agreement will allow the Borrower to comply with the provisions of this Loan Agreement (including, but not limited to, those in Section 2.3 hereof). In addition, the Borrower affirms that the entry into the Lease Agreement will not relieve the Borrower from primary liability for any obligations under this Loan Agreement, and that the Borrower will continue to remain primarily liable for payment of the amounts specified in this Loan Agreement and for performance and observance of the other agreements on its part provided to be performed and observed by the Borrower to the same extent as though no assignment or lease had been made. No subsequent lease or assignment relating to the Mortgaged Estate may be made by the Borrower without (i) the prior written consent of the Authority and the Trustee, (ii) delivery of an opinion of Bond Counsel to the effect that the assignment or lease does not affect the tax-exempt status of the outstanding Tax-Exempt Bonds, and (iii) delivery of an opinion of independent counsel that the assignment or lease has been accomplished in accordance with State of North Carolina law and is enforceable against the assignee or transferee. Other than leases and assignments permitted by this Section or as provided in Section 8.2 hereof, the Borrower agrees that it will not sell or otherwise dispose of the Mortgaged Estate.

Section 8.12 Limitations on Incurrence of Additional Indebtedness. The Borrower may not incur any additional indebtedness other than indebtedness related to permitted Indebtedness of the Lessee as described in Section 8.14 of the Lease Agreement.

Section 8.13 Continuation of Operation in Event of Casualty. In the event of any damage to or destruction of the Facilities or any part thereof by fire, lightning, vandalism, malicious mischief and extended coverage perils, the Borrower shall make all diligent and reasonable efforts to cause the continuance of operation of the Facilities and the School in such a manner that will ensure continuation of County Payments and State Payments or shall otherwise obtain or use other financing resources to continue operation of the Facilities and ensure due and timely payment of the Loan Payments.

Section 8.14 Prohibited Use. The Borrower will not conduct any other business or incur any other indebtedness or liabilities of any kind, except for such as is related to the ownership of any portion of the Facilities and the leasing thereof to the Lessee as provided in the Lease Agreement.

No portion of the proceeds of the Bonds shall be used to finance any facility, place or building used or to be used for sectarian instruction or study or as a place of devotional activities or religious worship, in

ANY SUCH LIABILITIES ARISE FROM THE WILLFUL MISCONDUCT OF THE PERSON SEEKING INDEMNIFICATION.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

The rights of any Persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section shall remain valid and in effect notwithstanding repayment of the Loan hereunder or payment, redemption or defeasance of the Bonds or termination of this Loan Agreement or the Indenture.

Insofar as any document or instrument issued or delivered in connection with the Bonds (including, without limitation, the documents referred to in Subsection (a), above) purports to constitute an undertaking by or impose an obligation upon the Borrower to provide indemnification to the Authority or the Authority Indemnified Persons, the indemnification provision or provisions of such document shall not be deemed, interpreted or construed in any way as a modification of or limitation upon the Borrower's obligations or the rights of the Authority and the Authority Indemnified Persons under this Section 8.6, and the provisions of this Section 8.6 shall in every respect supersede the indemnification provisions of any such other document and shall apply thereto as if fully set forth therein.

Section 8.7 Authority of Authorized Representative of Borrower. Whenever under the provisions of this Loan Agreement or the Indenture the approval of the Borrower is required, or the Authority or the Trustee is required to take some action at the request of the Borrower, such approval or such request shall be made by the Authorized Representative of the Borrower unless otherwise specified in this Loan Agreement or the Indenture. The Authority or the Trustee shall be authorized to act on any such approval or request and the Borrower shall have no complaint against the Authority or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Loan Agreement or the Indenture by an Authorized Representative of the Borrower shall be on behalf of the Borrower and shall not result in any personal liability of such Authorized Representative.

Section 8.8 Authority of Authorized Signatory of Authority. Whenever under the provisions of this Loan Agreement or the Indenture the approval of the Authority is required, or the Borrower or the Trustee is required to take some action at the request of the Authority, such approval or such request shall be made by the Authorized Signatory unless otherwise specified in this Loan Agreement or the Indenture. The Borrower or the Trustee shall be authorized to act on any such approval or request and the Authority and the Borrower shall have no complaint against the Borrower or the Trustee, as applicable, as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Loan Agreement or the Indenture by an

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such a manner or to such an extent as would result in any of the Tax-Exempt Bonds being treated as an obligation not described in Section 103(a) of the Code.

Section 8.15 Continuing Disclosure Agreement. The Borrower hereby covenants to execute and deliver the Continuing Disclosure Agreement, as the continuing disclosure undertaking required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), contemporaneously with the issuance of the Series 2024 Bonds. The Continuing Disclosure Agreement shall be for the benefit of the Registered Owners and the Beneficial Owners and each Registered Owner and Beneficial Owner shall be a beneficiary of this Section 8.15 and such Continuing Disclosure Agreement with the right to enforce this Section 8.15 and the Continuing Disclosure Agreement directly against the Lessee. The Borrower, together with the Lessee, shall enter into the Continuing Disclosure Agreement with Digital Assurance Certification, LLC, or another nationally recognized dissemination agent.

Section 8.16 Borrower Reports. The Borrower will deliver to the Trustee within 45 days after the end of each of the Borrower's Fiscal Years, and within three Business Days of the occurrence of any Event of Default under Section 8.01(c) or (d) of the Indenture, a certificate in the form attached hereto as **Exhibit B** executed by an Authorized Representative.

Section 8.17 No Liens Other Than Permitted Encumbrances. Subsequent to the Bond Closing for the Series 2024 Bonds, the Borrower will not grant any Liens on the Mortgaged Estate (other than Permitted Encumbrances).

Section 8.18 Obligations and Duties Under the Indenture. The Borrower hereby acknowledges receipt of the Indenture, agrees to be bound by its terms, and accepts all obligations and duties imposed thereby. Absent written direction, the Borrower acknowledges that amounts in the funds and accounts under the Indenture will be invested into the Morgan Stanley Institutional Liquidity Treasury Fund (MTCXX) as standing instructions unless the Borrower provides the Trustee with written directions as to the investment of such amounts. The Borrower acknowledges that the regulations of the Comptroller of the Currency grant the Borrower the right to receive brokerage confirmations of security transactions as they occur. The Borrower specifically waives receipt of such confirmations to the extent permitted by law and acknowledges that it will receive periodic cash transaction statements, which will detail all investment transactions made by the Trustee under the Indenture.

Section 8.19 Enforcement of Rights under Construction Contract. The Borrower shall diligently enforce, or cause the Lessee to enforce, all of its rights under the applicable Construction Contract for a Series Project relating to the construction portion of a Series Project, to the end of achieving completion of the construction of the Series Project on or before the date on which substantial completion is required under the Construction Contract. The Borrower shall collaterally assign or cause the Lessee to collaterally assign any such Construction Contract entered into in connection with a Series Project to the Trustee.

ARTICLE IX

ASSIGNMENT AND PLEDGING; REDEMPTION OF BONDS

Section 9.1 Assignment and Pledge by Authority. The Authority shall assign certain of its rights and interests in and under this Loan Agreement, including the Loan Payments (but excluding the Authority's Unassigned Rights and any payments in respect thereof), to the Trustee pursuant to the Indenture as security for payment of the principal of, premium, if any, and interest on the Bonds. The Borrower hereby consents to such assignment.

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Section 9.2 Redemption of Bonds. Upon the agreement of the Borrower to deposit moneys into the Bond Fund in an amount sufficient to redeem Bonds subject to redemption, the Trustee, at the written request of the Borrower, shall forthwith take all steps (other than the payment of the money required for such redemption) permitted and necessary under the applicable redemption provisions of the Indenture to effect redemption of such Bonds on the applicable redemption date.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 Events of Default. The following shall be Events of Default of the Borrower under this Loan Agreement, and the term Event of Default shall mean, whenever it is used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay the Loan Payments required to be paid under Section 5.1 hereof and continuation thereof for a period of five (5) days.

(b) Failure by the Borrower to observe or perform any covenant, condition or agreement on its part to be observed or performed herein other than as referred to in subsection (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied, shall have been given to the Borrower by the Authority or the Trustee; provided, with respect to any such failure covered by this subsection (b), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Trustee to remedy such failure shall have been commenced within such thirty-day period and shall thereafter be diligently pursued to completion and the failure shall be remedied within ninety (90) days of such notification, unless said remedy cannot be completed within ninety (90) days and the Borrower is actively working toward a remedy.

(c) The dissolution or liquidation of the Borrower, or failure by the Borrower to promptly contest and have lifted any execution, garnishment or attachment of such consequence as will impair its ability to meet its obligations with respect to the Facilities or to make any payments under this Loan. The phrase "dissolution or liquidation of the Borrower," as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another domestic corporation or limited liability company or a dissolution or liquidation of the Borrower following a transfer of all or substantially all of its assets under the conditions permitting such actions contained in Section 8.2 hereof.

(d) The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Borrower or the Lessee in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or North Carolina State bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequesteror (or other similar official) of the Borrower or the Lessee or for any substantial part of their respective property, or ordering the winding-up or liquidation of the affairs of either and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days.

(e) The commencement by the Borrower or the Lessee of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or North Carolina State bankruptcy, insolvency or other similar law, or the consent by either of them to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequesteror (or other similar official) of the Borrower or the Lessee or for any substantial part of their respective property, or the making by either of them of any assignment for the benefit of creditors, or the failure of the Borrower or the Lessee generally

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Section 10.2 Remedies on Default.

(a) Whenever an Event of Default referred to in Section 10.1 hereof shall have occurred and is continuing, the Authority, or the Trustee where so provided herein, may take any one or more of the following remedial steps:

(i) The Trustee (acting as assignee of the Authority) or the Authority (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may declare the Loan Payments payable hereunder for the remainder of the term of this Loan Agreement to be immediately due and payable, whereupon the same shall become due and payable.

(ii) The Trustee (acting as assignee of the Authority) or the Authority (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may exercise the power of sale or foreclosure under any Deed of Trust on the Mortgaged Estate and may realize upon any security interest in personal property comprising a part of the Mortgaged Estate, exercising all of the rights and remedies of a secured party under the North Carolina Uniform Commercial Code with respect thereto.

(iii) The Trustee (acting as assignee of the Authority) or the Authority (in the event of a failure of the Trustee to act under this subsection), as and to the extent provided in the Indenture, may take whatever action at law or in equity or pursuant to the Financing Documents as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Borrower under this Loan Agreement.

(b) Notwithstanding the foregoing, prior to the exercise by the Authority or the Trustee of any remedy that would prevent the application of this paragraph, the Borrower may, at any time, pay all accrued payments hereunder (exclusive of any payments accrued solely by virtue of declaration, pursuant to (a)(i) of this Section 10.2) and fully cure all defaults, and in such event, the Borrower shall be fully reinstated to its position hereunder as if such Event of Default had never occurred.

(c) In the event that the Borrower fails to make any payment required hereby, the payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid.

(d) Notwithstanding anything to the contrary in this Loan Agreement or in the Indenture, the Authority shall have no obligation to, and instead the Trustee and/or the Registered Owners or Beneficial Owners, as the case may be, in accordance with this Loan Agreement or the Indenture, shall have the sole and exclusive right, without any notice to, direction from or action by the Authority, to take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than the Authority's Unassigned Rights) under the Indenture or this Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under this Loan Agreement.

(e) Any amounts collected pursuant to action taken under the immediately preceding paragraph (d) (other than sums collected on account of the Authority's Unassigned Rights, which sums shall be paid directly to the Authority), after reimbursement of any costs incurred by the Authority or the Trustee in connection therewith shall be applied in accordance with Section 8.05 of the Indenture.

(f) If the Authority or the Trustee shall have proceeded to enforce their rights under this Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have

to pay their debts as such debts become due, or the taking of corporate action by the Borrower or the Lessee in furtherance of any of the foregoing.

(f) Failure of the Borrower or the Lessee to comply with any covenants contained in the Tax Agreement.

(g) The occurrence of an Event of Default under the Lease Agreement, the Indenture, the Deed of Trust or any of the Borrower Documents.

(h) Any representation or warranty made by the Borrower herein or made by the Borrower in any statement or certificate furnished by the Borrower either required hereby or in connection with the execution and delivery of this Loan Agreement and the sale and the issuance of the Bonds issued to fund the Loan, shall prove to have been untrue in any material respect as of the date of the issuance or making thereof.

(i) Judgment for the payment of money in excess of \$100,000 (which is not covered by insurance) is rendered by any court or other governmental body against the Borrower, and the Borrower does not discharge same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within sixty (60) days from the date of entry thereof, and within said sixty-day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under Generally Accepted Accounting Principles.

(j) A writ or warrant of attachment or any similar process shall be issued by any court against the Mortgaged Estate, and such writ or warrant of attachment or any similar process is not released or bonded within sixty (60) days after its entry.

(k) Any of Borrower's representations and warranties herein or in any of the other Borrower Documents with respect to environmental matters are false in any material respect.

The foregoing provisions of subsection (b) of this Section are subject to the following limitations: If by reason of force majeure the Borrower is unable in whole or in part to carry out its agreements herein contained, the Borrower shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of North Carolina or any political subdivision thereof or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower. The Borrower agrees, however, if possible, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Borrower unfavorable to the Borrower.

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been determined adversely to the Authority or the Trustee, then and in every such case, the Borrower, the Authority and the Trustee shall be restored to their respective positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Authority and the Trustee shall continue as though no such proceedings had been taken.

Section 10.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or the other Financing Documents or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required herein or by applicable law. Such rights and remedies given the Authority hereunder (excluding remedies related to the Authority's Unassigned Rights) shall also extend to the Trustee, the Beneficial Owners and the Registered Owners of the Bonds, subject to the Indenture.

Section 10.4 Agreement to Pay Attorneys' Fees and Expenses. In the event the Borrower should breach any of the provisions of this Loan Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of Loan Payments or the enforcement of performance or observance of any obligation or agreement on the part of any Borrower herein contained, the Borrower agrees that it will on demand therefore pay to the Authority and the Trustee, as the case may be, the fees of such attorneys and such other expenses incurred by the Authority and the Trustee. The obligations of the Borrower arising under this Section 10.4 shall continue in full force and effect notwithstanding the final payment of the Bonds or the termination of this Loan Agreement for any reason.

Section 10.5 Waiver. In the event any agreement contained in this Loan Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Authority's rights in and under this Loan Agreement to the Trustee under the Indenture, the Authority shall have no power to waive any Event of Default hereunder (except with regard to the Authority's Unassigned Rights) without the consent of the Trustee. Notwithstanding the foregoing, a waiver of an Event of Default under the Indenture or a rescission of a declaration of acceleration of the Bonds and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under this Loan Agreement and a rescission and annulment of its consequences; provided, that no such waiver or rescission shall extend to or affect any subsequent or other default hereunder or impair any right consequent thereon.

Section 10.6 Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Authority or the Borrower or any other obligor upon the Bonds or the property of the Authority, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Authority and/or the Borrower for the payment of overdue principal or interest) shall be entitled and empowered, by intervention of such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and

of the Registered Owners allowed in such judicial proceeding; and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and

(b) any receiver, assignee, trustee, liquidator, sequester (or other similar official) in any such judicial proceeding is hereby authorized by each Registered Owner to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Registered Owners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel.

So long as Bonds are outstanding, the Trustee is appointed under the terms of the Indenture, and the successive respective Registered Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Registered Owners of the Bonds, with authority to make or file, in the respective names of the Registered Owners of the Bonds or on behalf of all Registered Owners of the Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Registered Owners of the Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claim of the Registered Owners of the Bonds against the Authority, the Borrower or any other obligor allowed in receivership, insolvency, liquidation, bankruptcy or other proceeding, to which the Authority, the Borrower or any other obligor, as the case may be, shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

Section 10.7 Treatment of Funds in Bankruptcy. The Borrower acknowledges and agrees that in the event the Borrower commences a case under the United States Bankruptcy Code located at 11 U.S.C. § 101 *et. seq.* or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code: (i) amounts on deposit in any of the Funds are not, nor shall they be deemed to be, property of the Borrower's bankruptcy estate as defined by § 541 of the Bankruptcy Code; (ii) that in no event shall the Borrower assert, claim or contend that amounts on deposit in any of the Funds are property of the Borrower's bankruptcy estate; and (iii) that amounts on deposit in any of the Funds are held in trust solely for the benefit of the Registered Owners and the Beneficial Owners, shall be applied only in accordance with the provisions of the Indenture, and the Borrower has no legal, equitable or reversionary interest in, or right to, such amounts.

ARTICLE XI

PREPAYMENT OF LOAN

Section 11.1 General Option to Prepay Loan. So long as no Event of Default pursuant to Section 10.1 hereunder exists, the Borrower shall have and is hereby granted the option exercisable at any time to prepay all or any portion of the Loan by depositing with the Trustee an amount of money or securities to the extent permitted by Section 7.01 of the Indenture representing the principal amount, the premium, if any, and interest on the Loan to be paid at maturity, with respect to one or more Series of Bonds, or prepaid to the date a corresponding amount of such Bonds are redeemed. The exercise of the option granted by this Section shall not be cause for redemption of Bonds unless such redemption is permitted at that time under the provisions of the Indenture and the Borrower specifies the date for such redemption. Prior to the date a specific Series of Bonds is subject to redemption as provided in the Indenture, the corresponding Promissory Note is prepayable at any time in an amount sufficient to defease a related amount of such Series of Bonds in accordance with Article VII of the Indenture. In the event the Borrower prepays all of the Loan pursuant to this Section, pays all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds as a result of such prepayment, and all of its liabilities accrued and to accrue hereunder to the Authority through final payment of the Bonds as a

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Section 12.2 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority and the Borrower, and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.2, 9.1 and 12.10 hereof.

Section 12.3 Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.4 Third Party Beneficiaries. Notwithstanding any provision hereof to the contrary, it is specifically acknowledged and agreed that, to the extent of their rights hereunder (including, without limitation, their rights to immunity and exculpation from pecuniary liability) each of the Authority Indemnified Persons, the Trustee Indemnified Persons, the Beneficial Owners, and the Registered Owners are intended "Third Party Beneficiaries" of this Loan Agreement, entitled to enforce each of their rights in his, her, its or their own name. Nothing in this Loan Agreement shall confer any right upon any person other than parties hereto, and those specifically designated as Third Party Beneficiaries of this Loan Agreement.

Section 12.5 Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Funds upon termination of this Loan Agreement, provided the Bonds have been fully retired and all amounts due hereunder have been paid in full, shall belong to and be paid to the Borrower by the Trustee, as provided in the Indenture.

Section 12.6 Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement or in the Indenture, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Authority and the Trustee.

Section 12.7 Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.8 Governing Law, Jurisdiction and Venue.

(a) Except as and to the extent provided in subsection (b) of this Section 12.8, this Loan Agreement and all disputes, claims, defenses, controversies, or causes of action (whether in contract or tort) that may be based upon, arise out of, or relate hereto, including as to any representation or warranty made by the Borrower in or in connection with this Loan Agreement or as an inducement to enter this Loan Agreement, shall be governed by the applicable laws of the State of North Carolina, without regard to any conflicts of laws principles.

(b) Notwithstanding subsection (a) of this Section 12.8, any disputes, claims, defenses, controversies or causes of action based upon, arising out of or relating to the following enumerated matters shall be governed by the laws of the State of Wisconsin, excluding conflicts of law principles: (i) the Authority's organization, existence, statutory and corporate powers, and legal and contractual capacity; (ii) the Authority's right to the payment of its fees, costs and expenses, including, but not limited to, attorneys' fees, costs of investigation and the expenses of other professionals retained by the Authority and the reasonableness of such fees, costs and expenses; (iii) the Authority's and each Authority Indemnified Person's rights to indemnification from the Borrower (and the Borrower's corresponding obligation to provide such indemnification); (iv) the Borrower's release of the Authority and the Authority Indemnified Persons from liability; (v) exculpation of the Authority and the Authority Indemnified Persons from pecuniary liability; and (vi) the Authority's governmental rights, privileges and immunities.

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result of such prepayment, and all other amounts payable by the Borrower hereunder, including payments of any Rebate Amount, this Loan Agreement shall terminate except as otherwise provided herein.

Section 11.2 Prepayment Credits. In the event of prepayment by the Borrower of the Loan in whole, and premium, if any, the amounts related to each Series of Bonds then contained in the related subaccounts of the Cost of Issuance Fund, the Project Fund and the Debt Service Reserve Fund, and the amounts of the Borrower's payments on each Promissory Note contained in the Bond Fund shall be credited first to the Rebate Fund so that it is fully funded for the final payment to the United States Treasury and then against the Borrower's prepayment obligation.

Section 11.3 Notice of Prepayment. In order to exercise the option granted by this Article, the Borrower shall give written notice to the Trustee which shall specify therein the date of making the prepayment, which date shall be not less than forty-five (45) days nor more than ninety (90) days from the date the notice is mailed. In the case of any prepayment pursuant to this Article, the Borrower shall make arrangements with the Trustee for giving the required notice of redemption, if any, with respect to any Bonds to be redeemed and, if applicable, shall pay to the Trustee an amount of money sufficient to redeem all of the Bonds to be called for redemption at the appropriate price prior to the redemption date.

Section 11.4 Use of Prepayment Moneys. By virtue of the assignment of the rights of the Authority (except for the Authority's Unassigned Rights) under this Loan Agreement to the Trustee, the Borrower agrees to and shall pay any amount required to be paid by it under this Article directly to the Trustee (other than amounts to be paid to the Authority for its own account or relating to the Authority's Unassigned Rights). The Trustee shall use the moneys so paid to it by the Borrower (other than amounts to be paid to the Trustee for its own account) as provided in this Loan Agreement and in the Indenture.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, facsimile (confirmed by certified mail), email (confirmed by certified mail), or overnight courier, addressed as follows:

If to the Borrower:
or the Lessee:

If to the Authority:

If to the Trustee:

If to the Underwriter:

A duplicate copy of each notice, certificate or other communication given hereunder by the Authority or the Borrower shall also be given to the Trustee. The Authority, the Borrower, the Lessee or the Trustee may, by notice hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

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(c) All claims of whatever character arising out of this Loan Agreement shall be brought in any state or federal court of competent jurisdiction located in the County of Edgecombe, North Carolina; provided, that to the extent that a dispute, claim, defense, controversy, or cause of action enumerated in subsection (b) of this Section 12.8 can be separated from other disputes under this Loan Agreement, such Separate Dispute shall be adjudicated by a state or federal court of competent jurisdiction located in Dane County, Wisconsin. By executing and delivering this Loan Agreement, each party hereto irrevocably: (i) accepts generally and unconditionally the exclusive jurisdiction and venue of such courts; (ii) waives any defense of forum non conveniens; and (iii) agrees not to seek removal of such proceedings to any court or forum other than as specified above. The foregoing shall not be deemed or construed to constitute a waiver by the Authority of any prior notice or procedural requirements applicable to actions or claims against or involving joint powers commissions or governmental units of the State of Wisconsin that may exist at the time of and in connection with such matter.

Section 12.9 Filing. The Borrower shall cause the lien on the Mortgaged Estate granted by each Deed of Trust to be recorded with the Recorder's Office for the County of Edgecombe, North Carolina. In addition, the Borrower shall cause the security interest in any personal property comprising a part of the Facilities granted to the Trustee to be perfected by the filing of financing statements which shall fully comply with the North Carolina Uniform Commercial Code in the office of the Secretary of State of North Carolina and in such other office as is at the time provided by law as the proper place for the filing thereof. The parties further agree that all necessary continuation statements shall be filed by the Trustee within the time prescribed by the North Carolina Uniform Commercial Code in order to continue such security interests.

Section 12.10 Cancellation at Expiration of Term of Loan Agreement. Upon the termination of this Loan Agreement, and provided the Bonds have been fully retired and all amounts due hereunder have been paid in full (including those arising from the Authority's Unassigned Rights), the Authority shall (subject to Section 12.23 hereof) deliver to the Borrower any documents and take or cause the Trustee to take such actions as may be necessary to evidence the termination of this Loan Agreement and the discharge of the Lien of the Deed of Trust.

Section 12.11 Non-Liability of Authority. The Authority shall not be obligated to pay the principal of, premium, if any, or interest on the Bonds or any costs incidental thereto, except from the Trust Estate. Neither the faith and credit nor the taxing power of any Sponsor, any Member, the State of Wisconsin or any other political subdivision or agency thereof or any political subdivision approving the issuance of the Bonds, nor the faith and credit of the Authority or of any Sponsor or Authority Indemnified Person, is pledged to the payment of the principal of, premium, if any, or interest on the Bonds or any costs incidental thereto. The Authority has no taxing power. The Authority shall not directly, indirectly, contingently or otherwise be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under this Loan Agreement, and except as may result solely from the Authority's own willful misconduct.

The Borrower hereby acknowledges that the Authority's sole source of moneys to repay the Bonds is the Trust Estate, and hereby agrees that if the payments to be made under this Loan Agreement shall ever prove insufficient to pay all principal, premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), or any costs incidental thereto, then upon notice or demand from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium, if any, or interest when due, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the

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part of the Trustee, the Authority, the Borrower or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Section 12.12 No Personal Liability of Officials of Borrower, Lessee, Authority or Trustee. No Authority Indemnified Person or any director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal, premium, if any, or interest on the Bonds or any costs incidental thereto or any other sum hereunder or under the Indenture or be subject to any personal liability or accountability by reason of the issuance of the Bonds or the execution and delivery of this Loan Agreement, the Indenture, the Borrower Documents or any other documents delivered and executed in connection with the issuance of the Bonds. No Authority Indemnified Person (including any Authority Indemnified Person who executes any certificate in connection with the Bonds that restates or certifies as to the truth and accuracy thereof) shall be individually liable for the breach by the Authority of any representation or covenant contained in this Loan Agreement.

Section 12.13 Special, Limited Obligation of Authority.

(a) Anything in this Loan Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Authority may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Authority by the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Authority.

(b) No recourse shall be had for the enforcement of any obligation, covenant, promise or agreement of the Authority contained in this Loan Agreement, any other Authority Documents, or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise or agreement of the Authority contained in any agreement, instrument or certificate executed in connection with the Series 2024 Project or the issuance and sale of the Bonds, against any Authority Indemnified Persons, whether by virtue of any Constitutional provision, statute or rule of the law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any Authority Indemnified Person, either directly or by reason of any of the obligations, covenants, promises or agreements entered into by the Authority with the Borrower or the Trustee to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against each and every Authority Indemnified Person is, by the execution of the Bonds, this Loan Agreement, and the other Authority Documents, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Loan Agreement, and the other Authority Documents, is expressly waived and released.

Section 12.14 No Warranty by Authority. THE BORROWER RECOGNIZES THAT, BECAUSE THE COMPONENTS OF THE FACILITIES HAVE BEEN AND ARE TO BE SELECTED BY IT, THE AUTHORITY HAS NOT MADE AN INSPECTION OF THE FACILITIES OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE AUTHORITY MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE AUTHORITY SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE AUTHORITY, EXPRESS OR IMPLIED,

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to take with respect thereto, (iii) any Internal Revenue Service audit of the Borrower, the Lessee or the Bonds, (iv) any material litigation affecting the Bonds, the Borrower or the Facilities, and (v) any default in any indebtedness of the Borrower.

Section 12.22 No Obligation of the State of North Carolina. No indebtedness of any kind incurred or created by the Borrower shall constitute an indebtedness of the State of North Carolina or its political subdivisions, and no indebtedness of the Borrower shall involve or be secured by the faith, credit, or taxing power of the State of North Carolina or its political subdivisions.

Section 12.23 Authority's Obligation to Perform. None of the provisions of this Loan Agreement or in the Indenture shall require the Authority to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder or thereunder, unless payable from the Trust Estate, or unless the Authority shall first have been adequately indemnified to its satisfaction against the cost, expense, and liability which may be incurred thereby. The Authority shall not be under any obligation hereunder or under the Indenture to perform any administrative service with respect to the Bonds or the Project (including, without limitation, record keeping and legal services), it being understood that such services shall be performed or provided by the Trustee or the Borrower. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions expressly contained in the Indenture, this Loan Agreement, and any and every Bond executed, authenticated and delivered under the Indenture; provided, however, that the Authority shall not be obligated to take any action or execute any instrument pursuant to any provision hereof unless and until it shall have (i) been directed to do so in writing by the Borrower, the Trustee, or the Registered Owners having the authority to so direct; (ii) received from the party requesting such action or execution assurance satisfactory to the Authority that the Authority's expenses incurred or to be incurred in connection with taking such action or executing such instrument have been or will be paid or reimbursed to the Authority; and (iii) if applicable, received in a timely manner the instrument or document to be executed, in form and substance satisfactory to the Authority. In complying with any provision herein or in the Indenture, including, but not limited to, any provision requiring the Authority to "cause" another Person to take or omit any action, the Authority shall be entitled to rely conclusively (and without independent investigation or verification) (a) on the faithful performance by the Trustee or the Borrower, as the case may be, of their respective obligations hereunder and under the Indenture and (b) upon any written certification or opinion furnished to the Authority by the Trustee or the Borrower, as the case may be. In acting, or in refraining from acting, under this Loan Agreement and the Indenture, the Authority may conclusively rely on the advice of its counsel. The Authority shall not be required to take any action hereunder or under the Indenture that it reasonably believes to be unlawful or in contravention hereof or thereof.

Section 12.24 Non-Impairment. Nothing in this Loan Agreement shall be deemed or construed to limit, impair or affect in any way the Authority's (or any Authority Indemnified Person's) right to enforce the Authority's Unassigned Rights, regardless of whether there is then existing an Event of Default (including, without limitation, a payment default), or any action based thereon or occasioned by an Event of Default or alleged Event of Default, and regardless of any waiver or forbearance granted by the Trustee or any Registered Owner or Beneficial Owner in respect thereof. Any default or Event of Default in respect of the Authority's Unassigned Rights may only be waived with the Authority's prior written consent.

Section 12.25 Application of Proceeds. Notwithstanding any provision herein to the contrary (including, without limitation, Section 6.4 and Article VII), upon the occurrence and continuation of an Event of Default hereunder or under the Indenture, the application of any and all moneys shall be consistent with the terms of Section 8.05 of the Indenture.

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WITH RESPECT TO THE FACILITIES OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

Section 12.15 Prior Agreements Superseded. This Loan Agreement, together with all agreements executed by the parties concurrently herewith or in conjunction with the initial issuance of a Series of Bonds, shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Authority and the Borrower relating to such Series of Bonds, the lending of money and the Series 2024 Project.

Section 12.16 Covenant by Borrower With Respect to Statements, Representations and Warranties. It is understood by the Borrower that all statements, representations and warranties made by it in this Loan Agreement shall be deemed to have been relied upon by the Authority as an inducement to issue the Bonds, and that if any such statements, representations and warranties which are to continue) are breached during the term hereof, such misrepresentation or breach shall constitute a breach of this Loan Agreement which may give rise to an Event of Default hereunder.

Section 12.17 Captions. The captions and headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 12.18 Loan Payments Due on Holidays. If the date for making any Loan Payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, is not a Business Day, such Loan Payments may be made or act performed or right exercised on the next succeeding Business Day unless otherwise provided herein, with the same force and effect as if done on the nominal date provided in this Loan Agreement.

Section 12.19 Provision of General Application. Subject to Section 12.23, any consent or approval of the Authority required pursuant to this Loan Agreement shall be in writing and shall not be unreasonably withheld.

Section 12.20 Survival of Provisions. The provisions of this Loan Agreement and the Indenture and any other document in connection with the issuance of the Bonds to which the Authority is a party concerning (i) the tax-exempt status of the Bonds (including, but not limited to provisions concerning rebate); (ii) the interpretation of this Loan Agreement; (iii) governing law, jurisdiction and venue; (iv) the Authority's right to rely on written representations of others contained herein or in any other document or instrument issued or entered into in respect of the Bonds, regardless of whether the Authority is a party thereto; (v) the indemnification rights and exculpation from liability of the Indemnified Parties; and (vi) any other provision of this Loan Agreement not described or enumerated above that expressly provides for its survival, shall survive and remain in full force and effect notwithstanding the payment or redemption in full, or defeasance of the Bonds, the discharge of the Indenture, and the termination or expiration of this Loan Agreement.

Section 12.21 Notice of Change in Fact. The Borrower will notify the Authority, the Lessee, the Underwriter and the Trustee promptly after the Borrower becomes aware of (i) any change in any material fact or circumstance represented or warranted by the Borrower in this Loan Agreement or in connection with the issuance of a Series of Bonds which would make any such representation or warranty false when made, (ii) any default or event which, with notice or lapse of time or both, could become an Event of Default under this Loan Agreement, the Lease Agreement or the Indenture or any of Borrower's Document, specifying in each case the nature thereof and what action the Borrower has taken, is taking, and/or proposes

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IN WITNESS WHEREOF, the Authority and the Borrower have caused this Loan Agreement to be executed in their respective corporate names by their duly authorized representatives, all as of the date first above written.

PUBLIC FINANCE AUTHORITY

By: _____
Name: _____
Title: Assistant Secretary

FORM OF SERIES 2024 PROMISSORY NOTE

By: North East Carolina Preparatory School, Inc., as sole member

\$(ZZZ)

May 30, 2024

By: _____
Name: Mark Lee Cockrell
Title: Executive Director

FOR VALUE RECEIVED, the undersigned, **NECP HOLDINGS, LLC** (the "Borrower"), a North Carolina limited liability company, hereby promises to pay to the order of the **PUBLIC FINANCE AUTHORITY** (together with its successors and assigns, the "Authority"), the principal sum of [_____] DOLLARS (\$[_____] and interest thereon, in installments, on the dates and in the amounts set forth in the Loan Agreement dated as of May 1, 2024 (the "Loan Agreement"), between the Borrower and the Authority. The Borrower further agrees to pay as the premium hereon the amount of the premium due, if any, upon any prepayment hereof in accordance with the Loan Agreement.

This Note has been issued to evidence a loan made by the Authority to the Borrower in accordance with the terms and provisions of that certain Loan Agreement. Pursuant to the Loan Agreement, the Authority has loaned the Borrower the proceeds of the Authority's [\$27,610,000 aggregate principal amount of Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A (the "Series 2024A Bonds")] [\$1,050,000 aggregate principal amount of Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B (the "Series 2024B Bonds")]. The Series 2024 Bonds are issued by the Authority pursuant to and in accordance with an Indenture of Trust dated as of May 1, 2024 (the "Indenture"), between the Authority and UMB Bank, n.a., as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in Exhibit G to the Loan Agreement.

Payments of principal and interest on this Note shall be due not later than the fifth calendar day of each month (each a "Lease Payment Date"), commencing on July 5, 2024, in the amounts set forth in the Lease Agreement dated as of May 1, 2024, between the Borrower and North East Carolina Preparatory School, Inc., a North Carolina nonprofit corporation designated as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that the Borrower shall receive, without duplication, (A) a credit against such payments of interest to the extent funds are on deposit in the Bond Fund pursuant to Section 3.03 of the Indenture and available to pay interest on the Series 2024[A][B] Bonds on the next Interest Payment Date and (B) a credit against such payments of interest and principal in an amount equal to the excess of the amount on deposit in the Bond Fund on the applicable Lease Payment Date over the amount required to be on deposit in the Bond Fund solely by reason of payments made pursuant to the first clause of this paragraph.

Payments of both principal and interest hereon are to be irrevocably assigned by the Authority to the Trustee pursuant to the Indenture. Such assignment is to be made as security for the payment of the Series 2024[A][B] Bonds of the Authority to the extent provided in the Indenture.

Payments hereon are to be made in immediately available funds at the designated trust office of the Trustee or at such other place as the Trustee may direct in writing, in accordance with the terms hereof and of the Indenture.

This Note is issued pursuant to the Loan Agreement and is entitled to the benefits and is subject to the conditions thereof. All the terms, conditions and provisions of the Loan Agreement are, by this reference thereto, incorporated herein as part of this Note, and shall control in the interpretation and enforcement of this Note.

[PFA/ North East Carolina Preparatory School Series 2024 Bonds – Loan Agreement]

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In addition to the foregoing, the Borrower hereby promises to pay to the full extent required by the Indenture and the Loan Agreement: (i) amounts to be deposited to the Rebate Fund pursuant to the Tax Agreement; (ii) all of the payments and additional charges set forth in Section 5.1 of the Loan Agreement; and (iii) all costs and expenses of collection incurred in connection with any default by the Borrower hereunder and all other payments required to be made by the Borrower pursuant to the Indenture and the Loan Agreement, including without limitation those payments referred to in Section 8.6 of the Loan Agreement.

In the event the Borrower fails to make any of the payments required in this Note, such payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon at the rate of interest specified in the Loan Agreement (to the extent legally enforceable) until paid.

The Borrower shall have the option to prepay the unpaid balance hereof in whole or in part only as provided in and in accordance with the provisions of the Loan Agreement and the Indenture.

In the event a Lease Payment Date under this Note is not a Business Day, such payment shall be due on the next succeeding Business Day with the same force and effect as if paid on such Lease Payment Date.

The Borrower and all other persons who may become liable for all or part of this obligation severally waive presentation for payment, demand, notice of nonpayment and protest, all pleas of division and discussion and consent to any extension of time (whether one or more) or renewal hereof. Any such extension or renewal may be made without notice and without discharging liability hereunder.

Upon default in any of the terms or conditions of this Note or upon the occurrence and continuation of an Event of Default, at the option of the holder hereof, the entire indebtedness hereby evidenced shall become due, payable and collectible then and thereafter as the holder may elect, regardless of the date of maturity hereof. Prior to the exercise of such option, the Trustee shall give written notice thereof to the Borrower.

During the existence of any such default, the Trustee may apply any payments received on any amount due hereunder or under the terms of the Loan Agreement or the Indenture as the Trustee may determine.

The obligations of the Borrower to make payments hereunder, under the Indenture and under the Loan Agreement and to perform and observe all agreements on its part contained herein and therein shall be absolute and unconditional. Until this Note is terminated and paid in full and all amounts due or to become due under the Loan Agreement are paid in full and the Loan Agreement is terminated, the Borrower (i) will not suspend or discontinue any payments under the Loan Agreement or neglect to perform any of its duties required thereunder or hereunder; (ii) will perform and observe all of its obligations set forth in the Loan Agreement, the Deed of Trust (defined in the Indenture) and this Note; and (iii) except as provided in the Loan Agreement, will not terminate the Loan Agreement, the Deed of Trust or this Note for any cause.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Series 2024[A][B] Bonds or for any claim based thereon or under the Loan Agreement, any Deed of Trust or this Note or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of the Borrower, whether directly or indirectly, and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Series 2024[A][B] Bonds.

The records of the Trustee shall be prima facie evidence of the amount owing on this Note.

This Note is to be construed pursuant to Section 12.8 of the Loan Agreement.

No indebtedness of any kind incurred or created by the Borrower shall constitute an indebtedness of the State of North Carolina or its political subdivisions, and no indebtedness of the Borrower shall involve or be secured by the faith, credit, or taxing power of the State of North Carolina or its political subdivisions.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the undersigned has executed this instrument as of the date first above written.

NECP HOLDINGS, LLC

By: North East Carolina Preparatory School, Inc., as sole member

By: _____
Name: Mark Lee Cockrell
Title: Executive Director

PAY TO THE ORDER OF UMB BANK, N.A., AS TRUSTEE, AT ITS DESIGNATED OFFICE, WITHOUT WARRANTY OR RECOURSE AGAINST THE PUBLIC FINANCE AUTHORITY, BUT WITH RECOURSE AGAINST NECP HOLDINGS, LLC

PUBLIC FINANCE AUTHORITY

By: _____
Name: _____
Title: Assistant Secretary

[PFA/North East Carolina Preparatory School – Series 2024 Promissory Note]

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[PFA/North East Carolina Preparatory School – Series 2024 Promissory Note]

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EXHIBIT B

FORM OF BORROWER CERTIFICATE

This Borrower Certificate (this "Certificate") is furnished to UMB Bank, n.a. (the "Trustee"), as trustee under the Indenture of Trust dated as of May 1, 2024 (the "Indenture"), between the Public Finance Authority (the "Authority") and the Trustee, pursuant to the Loan Agreement dated as of May 1, 2024 (the "Loan Agreement"), between the Authority and NECP HOLDINGS, LLC (the "Borrower"). Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in Exhibit G to the Loan Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the _____ of the Borrower;
2. I am familiar with the terms of the Loan Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower during the _____ period ended _____, 20__;
3. [I am familiar with the provisions of the Loan Agreement and the Tax Agreement, and to the best my knowledge, based on such review and familiarity, the Borrower has fulfilled all of its obligations thereunder throughout the fiscal year][For annual reports only];
4. [The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the period described in paragraph 2 or as of the date of this Certificate][Use if no default];
5. [The examinations described in paragraph 2 disclosed an event or events which constitute an Event of Default during or at the end of the period described in paragraph 2 or as of the date of this Certificate. On Schedule I hereto are listed, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event][Use upon a default].

The foregoing certifications and the financial statements delivered with this Certificate in support hereof are made this ____ day of _____, 20__.

NECP HOLDINGS, LLC

By: _____
Name: James Gadson
Title: Chairman

SCHEDULE I

EXHIBIT C

FORM OF PROJECT FUND REQUISITION CERTIFICATE

Request No. _____

Date: _____

PROJECT FUND REQUISITION CERTIFICATE

TO: UMB BANK, N.A., AS TRUSTEE (THE "TRUSTEE"), UNDER THE INDENTURE OF TRUST, DATED AS OF MAY 1, 2024 (THE "INDENTURE"), BETWEEN THE PUBLIC FINANCE AUTHORITY (THE "AUTHORITY"), AND THE TRUSTEE, AND THE LOAN AGREEMENT, DATED AS OF MAY 1, 2024 (THE "LOAN AGREEMENT"), BETWEEN THE AUTHORITY AND NECP HOLDINGS, LLC (THE "BORROWER").

The undersigned Authorized Representative of the Borrower hereby requests that the following amounts be transferred to the following payees for the following Costs of the Project (as defined in the Loan Agreement) (the "Costs"), the aggregate amount of which is \$[] (the "Requested Amount"):

Payee	Amount	Description of Work

The undersigned Authorized Representative of the Borrower hereby states and certifies that:

- these Costs of the Project are valid costs under the Act and no part thereof has been included in any other Requisition Certificate previously filed with the Trustee under the provisions of the Indenture or reimbursed to the Borrower from Bond proceeds;
- no Event of Default currently exists (or with the passage of time, will exist) under the Borrower Documents;
- the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date hereof;
- [the documents and certificates required by Section 4.2(b) of the Loan Agreement have been delivered to the Construction Administrator;] [and]
- the estimated completion date for the Project is now _____;

[paragraph 6 applies only to the final draw request: [and]]

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- The Project was completed on _____, and has been acquired, constructed/renovated and equipped by the Borrower in substantial compliance with the plans and specifications relating thereto.]

With respect to this disbursement, the Borrower (i) certifies it has reviewed any wire instructions set forth herein to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including but not limited to attorney fees, and expenses resulting directly or indirectly as a result of making the disbursement requested hereunder, and (iii) agrees it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with its instructions herein.

NECP HOLDINGS, LLC

By: _____
Name: Dr. Tamara Turner
Title: Authorized Representative

[The Construction Administrator has verified that:

- The Costs of the Project are valid costs under the Act and no part thereof has been included in any other Requisition Certificate previously filed with the Trustee under the provisions of the Indenture or reimbursed to the Borrower from Bond proceeds processed through the Construction Administrator;
 - the estimated date of substantial completion as stated by the general contractor is now _____;
- [paragraph 3 applies only to the draw request immediately following TCO or CO: [and]]
- The Project obtained a Temporary Certificate of Occupancy (or Certificate of Occupancy) on _____.
 - The documents required by Section 4.2(b) of the Loan Agreement are attached. The Construction Administrator is not certifying the accuracy of any of these documents.

Payment of the foregoing Requisition is hereby approved by the Construction Administrator.]

[]

By: _____
Name: _____
Title: _____

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EXHIBIT D

CLOSING MEMORANDUM

See attached.

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EXHIBIT E

FORM OF CERTIFICATE OF COMPLETION

\$27,610,000	\$1,050,000
Public Finance Authority	Public Finance Authority
Charter School Revenue and Refunding Bonds	Taxable Charter School Revenue and Refunding Bonds
(North East Carolina Preparatory School Project)	(North East Carolina Preparatory School Project)
Series 2024A	Series 2024B

This Completion Certificate is given by _____, as an Authorized Representative of NECP HOLDINGS, LLC (the "Borrower") pursuant to Section 4.3 of the Loan Agreement by and between Public Finance Authority, as issuer, and the Borrower, dated as of May 1, 2024 (the "Loan Agreement") and confirms that the Completion Date was _____, 20__, that the Series 2024 Facilities have been acquired, constructed, and/or equipped by the Borrower in substantial compliance with the plans and specifications relating thereto, and that the full cost of the Series 2024 Facilities has been paid. Attached hereto is a certificate or certificates of occupancy. Notwithstanding the foregoing, this certificate is given without prejudice to any rights against third parties which exist at the date of this certificate as evidenced below or which may subsequently come into being. Any capitalized terms shall have the respective meanings as set forth in Exhibit G to the Loan Agreement.

Dated _____, 20__.

NECP HOLDINGS, LLC

By: _____
Name: _____
Title: _____

[In signing below the Construction Administrator has verified that it has received the documents required by Section 4.2 and 4.3 of the Loan Agreement. The Construction Administrator is not certifying the accuracy of any of these documents.

[]

By: _____
Name: _____
Title: _____
_____]

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EXHIBIT F

FORM OF REPAIR AND REPLACEMENT FUND REQUISITION

To:

Re:

\$27,610,000	\$1,050,000
Public Finance Authority	Public Finance Authority
Charter School Revenue and Refunding Bonds	Taxable Charter School Revenue and Refunding Bonds
(North East Carolina Preparatory School Project)	(North East Carolina Preparatory School Project)
Series 2024A	Series 2024B

The undersigned, an authorized representative of NECP HOLDINGS, LLC (the "Borrower") hereby requests a disbursement of \$[] from the Repair and Replacement Fund established under the Indenture of Trust with respect to the above-referenced bonds, and certifies to the Trustee that such amount is required to pay all or any portion the Borrower's cost of extraordinary maintenance and replacements which are required to keep the Facilities in sound condition. The undersigned acknowledges and agrees that, subsequent to such disbursement, the Repair and Replacement Fund shall be replenished in accordance with the requirements of Section 3.16 of the Indenture and Section 5.1(i) of the Loan Agreement.

With respect to this disbursement, the Borrower (i) certifies it has reviewed any wire instructions set forth herein to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including but not limited to attorney fees, and expenses resulting directly or indirectly as a result of making the disbursement requested hereunder, and (iii) agrees it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with its instructions herein.

Dated: _____

NECP HOLDINGS, LLC

By: _____
Name: _____
Title: _____

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(c) The Authority Annual Fee and the fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Loan Agreement, the Borrower Documents, the Bonds or the Indenture, including, without limitation, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Loan Agreement, the Borrower Documents, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement and the Borrower Documents.

"*Additional Promissory Notes*" means any nonnegotiable promissory note or notes, in addition to the Series 2024 Promissory Notes, delivered by the Borrower to the Trustee in connection with the issuance of Additional Bonds, as provided in the Loan Agreement.

"*Annual Debt Service*" means, as of any date of calculation, the Principal and Interest Requirements on Long-Term Indebtedness (provided the final maturity payment for a Series of Bonds shall be reduced by amounts on deposit in the Debt Service Reserve Fund and available for such payment) for any current Fiscal Year of the Lessee, taking into account the provisions for determining the Principal and Interest Requirements on Long-Term Indebtedness set forth in the Lease Agreement.

"*Annual Lease Payments*" means, as of any date of calculation, the amount of Base Lease Payments to be paid under the Lease Agreement with respect to the current Fiscal Year of the Lessee; provided that for purposes of this calculation, the Base Lease Payments due in the final year of the Lease Term shall be reduced by amounts on deposit in the Debt Service Reserve Fund and available for such payment.

"*Asset Manager*" means an asset manager selected by the Borrower.

"*Authority*" means the Public Finance Authority, its successors and assigns.

"*Authority Annual Fee*" means the Authority's annual administration fee determined and payable in the amounts and at the times specified in Section 5.1 of the Loan Agreement.

"*Authority Documents*" means, with respect to a Series of Bonds, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Tax Agreement and any other agreement, certificate, contract or instrument to be executed by the Authority in connection with the issuance of the Bonds or the financing of a portion of the expense associated with the related Series Project.

"*Authority Indemnified Persons*" means, collectively, (i) the Sponsors, (ii) the Members and (iii) each and all of the Authority's, the Sponsors' and the Members' respective past, present and future directors, board members, governing members, trustees, commissioners, elected or appointed officials, officers, employees, Authorized Signatories, attorneys, contractors, subcontractors, agents and advisers (including counsel, without limitation, and financial advisers) and each of their respective heirs, successors and assigns.

"*Authority Issuance Fee*" means the greater of (a) \$15,000 or (b) 0.20% (20 basis points) times the par amount of the Series 2024 Bonds.

"*Authority's Unassigned Rights*" means the rights of the Authority under Sections 5.1(f) and (k), Section 6.6, Section 8.6, Section 8.10, Section 10.4, Section 12.1, Section 12.11, Section 12.12, Section 12.13, Section 12.23 and Section 12.24 of the Loan Agreement and Section 6.6, Section 8.7 and Section 8.11 under the Lease Agreement and, to the extent not expressly provided in said sections (or in any other

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EXHIBIT G

MASTER GLOSSARY

"*Accountant*" means any independent certified public accounting firm licensed to practice in the State of North Carolina (which may be the firm of accountants that regularly audits the books and accounts of the Lessee) from time to time selected by the Lessee.

"*Act*" means Sections 66.0301, 66.0303 and 66.0304 of the Wisconsin Statutes, as amended.

"*Act of Bankruptcy*" means the filing of a petition in bankruptcy under the United States Bankruptcy Code, or the institution of proceedings under state insolvency or other laws affecting creditors' rights generally, by or against the Authority or the Borrower or Lessee as debtor; provided that such filings or proceedings have not been dismissed or, if dismissed, are subject to appeal.

"*Additional Bonds*" means additional Bonds that may be issued by the Authority in its sole and exclusive discretion with respect to a Project under the Indenture.

"*Additional Lease Payments*" means the cost of the (a) expenses of the Authority related to the performance of the provisions of the Loan Agreement, or otherwise incurred at the request of the Lessee, including but not limited to the fees and expenses described in Section 5.1(f) and (k) of the Loan Agreement, (b) the reasonable expenses and fees of the Trustee, the Construction Administrator, if any, and Rebate Analyst required under Sections 5.1(d), (e), and (h) of the Loan Agreement and any amounts required to be deposited and replenished in the Rebate Fund, (c) any amounts required to be deposited and replenished in the Debt Service Reserve Fund under Section 5.1(b) of the Loan Agreement, (d) any amounts required to be deposited to the Repair and Replacement Fund under Section 5.2(i) of the Loan Agreement, and (e) other charges and costs (together with all interest and penalties that may accrue thereon) in the event that the Lessee shall fail to pay the same, as specifically set forth in the Lease Agreement which the Lessee assumes or agrees to pay thereunder. Additional Lease Payments do not include Base Lease Payments.

"*Additional Payments*" means the payments that the Borrower shall make, in addition to the Loan Payments, to the Authority or the Trustee, as the case may be, as follows:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee); provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(b) The fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee in connection with the performance of its duties in the Loan Agreement or in the Indenture and to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the Borrower Documents or the Indenture, including, but not limited to, any audit or inquiry by the Internal Revenue Service or any other governmental body; and

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section of the Indenture or the Loan Agreement), the Authority's rights under the Indenture, Lease Agreement or Loan Agreement to (i) inspect books and records; (ii) give or receive notices, approvals, consents, requests, and other communications; (iii) receive payment or reimbursement for expenses, including, without limitation, Additional Payments and the Authority Annual Fee; (iv) immunity from and limitation of liability; (v) indemnification by the Borrower or any other Person; and further, (vi) to enforce, in its own name and on its own behalf, those provisions of the Indenture and of the Loan Agreement and any other document, instrument or agreement entered into with respect to the Bonds that provides generally for the foregoing enumerated rights or any similar rights of the Authority or any Authority Indemnified Person. For avoidance of doubt, the "Authority's Unassigned Rights" referenced in clauses (iv), (v), and (vi), above, shall include (but not be limited to) the rights of the Authority Indemnified Persons to immunity from and limitation of liability and indemnification by the Borrower as provided in the Loan Agreement and the Lease Agreement and the right of any such Authority Indemnified Person to enforce such rights in his, her or its own name.

"*Authorized Denomination*" means (a) with respect to the Series 2024 Bonds, \$5,000 and any integral multiple of \$5,000 in excess thereof; and (b) in the case of Additional Bonds, the amount specified in the Supplemental Indenture authorizing the issuance thereof.

"*Authorized Representative*" means, in the case of the Borrower or the Lessee, the Chair and Vice-Chair of the Board of Directors or the Chief Executive Officer of the Lessee acting on behalf of the applicable party and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

"*Authorized Signatory*" means any officer, director or other Person designated by resolution of the Board of Directors of the Authority (whether such resolution is adopted in connection with the issuance of the Bonds or otherwise) or by the Authority's Bylaws as an 'Authorized Signatory' empowered to, among other things, execute and deliver on behalf of the Authority the Indenture, the other Authority Documents, and the Bonds.

"*Balloon Amount*" means the largest amount maturing on any Balloon Indebtedness during any twelve consecutive months in which such Balloon Indebtedness is outstanding.

"*Balloon Indebtedness*" means Long-Term Indebtedness where the principal of (and premium, if any) and interest and other debt service charges on such Long-Term Indebtedness due (or payable in respect of any required purchase of such Long-Term Indebtedness by such person on demand) in any fiscal year either are equal to at least 25% of the total principal of (any premium, if any) and interest and other debt service charges on such Long-Term Indebtedness. Balloon Indebtedness does not include Indebtedness which otherwise would be classified as Put Indebtedness.

"*Bankruptcy Code*" means the United States Bankruptcy Code located at 11 U.S.C. § 101 et. seq.

"*Base Lease Payments*" means the payments payable by the Lessee during the Lease Term as set forth in the Lease Agreement, as such may be revised thereunder from time to time, including but not limited to revisions which constitute the payments payable by the Lessee for and in consideration of the right to use the Leased Property during the Lease Term.

"*Beneficial Owner(s)*" means the person or entity for whom the Bonds were deposited with DTC in the name of its nominee, Cede & Co.

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"*Beneficiary*" means the beneficiary pursuant to the Deed of Trust, including the successor or successors and the assign or assigns of the beneficiary.

"*Bond Closing*" means, as to any Series of Additional Bonds, the date upon which such Series of Additional Bonds is delivered for due consideration, and, as to the Series 2024 Bonds, means May 30, 2024.

"*Bond Counsel*" means McGuireWoods LLP, or such other firm of nationally recognized attorneys with a proven reputation in the field of municipal finance and experienced in the financing of facilities for non-exempt persons through the issuance of tax-exempt bonds under the exemption provided under Section 103 of the Code, and approved by the Authority and the Lessee.

"*Bond-Financed Property*" means the property financed or refinanced with Net Bond Proceeds.

"*Bond Fund*" means the fund by that name created pursuant to the Indenture.

"*Bond Proceeds*" with respect to any Series of Tax-Exempt Bonds means all amounts actually or constructively received from the sale of the related Series of Tax-Exempt Bonds (including Underwriters' discount or compensation, but excluding pre-issuance accrued interest), plus all investment earnings thereon.

"*Bond Purchase Agreement*" means, as to any Series of Additional Bonds, the Bond Purchase Agreement among the Authority, the Borrower, the Lessee and the Underwriter related to such Series of Additional Bonds, and, as to the Series 2024 Bonds, means the Bond Purchase Agreement dated May 9, 2024, among the Authority, the Borrower, the Lessee and the Underwriter.

"*Bond Resolution*" means (a) when used with reference to the Series 2024 Bonds, the resolutions of the Board of Directors of the Authority authorizing the issuance of the Series 2024 Bonds; and (b) when used with reference to an issue of Additional Bonds, the resolutions of the Authority (if any) authorizing the issuance of the Additional Bonds.

"*Bonds*" means, collectively, the Series 2024 Bonds and any Additional Bonds.

"*Borrower*" means NECP Holdings, LLC, a North Carolina limited liability company, or any successor thereto, or any surviving, resulting or transferee entity thereof, as provided in the Loan Agreement. The Borrower is also the Lessor.

"*Borrower Documents*" means, with respect to a Series of Bonds, the Loan Agreement, the Deed of Trust, the Lease Agreement, the Promissory Note, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Agreement, and each of the other agreements, certificates, contracts or instruments to be executed by the Borrower in connection with the issuance of a Series of Bonds or the financing or refinancing of a portion of the expenses associated with the related Series Project.

"*Borrower's Unassigned Rights*" means, under the Lease Agreement, the rights of the Borrower to (a) inspect books and records of the Lessee, (b) give or receive notices, approvals, consents, requests and other communications, (c) receive payment or reimbursement for expenses, (d) immunity from and limitation of liability, (e) indemnification from liability by the Lessee, and (f) security for the Lessee's indemnification obligation.

"*Building*" means that certain building or buildings and all other structures and facilities now owned or hereafter acquired (including all fixtures, heating and air conditioning equipment and all other equipment

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"*Condemnation*" means the taking or damaging of the Mortgaged Estate, or any part thereof or interest therein, by reason of any public improvement or condemnation proceeding, or in any other manner.

"*Construction Administrator*" means, with respect to any other Project, the entity appointed as such by the Lessee, if any. For the New Money Improvements being financed with the Series 2024A Bonds there will not be a Construction Monitor and all such provisions regarding a Construction Administrator shall not apply.

"*Construction Contract*" means with respect to the Series 2024 Project, AIA A141-2014 Standard Form of Agreement Between Owner and Design-Builder, between the Lessee and [name of contractor], and with respect to any other Series Project, the applicable construction contract for such Series Project, if any.

"*Consulting Architect*" means an individual or an independent engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Lessee or the Borrower for other purposes) selected by the Lessee or the Borrower.

"*Continuing Disclosure Agreement*" means, with respect to the Series 2024 Bonds, the Continuing Disclosure Agreement dated as of May 1, 2024, by and among the Lessee, the Borrower and Digital Assurance Certification, LLC, as dissemination agent and, as to any Series of Additional Bonds, the Continuing Disclosure Agreement entered into by the Lessee and the Borrower in connection with such Series.

"*Cost of Issuance Fund*" means the fund by that name created pursuant to the Indenture.

"*Costs of a Series Project*" in connection with the construction, acquisition, improvement, renovation or equipping of a Series Project, means any cost incurred or estimated to be incurred by the Borrower which is reasonable and necessary for carrying out all works and undertakings in providing such Series Project for the Borrower, including the acquisition of real property and any Buildings thereon, the cost of equipment and furnishings, the construction, acquisition, improvement, renovation and equipping of a Series Project, the cost of necessary studies, surveys, plans and specifications, architectural, engineering, legal or other special services, development, construction and reconstruction necessary or useful in connection with such Series Project, the reasonable cost of financing or refinancing incurred by the Borrower and any cost of financing or refinancing incurred by the Authority in connection with the execution of the Loan Agreement, or in the course of the construction, acquisition, improvement, renovation and equipping of a Series Project, including capitalized interest on amounts disbursed in stages, and the cost of such other items as may be reasonable and necessary for the construction, acquisition, improvement, renovation and equipping of a Series Project as permitted under the Act.

"*Coverage Ratio*" means, for the indicated period, the ratio obtained by dividing (A) Net Income Available for Lease Payments for such Fiscal Year by (B) Annual Lease Payments plus Annual Debt Service (which Annual Debt Service shall not include any payments with respect to the Series 2024 Bonds or Base Lease Payments).

"*Custodian*" means, in connection with the Lessee's incurrence of parity Additional Indebtedness pursuant to the Lease Agreement, a third party to the Parity Agreement.

"*DACA*" means the Deposit Account Control Agreement, by and among the Lessee, the Trustee and Southern Bank, the Lessee's depository bank.

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and machinery affixed thereto or to the Land) which are located on the Land, as they may from time to time exist.

"*Business Day*" means any day other than a Saturday or Sunday or a day on which the Federal Reserve System or the Trustee is closed.

"*Capital Improvements*" means the acquisition of land, easements, facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions which, under Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items.

"*Cede & Co.*" means Cede & Co., the nominee of DTC, and any successor nominee of DTC.

"*Charter*" means the charter contract entered into pursuant to the Charter School Act by and between the Lessee and the North Carolina Department of Public Instruction, effective for the term July 1, 2022 through June 30, 2032, pursuant to which the Lessee operates the School, and any subsequent renewal thereof, as amended and modified from time to time.

"*Charter School Act*" means Section 115C-218 et. seq. of the North Carolina General Statutes.

"*Claims and Awards*" means all the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Grantor now has or may hereafter acquire in the Real Property, Equipment, Derivative Interests, or Intangibles and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Real Property, Equipment, Derivative Interests, or Intangibles including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages.

"*Closing Memorandum*" means the closing memorandum attached to the Loan Agreement as Exhibit D.

"*Code*" means the Internal Revenue Code of 1986. References to the Code and Sections of the Code include relevant applicable Regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, Regulations, or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Tax-Exempt Bonds.

"*Completion Date*" means, for each Series Project, the earliest of (a) the date specified by the Borrower in a certificate delivered to the Trustee stating that the acquisition, construction, renovation, improvement, and equipping of such Series Project is complete in accordance with the Loan Agreement, (b) the date three years from the date of issuance of the related Series of Bonds, or (c) the date set forth in a written certificate of an Authorized Representative of the Borrower delivered to the Trustee to the effect that no further disbursements will be requested from the Project Fund.

"*Completion Indebtedness*" means any Long-Term Indebtedness incurred by any Person for the purpose of financing the completion of Capital Improvements, for which such Long-Term Indebtedness was incurred under the Indenture, to the extent necessary to provide for completion of the Capital Improvements in substantially the same type and scope contemplated at the time that such Long-Term Indebtedness was incurred. Completion Indebtedness may also finance interest on the Completion Indebtedness for a period up to three years from the date of issuance thereof, any reserve funds related to such Completion Indebtedness and the costs and expenses of issuing such Completion Indebtedness.

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"*Days Cash on Hand*" means as of any date of determination, the product of 365 times a fraction, (i) the numerator of which is the aggregate amount of Lessee's unrestricted cash and unrestricted investments and board designated funds that are not otherwise restricted (either permanently or temporarily) as to their use for payment of total Operating Expenses as of such date of determination, and (ii) the denominator of which is total Operating Expenses, in each case, for the period of four fiscal quarters ended on the date of determination, and determined in accordance with Generally Accepted Accounting Principles.

"*Debt Service Reserve Fund*" means the fund by that name created pursuant to the Indenture, and includes any subaccounts contained therein.

"*Debt Service Reserve Fund Requirement*" means, (a) for the Series 2024A Bonds, an amount equal to the Series 2024A Debt Service Reserve Requirement, (b) for the Series 2024B Bonds, an amount equal to the Series 2024B Debt Service Reserve Requirement, and (c) for any Series of Additional Bonds, an amount, determined at the time of issuance of such Additional Bonds, not to exceed the least of (i) 10% of the original principal amount of such Additional Bonds, (ii) 125% of the average annual debt service on such Additional Bonds, or (iii) 100% of the Maximum Annual Debt Service payable on such Additional Bonds; provided the Debt Service Reserve Fund Requirement for any Series of Additional Bonds may be revised to a lesser amount in accordance with requirements of Regulations specifying the maximum amount in a reserve fund permitted to be invested without regard to investment yield.

"*Deed of Trust*" means, collectively, (i) the Original Deed of Trust and (ii) any deed of trust, substantially similar to the Original Deed of Trust, executed by the Borrower and the Lessee subsequent to the issuance of the Series 2024 Bonds, for the benefit of the Trustee in connection with the Bonds, in each case as modified, supplemented or amended from time to time. When used in the singular, Deed of Trust means any one of the foregoing.

"*Deficiency*" means the amount of any unpaid or unperformed Secured Obligations remaining following any sale of collateral.

"*Determination Period*" means the period of time used in the calculation to determine the amount of debt service payable on any Variable Rate Indebtedness.

"*Determination of Taxability*" means, with respect to the Tax-Exempt Bonds, (i) the enactment of legislation or the adoption of final Regulations or a final decision, ruling or technical advice by any federal judicial or administrative authority which has the effect of requiring interest on a Tax-Exempt Bond to be included in the gross income of the Beneficial Owner for federal income tax purposes or (ii) the receipt by the Trustee of a written opinion of nationally recognized bond counsel selected by the Borrower and approved by the Authority to the effect that interest on a Tax-Exempt Bond must be included in the gross income of the Beneficial Owner for federal income tax purposes. A Determination of Taxability will not result from the inclusion of interest on any Tax-Exempt Bond in the computation of the alternative minimum tax imposed by Section 55 of the Code, the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on the net passive income of certain S corporations under Section 1375 of the Code.

"*Derivative Interests*" means the Income and all estate, right, title and interest of Grantor in and to all leases and subleases covering the Real Property or any portion thereof now or hereafter existing or entered into, including, without limitation, all cash and security deposits, advance rentals and deposits or payments of similar nature; all right, title and interest of Grantor in and to all options to purchase or lease the Real Property or any portion thereof or interest therein, and any greater estate therein now owned or hereafter acquired; all interests, estate or other claims, both in law and in equity, which Grantor now has or

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may hereafter acquire in the Real Property or any portion thereof or interest therein; all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, all right, title and interest of Grantor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Real Property and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Real Property.

"*Disclosure Representative*" shall mean Chief Financial Officer, or her/his designee], or such other person as the Lessee shall designate in writing to the Dissemination Agent from time to time.

"*DTC*" means The Depository Trust Company and its successors and assigns.

"*Environmental Assessment*" means a written report of a site assessment and environmental audit.

"*Environmental Damages*" means all claims, judgments, damages, losses, penalties, fines, Liabilities (including strict liability), encumbrances, Liens, privileges, costs, and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement or judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and expert consultants' fees and disbursements, any of which are incurred at any time as a result of the existence of Regulated Chemicals upon, about, beneath or migrating, or threatening to migrate, onto or from the Leased Property, or the existence of a violation of Environmental Requirements pertaining to the Leased Property, regardless of whether or not such Environmental Damages were caused by or within the control of the Lessee.

"*Environmental Indemnity Parties*" means the Registered Owners, the Beneficial Owners, the Trustee, the Authority and the Authority Indemnified Persons and their successors, assigns, trustees, directors, officers, employees, agents, contractors, subcontractors, licensees and invitees.

"*Environmental Law*" means the Comprehensive Environmental Response, Compensation and Liability Act of 1976, 42 U.S.C. §§ 6901 *et seq.*, Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by SARA, 42 U.S.C. §§ 1820 *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1810 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. §§ 2601 *et seq.*, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 9601 *et seq.*; the Clean Water Act, 33 U.S.C. §§ 1251 *et seq.* and the Clean Air Act, 42 U.S.C. §§ 7412 *et seq.*, and any other applicable federal or State of North Carolina laws pertaining to the protection of the environment, as any such laws may be amended, modified or supplemented and any regulations promulgated pursuant to any of the foregoing.

"*Environmental Report*" means any Environmental Assessment, Tests, or other Environmental report or audit conducted at the Facilities for any reason, including, with respect to the Series 2024 Facilities, the Phase I Environmental Site Assessment report by Partner dated November 3, 2023.

"*Environmental Requirements*" means all applicable federal, State of North Carolina, regional or local laws, statutes, rules, regulations or ordinances, concerning public health, safety or the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §9601, *et seq.*, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §6901, *et seq.*, the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. § 1251, *et seq.*, the Toxic Substances Control Act of 1976, 15 U.S.C. §2601, *et seq.*, the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. §11001, *et seq.*, the Clean Air Act of 1966, as amended, 42 U.S.C.

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"*General Contractor*" means, with respect to the Series 2024 Facilities, Smithson Inc.

"*Generally Accepted Accounting Principles*" or "*GAAP*" means those accounting principles applicable in the preparation of financial statements of the Lessee, as promulgated by the Financial Accounting Standards Board, as amended or supplemented from time to time, or such other body recognized as authoritative by the American Institute of Certified Public Accountants.

"*Government Obligations*" means direct obligations of the United States of America or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by the United States of America.

"*Grantor*" means, collectively, the Borrower and the Lessee.

"*Impositions*" means all real and personal property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, which are assessed or imposed upon the Mortgaged Estate or any part thereof, or become due and payable, and which create, may create or appear to create a lien upon the Mortgaged Estate, or any part thereof, or upon any personal property, equipment or other facility used in the operation or maintenance thereof.

"*Improvements*" means any and all buildings, structures, fixtures and improvements now or hereafter located on the Land, including, but not limited to, the fixtures, attachments and other articles now or hereafter attached to such buildings, structures and improvements.

"*Income*" means all rents, issues, profits, revenues, royalties, income and other benefits derived from the Real Property, Intangibles and Equipment and the operation thereof, including the rents from the Lease Agreement, including but not limited to, any and all pledged revenues, and any and all entitlements, warrants, gifts, donations, grants, and bequests, to the extent allowed by the terms thereof, regardless of the source.

"*Indebtedness*" means all indebtedness of the Lessee for borrowed moneys, including, but not limited to, indebtedness which has been incurred or assumed in connection with the acquisition, construction, renovation, improvement, or equipping of the Facilities, all indebtedness, no matter how created, secured by the Mortgaged Estate, whether or not such indebtedness is assumed by the Lessee, any leases required to be capitalized in accordance with Generally Accepted Accounting Principles, installment purchase obligations and guaranties.

"*Indemnified Parties*" means the Authority, each Authority Indemnified Person, and the Trustee Indemnified Persons.

"*Indenture*" means the Indenture of Trust, dated as of May 1, 2024, between the Authority and the Trustee, including any indentures supplemental thereto made in conformity therewith, pursuant to which the Bonds are authorized to be issued and secured.

"*Independent*" means a Person who is not a member of the governing body of the Borrower, the Lessee or any of their respective affiliates, or an officer or employee of the Borrower, the Lessee or any of their respective affiliates.

"*Insurance Consultant*" means an Independent insurance consultant and/or risk management firm or an insurance broker or an insurance agent (which may be a consultant, firm, broker or agent with whom the Lessee regularly transacts business) selected by the Lessee.

§7401, *et seq.*, the National Environmental Policy Act of 1975, 42 U.S.C. §4321, the Rivers and Harbors Act of 1899, 33 U.S.C. §401 *et seq.*, the Endangered Species Act of 1973, as amended 16 U.S.C. §1531, *et seq.*, the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §651, *et seq.*, the Safe Drinking Water Act of 1974, as amended 42 U.S.C. §300(f), *et seq.*, and all rules, regulations, policies and guidance documents promulgated or published thereunder, and any State of North Carolina, regional, parish or local statute, law, rule, regulation or ordinance relating to public health, safety or the environment, including, without limitation those relating to:

- (a) releases, discharges, emissions or disposals to air, water, land or groundwater;
- (b) the withdrawal or use of groundwater;
- (c) the use, handling, or disposal of polychlorinated biphenyls ("PCBs"), asbestos or urea formaldehyde;
- (d) the transportation, treatment, storage, disposal, release or management of hazardous substances or materials (including, without limitation, petroleum, its derivatives, by-products or other hydrocarbons), and any other solid, liquid, or gaseous substance, exposure to which is prohibited, limited or regulated, or may or could pose a hazard to the health and safety of the occupants of the Leased Property or any property adjacent to or surrounding the Leased Property;
- (e) the exposure of persons to toxic, hazardous; or other controlled, prohibited or regulated substances; and
- (f) any Regulated Chemical.

"*Equipment*" means all furniture, furnishings, equipment, supplies and other tangible personal property, wherever located, whether in the possession of Grantor, warehousemen, bailees or any other person, used in connection with the Real Property.

"*Event of Default*" means each event designated as an "Event of Default" in each of the Borrower Documents (including the Lease Agreement) and in the Indenture.

"*Excess*" means any moneys (including investment proceeds) on deposit in the appropriate subaccount of the Project Fund on the Completion Date.

"*Expiration Date*" means the date the Lease Agreement expires pursuant to Article III of the Lease Agreement.

"*Facilities*" means, individually or collectively the Series 2024 Facilities, and any other facilities now or hereafter owned by the Borrower and leased to the Lessee in connection with the operation of the School.

"*Financing Documents*" means the Series 2024 Promissory Notes, the Loan Agreement, the Lease Agreement, the DACA and the Deed of Trust.

"*Fiscal Year*" means the twelve-month period commencing July 1 and ending on June 30.

"*Funds*" means, collectively, the Bond Fund, the Debt Service Reserve Fund, the Cost of Issuance Fund, the Project Fund, the Rebate Fund, the Repair and Replacement Fund and any other funds, accounts or subaccounts held by the Trustee under the Indenture.

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"*Insurance Proceeds*" means proceeds of all insurance awards.

"*Intangibles*" means all of Grantor's interest in all existing and future accounts, contract rights, general intangibles, files, books of account, plans, specifications, agreements, permits, licenses and certificates necessary or desirable in connection with the acquisition, ownership, leasing, construction, operation, furnishing, equipping, servicing or management of the Real Property, all existing and future names under or by which the Real Property or any portion thereof may at any time be operated or known, all rights to carry on business under any such names or any variant thereof, and all existing and future telephone numbers and listings, advertising and marketing materials, trademarks, tradenames, licenses, patents, copyrights and good will in any way relating to the Real Property or any portion thereof.

"*Interest Payment Date*" means, as to the Series 2024 Bonds, each June 15 and December 15, commencing December 15, 2024, and as to a Series of Additional Bonds, the Interest Payment Date established in the related Supplemental Indenture.

"*Interest Rate Swap*" means an agreement with a Swap Provider pursuant to which the interest rate on variable rate Indebtedness is synthetically fixed.

"*Interim Indebtedness*" means all Indebtedness having an original maturity less than or equal to five years and not renewable at the option of the Lessee for a term greater than five years from original incurrence or issuance.

"*Investment Grade Rating*" means a rating by S&P or Fitch of "BBB-" or higher, by Moody's of "Baa3" or higher, or by another Rating Agency of the equivalent rating or higher.

"*Investment Obligations*" means, if and to the extent the same are at the time legal for investment of funds held under the Indenture (such legality to be determined by an Authorized Representative of the Borrower or an Asset Manager, and not the Trustee), dollar denominated investments in any of the following:

- (a) Government Obligations;
- (b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency;
- (c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Lessee or the Federal Farm Credit Bank) which is either (i) rated in the highest rating category by any Rating Agency, or (ii) backed by the full faith and credit of the United States of America;
- (d) U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which mature not more than 360 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which matures not more than 270 days after the date of purchase;

(f) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(g) investment agreements with banks that at the time the agreement is executed are rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency or investment agreements with non-bank financial institutions, provided that (1) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time the agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is rated by any Rating Agency in one of the two highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term indebtedness by any Rating Agency. If such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), then investment agreements with the non-bank financial institution will be permitted;

(h) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including the Trustee or its affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Trustee or a custodial agent of the Trustee has possession of the collateral and that the collateral is free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Trustee or the Trustee's agent; and

(i) investments in a money market fund, including funds of the Trustee or its affiliates, rated (at the time of purchase) in the highest rating category for this type of investment by any Rating Agency; and

(j) shares in any investment company, money market mutual fund, fixed income mutual fund, Exchange Traded Fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and whose investments consist solely of Investment Obligations as defined in paragraphs (a) through (i) above, including money market mutual funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund.

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"Lessor Documents" means the Lease Agreement, the Continuing Disclosure Agreement, the Original Deed of Trust, the Loan Agreement, the Series 2024 Promissory Notes, the Bond Purchase Agreement, and each of the other agreements, certificates, contracts or instruments to be executed by the Lessor in connection with the Lease Agreement and the issuance of the Bonds.

"Lessor's Unassigned Rights" means the rights of the Lessor to (a) inspect books and records of the Lessee, (b) give or receive notices, approvals, consents, requests and other communications, (c) receive payment or reimbursement for expenses, (d) immunity from and limitation of liability, (e) indemnification from liability by the Lessee, and (f) security for the Lessee's indemnification obligation.

"Letter of Representations" means the Blanket Letter of Representations dated December 14, 2018, from the Authority to DTC.

"Liabilities" means any and all causes of action (whether in contract, tort or otherwise), claims, costs, charges, damages, demands, fees, judgments, liabilities, losses, suits and expenses (including, without limitation, costs of investigation and fees and expenses of attorneys, accountants, consultants and other experts, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) of every conceivable kind, character and nature whatsoever.

"Lien" means any mortgage or pledge of, security interest in, or lien or encumbrance on, any property which secures any Indebtedness or other obligation of the Lessee or the Borrower, excluding liens applicable to property in which the Lessee has only a leasehold interest unless such leasehold interest secures Indebtedness.

"Loan" means the loan by the Authority to the Lessor of the proceeds from the sale of the Series 2024 Bonds pursuant to the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated as of May 1, 2024, between the Borrower and the Authority, as it may be modified, supplemented, restated or replaced from time to time in accordance with its terms and the terms of the Indenture.

"Loan Payment(s)" means those payments required to be paid by the Borrower pursuant to Section 5.1 of the Loan Agreement.

"Long-Term Indebtedness" means any Indebtedness incurred, assumed or guaranteed by the Lessee maturing on or after the expiration of the one year period after it is incurred.

"Management Consultant" means a Person, including an Accountant, qualified to study the operations of facilities like the charter school facilities operated by the Lessee, and having a favorable reputation in the industry and, unless otherwise specified in the Indenture, retained by the Lessee.

"Management Notice" means the notice of the selection of a Management Consultant to be filed with EMMA as required by the Lease Agreement.

"Material Adverse Effect" or *"Material Adverse Change"* means a material adverse effect upon, or a material adverse change in, any of (a) the financial condition, operations, business, properties or prospects of the Lessee or the Lessor taken as a whole; (b) the ability of the Lessee or the Lessor to perform under the Lease Agreement or under any Lessor Document in any material respect or any other material contract to which any one or more of them is a party in any material respect; (c) the legality, validity or enforceability of the Lease Agreement, of any Lessor Document, or of the Indenture; (d) the perfection or priority of any Liens of granted under the Loan Agreement or any Lessor Document; (e) the status of the Lessee as an

The Trustee shall be entitled to assume that any investment which at the time of purchase is an Investment Obligation remains an Investment Obligation thereafter, absent receipt of written notice or information to the contrary.

For the purposes of this definition, obligations issued or held in the name of the Trustee (or in the name of Authority and payable to the Trustee) in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Trustee.

"Joint Exercise Agreement" means the Amended and Restated Joint Exercise of Powers Agreement Relating to the Public Finance Authority, dated September 28, 2010, by and among Adams County, Wisconsin, Bayfield County, Wisconsin, Marathon County, Wisconsin, Waupaca County, Wisconsin and the City of Lancaster, Wisconsin, as such agreement may be amended from time to time.

"Land" means (a) the real property located in the County of Edgecombe in the State of North Carolina, described in the Deed of Trust and the Lease Agreement and (b) any real property purchased with the proceeds of any Additional Bonds.

"Lease Agreement" means the Lease Agreement dated as of May 1, 2024, between the Borrower and the Lessee, as it may be modified, supplemented, restated or replaced from time to time in accordance with its terms and the terms of the Indenture.

"Lease Payments" means Base Lease Payments and Additional Lease Payments required to be paid by the Lessee pursuant to the Lease Agreement.

"Lease Payment Date" means the fifth calendar day of each month, commencing July 5, 2024.

"Lease Term" means the time during which the Lessee is the lessee of the Leased Property under the Lease Agreement, as provided in and subject to Article III of the Lease Agreement; provided that certain provisions of the Lease Agreement survive the termination of the Lease Term, as provided in Article III of the Lease Agreement.

"Leased Property" means the Facilities and any other facilities hereafter owned by the Borrower at any time and leased to the Lessee under the Lease Agreement, and pledged to the Trustee to secure the Bonds, including the land identified in the Lease Agreement, as such may be amended from time to time, and any and all buildings, structures, fixtures, improvements, and equipment, including, but not limited to, the fixtures, attachments and other articles attached to such buildings, structures, improvements, and equipment located thereon or therein.

"Lessee" means North East Carolina Preparatory School, Inc., a North Carolina nonprofit corporation designated as an organization described in Section 501(c)(3) of the Code and authorized to operate a charter school by the State of North Carolina under the Charter School Act, or any successor thereto, and any surviving, resulting or transferee entity thereof, as provided in the Lease Agreement.

"Lessee Documents" means the Lease Agreement, the Continuing Disclosure Agreement, the Original Deed of Trust, the DACA, the Bond Purchase Agreement, the Tax Agreement and each of the other agreements, certificates, contracts or instruments to be executed by the Lessee in connection with the Loan Agreement and the issuance of the Bonds.

"Lessor" means NECP Holdings, LLC, a North Carolina limited liability company, or any successor thereto, or any surviving, resulting or transferee entity thereof, as provided in the Lease Agreement.

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organization described in Section 501(c)(3) of the Code or the tax-exempt status of the interest on any Series of Tax-Exempt Bonds; (f) the status of the Lessor as a disregarded entity for federal tax purposes; or (g) the status or effectiveness of the Lessee's charter from the State of North Carolina to operate a charter school.

"Maximum Annual Coverage Ratio" means, for the indicated period, the ratio obtained by dividing (A) Net Income Available for Lease Payments for such Fiscal Year by (B) Maximum Annual Lease Payments plus Maximum Annual Debt Service (which Annual Debt Service shall not include any payments with respect to the Series 2024 Bonds or Base Lease Payments).

"Maximum Annual Debt Service" means, as of any date of calculation, the highest Principal and Interest Requirements on Long-Term Indebtedness (provided the final maturity payment for a Series of Bonds shall be reduced by amounts on deposit in the Debt Service Reserve Fund and available for such payment) for any current or any succeeding Fiscal Year, taking into account the provisions for determining the Principal and Interest Requirements on Long-Term Indebtedness set forth in the Lease Agreement.

"Maximum Annual Lease Payments" means, as of any date of calculation, the highest amount of Base Lease Payments to be paid under the Lease Agreement with respect to the current or any succeeding Fiscal Year; provided that for purposes of this calculation, the Base Lease Payments due in the final year of the Lease Term shall be reduced by amounts on deposit in the Debt Service Reserve Fund and available for such payment.

"Maximum Rate" means the lesser of (i) the highest interest rate permitted by applicable law, or (ii) (A) with respect to the Series 2024 Bonds, the not to exceed interest rate stated in the Bond Resolution for the Series 2024 Bonds (15%) and (B) with respect to any series of Additional Bonds, the not to exceed interest rate stated in the Bond Resolution for such series of Additional Bonds.

"Member" means each of the parties to the Joint Exercise Agreement and any political subdivision that becomes a member of the Authority pursuant to the Joint Exercise Agreement.

"MMD" means the interest rate most recently released, as of the applicable date of determination, by Municipal Market Data for its "Aaa" general obligation yield for uninsured bonds for a term equal to thirty years.

"Mortgaged Estate" means all of Grantor's estate, right, title and interests in, to and under any and all of the Real Property, Equipment, Derivative Interests, Intangibles, Claims and Awards, all other right, title and interest of the Lessee, as Lessee, under the Lease Agreement, and all of the rents, revenues, issues, profits, products and proceeds of any and all of the foregoing, whether now owned or hereafter acquired, together with all cash and noncash proceeds thereof.

"Net Bond Proceeds" means Bond Proceeds less the portion thereof deposited in a debt service reserve fund.

"Net Income Available for Lease Payments" means, for any period of determination thereof, the aggregate Revenues for such period, minus the total Operating Expenses for such period but excluding (i) any profits or losses which would be regarded as extraordinary items under Generally Accepted Accounting Principles, (ii) gain or loss in the extinguishment of Indebtedness, (iii) proceeds of the Bonds and any other Indebtedness permitted by the Lease Agreement, (iv) proceeds of insurance policies, other than policies for business interruption insurance, maintained by or for the benefit of Lessee, (v) proceeds of any sale, transfer or other disposition of any of Lessee's assets by the Lessor or the Lessee of any assets, (vi) proceeds of any condemnation or any other damage award received by or owing to Lessee related to the Leased Property,

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and (vii) amounts expended for Base Lease Payments. In addition, Net Income Available for Lease Payments shall be adjusted by adding back any Operating Expenses that are also included in Annual Lease Payments or Annual Debt Service.

"*Net Proceeds*" means, when used with respect to any insurance payment or condemnation award, the gross proceeds thereof payable to the Borrower or the Lessee, as applicable, or to which the Borrower or the Lessee, as applicable, has a right, less the expenses (including attorneys' fees) incurred in the collection of such gross proceeds.

"*New Money Improvements*" means certain capital improvements, including, but not limited to, the acquisition of approximately 40 acres of land adjacent to the Campus, the installation of athletic fields, the construction and equipping of athletic field houses, and certain other capital improvements on the Campus.

"*Non-Recourse Indebtedness*" means Long-Term Indebtedness incurred for the purpose of financing Capital Improvements or tangible personal property secured by a lien on, or security interest in, the property being financed and evidenced by an instrument which expressly provides that such Long-Term Indebtedness is not on a parity with the Bonds under the Indenture and upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to the property securing the same and not to the credit of the Lessee nor to any other assets of the Lessee.

"*Objection Notice*" means the notice from a Beneficial Owner of the Bonds to the Trustee notifying the Trustee that such Owner objects to the selection of the Management Consultant by the Lessee pursuant to the Lease Agreement.

"*Objection Period*" means the ten-day period in which a Beneficial Owner of the Bonds is permitted to send an Objection Notice to the Trustee, as provided in the Lease Agreement.

"*Offering Document*" means, with respect to the Series 2024 Bonds, the final Official Statement dated May 9, 2024, prepared in connection with the sale of the Series 2024 Bonds, and with respect to any Series of Additional Bonds, the offering document prepared in connection with the sale of the related Series of Bonds.

"*Operating Expenses*" means fees and expenses of the Lessee, including Additional Lease Payments, maintenance and repair expenses, utility expenses, administrative and legal expenses, miscellaneous operating expenses, interest expenses, advertising costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Lessee, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Lessee not otherwise mentioned in the Lease Agreement, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with Generally Accepted Accounting Principles, all in such amounts as reasonably determined by the Lessee; provided, however, "Operating Expenses" shall not include depreciation, amortization or other non-cash or extraordinary expenses; deposits into and expenditures from any debt service reserve, repair and replacement or capital maintenance fund; or spending for items which could reasonably be accounted for as capital expenditures under Generally Accepted Accounting Principles.

"*Opinion of Counsel*" means an opinion in writing of legal counsel, who may be counsel to the Authority, the Trustee, the Borrower or the Lessee, reasonably acceptable to the addressees thereof.

"*Original Deed of Trust*" means the Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing (Fee and Leasehold), executed by the Borrower and the Lessee for the benefit of the Trustee in connection with the Series 2024 Bonds.

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(e) mechanics' and materialmen's Liens related to the Mortgaged Estate when payment of the related bill is not overdue and as may be permitted by the Lease Agreement;

(f) judgment liens against the Borrower or the Lessee so long as such judgment is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(g) (i) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license or permit, or provision of law, affecting the Mortgaged Estate, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of the Mortgaged Estate or materially and adversely affect the value thereof, or (B) purchase, condemn, appropriate or recapture, or designate a purchaser of, the Mortgaged Estate; (ii) Liens on the Mortgaged Estate for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges not yet due or delinquent; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title to the Mortgaged Estate which do not materially impair the use of the Mortgaged Estate or materially and adversely affect the value thereof; or (iv) rights reserved to or vested in any municipality or public authority to control or regulate the Mortgaged Estate or to use the Mortgaged Estate in any manner, which rights do not materially impair the use of the Mortgaged Estate or materially and adversely affect the value thereof;

(h) Liens and any other restrictions, exceptions, leases, easements or encumbrances which are existing on the date of initial issuance and delivery of the Series 2024 Bonds, provided that no such Lien (or the amount of Indebtedness secured thereby), restriction, exception, lease, easement or encumbrance may be increased, extended, renewed or modified to apply to the Facilities not subject to such Lien on such date, unless such Lien as so extended, renewed or modified would otherwise qualify as a Permitted Encumbrance hereunder;

(i) Liens on the Mortgaged Estate with respect to any Indebtedness that meets the conditions described in the Lease Agreement; and

(j) with respect to Mortgaged Estate acquired by the Borrower after the Bond Closing for the Series 2024 Bonds, any Lien on or any lease of premises existing on the date such premises are acquired by the Borrower, whether by gift, grant, bequest, or purchase.

"*Person*" includes an individual, association, corporation, partnership, limited liability company, joint venture or a government or an agency or a political subdivision thereof.

"*Personalty*" means any portion of the Mortgaged Estate which constitutes personal property, fixtures or other property governed by the UCC.

"*Principal and Interest Requirements on Long-Term Indebtedness*" means, for any Fiscal Year, 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 or from any irrevocable escrow fund.

"*Principal Payment Date*" or "*sinking fund payment date*" means, as to the Series 2024 Bonds, means each June 15, commencing June 15, 2025, as to a Series of Additional Bonds, the Principal Payment Date or sinking fund payment date established for that Series of Bonds in the related Supplemental Indenture.

"*Private Business Use*" means use, directly or indirectly, by any Private Person other than use as a member of, and on the same basis as, the general public.

"*Other Bonds*" means various series of bonds issued by the Authority in connection with the financing of other projects.

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

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

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

(c) Bonds in lieu of which other Bonds have been authenticated under the Indenture;

(d) Bonds for which the conditions enumerated in the Indenture have been met; and

(e) Bonds owned by the Borrower or the Lessee.

"*Parity Agreement*" means, in connection with the Lessee's incurrence of parity Additional Indebtedness pursuant to the Lease Agreement, the documentation required to reflect and implement the parity position of such Indebtedness, which may consist of, but is not limited to, a custody and parity lien agreement, intercreditor agreement or deposit account control agreement.

"*Parity Trustee*" means, in connection with the Lessee's incurrence of parity Additional Indebtedness pursuant to the Lease Agreement, a representative of the holders of the parity Indebtedness.

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

"*Permitted Encumbrance(s)*" means, as of any particular time, those items defined as such in the title policy delivered in connection with the Bond Closing for the Series 2024 Bonds and any of the following:

(a) Liens for taxes and special assessments on the Mortgaged Estate not then delinquent;

(b) the Lease Agreement and each Deed of Trust;

(c) purchase money security interests with respect to any item of equipment related to the Mortgaged Estate;

(d) utility, access, and other easements and rights-of-way, mineral rights and reservations, restrictions and exceptions which would not in the aggregate (i) materially interfere with or impair any present use of the Mortgaged Estate or any reasonably probable future use of the Mortgaged Estate, or (ii) materially reduce the value which would be reasonably expected to be received for the Mortgaged Estate upon any sale (including any foreclosure of the mortgage granted by the Deed of Trust);

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"*Private Person*" means any person that is not (i) a "governmental unit" within the meaning of Section 150(a)(2) of the Code or (ii) an organization described in Section 501(c)(3) of the Code engaged in an unrelated trade or business (within the meaning of Section 513 of the Code).

"*Project*" means, collectively, the Series 2024 Project and, as to any Series of Additional Bonds, that project described in the related amendment or supplement to the Loan Agreement.

"*Project Fund*" means the fund by that name created pursuant to the Indenture and includes any subaccounts contained therein.

"*Projected Rate*" means, (i) in connection with any calculation of Balloon Amount, either (a) the interest rate on an Interest Rate Swap related to Balloon Indebtedness for which such Balloon Amount is being determined or (b) the projected yield at par of an obligation, as set forth in the report of a Management Consultant that states in determining the Projected Rate such Management Consultant reviewed the yield evaluations at par of not less than three obligations selected by such Management Consultant, the interest on which is excludable from gross income for federal income tax purposes (or, if it is not expected that it would be possible to issue such tax-exempt obligations to refinance the Indebtedness with respect to which debt service is being estimated or if it is not intended that the interest on the obligation for which the Projected Rate is being determined be excludable from gross income for federal income tax purposes, the obligations the interest on which is subject to federal income tax), which obligations such Management Consultant states in its opinion are reasonable comparators to be utilized in developing such Projected Rate and (ii) in connection with any calculation related to Put Indebtedness, the projected yield at par of an obligation, as set forth in the report of a Management Consultant that states in determining the Projected Rate such Management Consultant reviewed the yield evaluations at par of not less than three obligations selected by such Management Consultant, the interest on which is excludable from gross income for federal income tax purposes (or, if it is not expected that it would be possible to issue such tax-exempt obligations to refinance the Indebtedness with respect to which debt service is being estimated or if it is not intended that the interest on the obligation for which the Projected Rate is being determined be excludable from gross income for federal income tax purposes, the obligations the interest on which is subject to federal income tax), which obligations such Management Consultant states in its opinion are reasonable comparators to be utilized in developing such Projected Rate.

"*Promissory Note(s)*" or "*Note(s)*" means, collectively and individually, the Series 2024 Promissory Notes and any Additional Promissory Notes by the Borrower in favor of the Authority with respect to the Bonds.

"*Put Date*" means (i) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date; or (ii) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"*Put Indebtedness*" means Indebtedness which is (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date; or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration or required purchase upon the occurrence of an event of default.

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"*Qualified Institutional Buyer*" has the meaning given in Rule 144A under the Securities Act of 1933, as amended.

"*Rating Agency*" means Fitch Ratings, Moody's Investors Service or S&P Global Ratings, their respective successors and assigns, or any other nationally recognized rating agency.

"*Rating Consultant*" means a Management Consultant, the Underwriter, or other consultant experienced in the financing of charter schools.

"*Real Property*" means the Improvements together with the Land.

"*Rebate Amount*" means the Rebate Amount with respect to a Series of Tax-Exempt Bonds determined in accordance with the Indenture.

"*Rebate Analyst*" means an independent certified public accountant, financial analyst or Bond Counsel, or any firm of the foregoing, or financial institution, experienced in making the arbitrage and rebate calculations required pursuant to Section 148(f) of the Code, selected and compensated by the Borrower to make the computations and give the directions required under the Indenture.

"*Rebate Fund*" means the fund by that name created pursuant to the Indenture.

"*Rebate Year*" means, as to a Series of Tax-Exempt Bonds, the period beginning on the date of issuance of that Series of Tax-Exempt Bonds and ending on the next succeeding June 30, and for all other Rebate Years, the one-year period beginning on the day after the end of the preceding Rebate Year and ending on the following June 30, unless the Borrower, the Authority and the Trustee are advised by the Rebate Analyst that another period is required by law; provided, however, that the last Rebate Year for a Series of Tax-Exempt Bonds shall end on the date the Bonds of such Series are no longer Outstanding.

"*Recordable Documents*" means the Deed of Trust, each supplement and amendment to such instrument and financing statements with respect thereto and each instrument of further assurance.

"*Refunding Indebtedness*" means any Indebtedness issued for the purpose of refunding any outstanding Long-Term Indebtedness or Put Indebtedness and financing the funding of related reserve funds, costs of issuance and other costs related to such refunding.

"*Registered Owner*" or "Owner" means the person or persons in whose name or names a particular Bond is registered on the registration records maintained for that purpose pursuant to the Indenture.

"*Regular Record Date*" means the last day of the calendar month next preceding each Interest Payment Date.

"*Regulated Chemicals*" means any substance, the presence of which requires investigation, permitting, control or remediation under any federal, State of North Carolina or local statute, regulation, ordinance or order, including without limitation:

(a) any substance defined as "hazardous waste" under the Resource Conservation and Recovery Act, as amended (42 U.S.C. §6901 *et seq.*);

(b) any substance defined as a "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. §9601 *et seq.*);

(c) any substance defined as a "hazardous material" under the Hazardous Materials Transportation Act (49 U.S.C. § 1800 *et seq.*);

(d) any substance defined under any North Carolina statute analogous to (a), (b) or (c), to the extent that said statute defines any term more expansively;

(e) asbestos;

(f) urea formaldehyde;

(g) polychlorinated biphenyls;

(h) petroleum, or any distillate or fraction thereof;

(i) any hazardous or toxic substance designated pursuant to the laws of the State of North Carolina; and

(j) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

"*Regulations*" or "*Treasury Regulations*" means the temporary or final Income Tax Regulations promulgated by the Department of Treasury and applicable to the Bonds issued pursuant to Sections 141 through 150 of the Code or Section 103 of the Internal Revenue Code of 1954. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to Sections 141 through 150 of the Code and applicable to the Bonds.

"*Repair and Replacement Fund*" means the Repair and Replacement Fund created in the Indenture.

"*Repair and Replacement Fund Requirement*" means an amount equal to \$100,000; provided, however, that the Repair and Replacement Fund Requirement shall be adjusted to reflect the amount recommended by the Independent consultant as provided in Section 6.1(b) of the Lease Agreement and certified by the Borrower to the Trustee.

"*Response Action*" means all appropriate responsive action, including any removal and remedial action, the Lessee is obligated to take in the event of a release, emission, discharge or disposal of any Regulated Chemical in, on, under or about the Facilities.

"*Revenues*" means, regardless of source and to the extent permitted by law, all revenues, rentals, fees, third-party payments, receipts, donations, contributions or other income of Lessee, including the rights to receive such revenues, all as calculated in accordance with Generally Accepted Accounting Principles, including County Payments and State Payments and any other amounts paid to Lessee or otherwise attributable to the School or the Facilities, proceeds derived from insurance, condemnation proceeds, accounts, contract rights and other rights and assets, whether now or hereafter owned, held or possessed by the Lessee; and all gifts, grants, bequests and contributions (including income and profits therefrom) to the extent permitted by the terms thereof.

"*Rule*" means Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12).

"*School*" means that K-12 charter school operated by the Lessee and known as North East Carolina Preparatory School.

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"*Secured Obligations*" means the indebtedness and the obligations secured by the Deed of Trust.

"*Separate Dispute*" means a dispute, claim, defense, controversy, or cause of action enumerated in Section 12.8(b) of the Loan Agreement that can be separated from other disputes under the Loan Agreement.

"*Series*" means a series of Bonds issued pursuant to the Indenture.

"*Series 2024 Bond Proceeds*" means all Bond Proceeds of the Series 2024 Bonds.

"*Series 2024 Bonds*" means, collectively, the Series 2024A Bonds and the Series 2024B Bonds.

"*Series 2024 Facilities*" means the land and charter educational facilities of the Lessee and the Borrower located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina, financed or refinanced with the proceeds of the Series 2024 Bonds, including (a) the Series 2019 Project and (b) the New Money Improvements.

"*Series 2024 Project*" means refunding the outstanding principal amount of the Authority's Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019A and Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019B (Subordinate); the financing of the New Money Improvements; funding a debt service reserve fund; and paying all or a portion of the costs of issuance of the Series 2024 Bonds.

"*Series 2024 Promissory Notes*" means collectively, the Series 2024A Promissory Note and the Series 2024B Promissory Note.

"*Series 2024A Bonds*" means the Public Finance Authority Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A, issued in the original aggregate principal amount of \$27,610,000.

"*Series 2024A Debt Service Reserve Requirement*" means for the Series 2024A Bonds, the Maximum Annual Debt Service for the Series 2024 Bonds, multiplied by a fraction, (a) the numerator of which is the principal amount of the Series 2024A Bonds outstanding, and (b) the denominator of which is equal to the sum of the principal amount of the Series 2024A Bonds and the Series 2024B Bonds outstanding, which in no event will exceed the least of (i) 10% of the original principal amount of the Series 2024A Bonds, (ii) 125% of the average annual debt service on the Series 2024A Bonds on the Bond Closing, or (iii) 100% of the Maximum Annual Debt Service payable on the Series 2024A Bonds on the Bond Closing.

"*Series 2024A Promissory Note*" means the promissory note executed by the Borrower and made payable to the Authority with respect to the Series 2024A Bonds in the aggregate principal amount of \$27,610,000.

"*Series 2024B Bonds*" means the Public Finance Authority Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B, issued in the original aggregate principal amount of \$1,050,000.

"*Series 2024B Debt Service Reserve Requirement*" means for the Series 2024B Bonds, the Maximum Annual Debt Service for the Series 2024 Bonds, multiplied by a fraction, (a) the numerator of which is the principal amount of the Series 2024B Bonds outstanding, and (b) the denominator of which is

equal to the sum of the principal amount of the Series 2024A Bonds and the Series 2024B Bonds outstanding.

"*Series 2024B Promissory Note*" means the promissory note executed by the Borrower and made payable to the Authority with respect to the Series 2024B Bonds in the aggregate principal amount of \$1,050,000.

"*Series Project*" means the Project related to a Series of Bonds.

"*Short-Term Indebtedness*" means Indebtedness having an original maturity less than or equal to one year and not renewable at the option of the Lessee for a term greater than one year beyond the date of original incurrence.

"*Special Record Date*" means a special record date, which shall be a Business Day, fixed to determine the names and addresses of owners for purposes of paying interest on a special Interest Payment Date for the payment of defaulted interest, all as further provided in the Indenture.

"*Sponsor*" means the National League of Cities, the National Association of Counties, the Wisconsin Counties Association, the League of Wisconsin Municipalities, and any other Person that is identified by the Authority, as an organization sponsoring the Authority.

"*State Compliance Office*" means the North Carolina State Board of Education, the State of North Carolina Department of Public Instruction, the State of North Carolina Office of Charter Schools, or any other body subsequently authorized by the State of North Carolina to grant, revoke, or suspend charters.

"*State of North Carolina*" means the State of North Carolina.

"*State of Wisconsin*" means the State of Wisconsin.

"*State Payments*" means any and all payments made to or for the benefit of the Lessee pursuant to the Charter School Act and that are permitted to be used for the purposes set forth in the Lease Agreement.

"*Subordinated Indebtedness*" means Indebtedness which, with respect to any issue thereof, is evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such Indebtedness to the Bonds or any other Indebtedness issued following the date thereof (to which appropriate reference shall be made in the instrument evidencing such Indebtedness).

"*Subsequent Rebate Instructions*" means the instructions set forth in an opinion of Bond Counsel that computations and payments may be made on other bases, at other times, in other amounts, or omitted altogether, and that compliance with such instructions will not adversely affect any exclusion of interest on any of the Tax-Exempt Bonds from gross income for federal income tax purposes.

"*Supplemental Indenture*" means any indenture supplemental to the Indenture entered into between the Authority and the Trustee in accordance with Article X of the Indenture.

"*Swap Provider*" means any financial institution or insurance company, which has an Investment Grade Rating on its unsecured long-term obligations, acting as the counterparty to the Lessee under any Interest Rate Swap.

"*Tax Agreement*" means, with respect to each Series of Tax-Exempt Bonds, the Tax Regulatory Agreement, dated as of the first of the month in which the Bond Closing of such Series of Tax-Exempt

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Bonds occurs, among the Authority, the Borrower, the Lessee, and the Trustee, as amended from time to time.

"*Tax-Exempt Bonds*" means the Series 2024A Bonds and any Additional Bonds, the interest on which, in the opinion of Bond Counsel delivered at the time of issuance thereof, is excludable from gross income of the Beneficial Owner thereof for federal income tax purposes.

"*Taxable Bonds*" means the Series 2024B Bonds and any Additional Bonds, the interest on which is not excludable from gross income of the Beneficial Owner thereof for federal income tax purposes.

"*Tests*" means sampling, tests and analysis, including without limitation, subsurface testing, soils and groundwater testing, and other tests which may physically invade the Facilities.

"*Trust Estate*" means the property pledged, assigned and mortgaged to the Trustee pursuant to the granting clauses of the Indenture.

"*Trustee*" means UMB Bank, n.a., designated as paying agent, registrar and trustee under the Indenture, or any successor corporate trustee.

"*Trustee Indemnified Persons*" means the Trustee and its officers, directors, employees and agents.

"*UCC*" means the Uniform Commercial Code in effect in the State of North Carolina.

"*Underwriter*" means, with respect to the Series 2024 Bonds, Robert W. Baird & Co. Incorporated, and with respect to any Series of Additional Bonds, the underwriter identified in the related Supplemental Indenture.

"*Variable Rate Indebtedness*" means any portion of Long-Term Indebtedness the interest rate on which varies periodically such that the interest rate on any future date cannot accurately be calculated.

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LEASE AGREEMENT

by and between

NECP HOLDINGS, LLC,
as Lessor

and

NORTH EAST CAROLINA PREPARATORY SCHOOL, INC.,
as Lessee

Dated as of May 1, 2024

Pursuant to the Loan Agreement (as defined herein), the Lessor has granted, bargained, sold, alienated, pledged, set over and confirmed to the Authority (as defined herein) all rights and interests of the Lessor in this Lease Agreement, except for the Lessor's Unassigned Rights (as defined herein), and the Authority has assigned all of its rights and interests herein, except for the Authority's Unassigned Rights (as defined in the Loan Agreement) to the Trustee (as defined herein) pursuant to the terms of the Indenture (as defined herein).

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LEASE AGREEMENT

This **LEASE AGREEMENT**, dated as of May 1, 2024 (this "Lease Agreement"), is by and between **NECP HOLDINGS, LLC** (the "Lessor"), a North Carolina limited liability company described in Section 501(c)(3), and **NORTH EAST CAROLINA PREPARATORY SCHOOL, INC.** (the "Lessee"), a North Carolina non-profit corporation designated as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and authorized to operate a charter school by the State of North Carolina (the "State of North Carolina").

WITNESSETH:

WHEREAS, the Lessor has applied for the financial assistance of the Public Finance Authority (together with its successors and assigns, the "Authority") in (a) refinancing the outstanding principal amount of the Authority's Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019A and Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019B (Subordinate), the proceeds of which (i) financed the acquisition of an educational facility located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the "Campus") used by the Corporation for the operation of a charter school known as North East Carolina Preparatory School (the "School"), (ii) funded a debt service reserve fund and (iii) paid for costs of issuance, (b) financing certain capital improvements, including, but not limited to, the acquisition of approximately 40 acres of land adjacent to the Campus, the installation of athletic fields, the construction and equipping of athletic field houses, and certain other capital improvements on the Campus, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Bonds (collectively, the "Series 2024 Project");

WHEREAS, the Authority is authorized pursuant to Sections 66.0301, 66.0303 and 66.0304 of the Wisconsin Statutes, as amended (the "Act"), to issue its revenue bonds for the purpose of the financing the Series 2024 Project;

WHEREAS, the Campus, including the School Facility and the New Money Improvements (collectively, as further defined in Exhibit G to the Loan Agreement, the "Series 2024 Facilities") are all located within the territorial limits of the State of North Carolina (the "Project Jurisdiction") and the Authority, based on representations of the Lessor but without independent investigation, has found and determined that the financing of the Facilities will promote significant economic, cultural and community development opportunities, including the creation or retention of employment, the stimulation of economic activity and the promotion of improvements in the health, safety and welfare of persons in the Project Jurisdiction;

WHEREAS, based on the representation of the Lessor but without independent investigation, the Authority has determined to assist the Lessor by issuing its Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School, Inc. Project) Series 2024A (the "Series 2024A Bonds"), in the aggregate principal amount of \$27,610,000, and its Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School, Inc. Project) Series 2024B (the "Series 2024B Bonds" and, together with the Series 2024A Bonds, the "Series 2024 Bonds"), in the aggregate principal amount of \$1,050,000 pursuant to an Indenture of Trust dated as of May 1, 2024 (the "Indenture"), by and between the Authority and UMB Bank, n.a., as trustee (the "Trustee"), in order to make one or more loans to the Lessor pursuant to the Loan Agreement (as defined herein), the proceeds of which will be used to finance the Series 2024 Project;

WHEREAS, the Lessee is authorized pursuant to Section 115C-218 et. seq. of the North Carolina General Statutes (the "Charter School Act"), to lease facilities for the purpose of operating its charter school;

(c) The Lessor has the power to own the Leased Property, has been duly authorized to execute each of the Lessor Documents and to carry out and consummate all of the transactions contemplated thereby, and by the Offering Document, and the execution, delivery and performance of the Lessor Documents by the Lessor will not conflict with or constitute a breach of or default by the Lessor under any other instrument or agreement to which it is a party or by which its property is bound.

(d) The Lessor Documents have been duly authorized, executed and delivered by the Lessor.

(e) This Lease Agreement and the other Lessor Documents will constitute the legal, valid and binding agreements of the Lessor enforceable against the Lessor by the Trustee (as assignee of the Lessor) in accordance with their terms for the benefit of the Holders of the Bonds, and any rights of the Authority and obligations of the Lessor not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Lessor enforceable against the Lessor by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(f) The execution and delivery of the Lessor Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Lessor's articles of organization or operating agreement, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Lessor is a party or by which it or its properties are otherwise subject or bound, or 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 Lessor (other than the liens contemplated by the Lessor Documents), which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lessor Documents, or the financial condition, assets, properties or operations of the Lessor.

(g) No consent or approval of any trustee or holder of any indebtedness of the Lessor or any guarantor of indebtedness of or other provider of credit or liquidity to the Lessor, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Lessor Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(h) The Lessor has good and marketable title to the Facilities free and clear from all encumbrances other than Permitted Encumbrances.

(i) The Lessor is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (1) under the Lessor Documents, or (2) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lessor Documents or have a Material Adverse Effect.

(j) All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State of North Carolina and the federal government have been or will be obtained with respect to the acquisition, construction, renovation, improvement, equipping and

WHEREAS, the Campus is currently leased from the Lessor to the Lessee pursuant to a Commercial Lease dated as of June 27, 2019 (the "Existing Lease");

WHEREAS, the Lessor proposes to lease to the Lessee and the Lessee desires to lease from the Lessor the Facilities and any other facilities hereafter owned by the Borrower at any time and leased to the Lessee under this Lease Agreement, and pledged to the Trustee to secure the Series 2024 Bonds, including the land identified in this Lease Agreement, as such may be amended from time to time, and any and all buildings, structures, fixtures, improvements, and equipment, including, but not limited to, the fixtures, attachments and other articles attached to such buildings, structures, improvements, and equipment located thereon or therein (collectively, the "Leased Property"), upon the terms and conditions hereinafter set forth in this Lease Agreement;

WHEREAS, the Leased Property, including the Campus, will be leased to and operated by the Lessee pursuant to this Lease Agreement, which replaces the Existing Lease; and

WHEREAS, certain rights of the Lessor under this Lease Agreement have been assigned to the Trustee under the Deed of Trust, Assignment of Rents and Fixture Filing (Fee and Leasehold), dated as of May 1, 2024 (the "Deed of Trust"), in favor of the Deed of Trust Trustee, as beneficiary, and therefore the Trustee is granted certain rights under this Lease Agreement as assignee of the Lessor;

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

ARTICLE I

DEFINITIONS

All terms defined in Exhibit G to the Loan Agreement dated as of May 1, 2024 (the "Loan Agreement"), between the Lessor and the Authority, and not otherwise defined herein shall have the same meaning when used in this Lease Agreement.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations and Covenants by Lessor. The Lessor represents and covenants that:

(a) The Lessor is duly organized and existing as a limited liability company qualified to do business in the State of North Carolina and will maintain, extend and renew its existence under the laws of the State of North Carolina, and will not do, suffer or permit any act or thing to be done that would result in the loss or restriction of its right to operate as a limited liability company in North Carolina.

(b) The Lessor is a disregarded entity for federal tax purposes. The Lessor's sole member is the Lessee. The Lessee is an organization described in Section 501(c)(3) of the Code, does not constitute a private foundation under Section 509(a) of the Code, and the income of the Lessor is exempt from federal income taxation under Section 501(a) of the Code. The Lessee has received a determination from the Internal Revenue Service to the foregoing effect, and none of the bases for such determination have changed since the date thereof.

operation of the Facilities and the Facilities will be acquired, constructed, renovated, improved, equipped and operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

(k) The Lessor will not conduct any other business or incur any other indebtedness or liabilities of any kind, except for such as is related to the ownership of the Facilities and the leasing thereof to the Lessee as provided in this Lease Agreement.

(l) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Lessor, after reasonable investigation, threatened, against or affecting the Lessor or the assets, properties or operations of the Lessor which, if determined adversely to the Lessor or its interests, would materially and adversely affect the consummation of the transactions contemplated by or the validity of the Lessor Documents, or have a Material Adverse Effect.

(m) Subsequent to the Bond Closing for the Series 2024 Bonds, the Lessor will not grant any Liens on the Mortgaged Estate (other than the lien effected by the Deed of Trust and Permitted Encumbrances).

Section 2.2 Representations and Covenants by Lessee. The Lessee represents and covenants that:

(a) It is duly organized and existing as a North Carolina non-profit corporation qualified to do business in the State of North Carolina, is an educational institution or organization established under the Charter School Act, will maintain, extend and renew, as necessary, its corporate existence under the laws of the State of North Carolina, and will not do, suffer or permit any act or thing to be done that would result in the loss or restriction of its right to operate as a non-profit corporation in North Carolina.

(b) It is an organization described in Section 501(c)(3) of the Code, does not constitute a private foundation under Section 509(a) of the Code, and the income of the Lessee is exempt from federal income taxation under Section 501(a) of the Code. The Lessee has received a determination from the Internal Revenue Service to the foregoing effect, and none of the bases for such determination have changed since the date thereof.

(c) It has the power to lease the Leased Property, has been duly authorized to execute each of the Lessee Documents and consummate all of the transactions contemplated thereby and by the Offering Document, and the execution, delivery and performance of the Lessee Documents will not conflict with or constitute a breach of or default by the Lessee under any other instrument or agreement to which it is a party or to which its property is bound.

(d) The Lessee Documents have been duly authorized, executed and delivered by the Lessee.

(e) This Lease Agreement and the other Lessee Documents will constitute the legal, valid and binding agreements of the Lessee enforceable against the Lessee in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(f) The execution and delivery of the Lessee Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Lessee's articles of incorporation or bylaws, any applicable law or

administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Lessee is a party or by which it or its properties are otherwise subject or bound, or 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 Lessee (except as contemplated by the Lessee Documents), which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lessee Documents, or the financial condition, assets, properties or operations of the Lessee.

(g) No consent or approval of any trustee or holder of any indebtedness of the Lessee or any guarantor of indebtedness of or other provider of credit or liquidity to the Lessee, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Lessee Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(h) All financial statements and information heretofore delivered to the Authority by Lessee, including without limitation, information relating to the financial condition of Lessee and the Series 2024 Project, fairly and accurately present the financial position thereof and all financial statements have been prepared (except where specifically noted therein) in accordance with Generally Accepted Accounting Principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the Lessee or the other subjects of such statements.

(i) The Lessee is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (1) under the Lessee Documents, or (2) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lessee Documents or the Indenture, or the financial condition, assets, properties or operations of the Lessee.

(j) All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State of North Carolina and the federal government have been or will be obtained with respect to the acquisition, construction, renovation, improvement, equipping and operation of the Facilities and the Facilities will be acquired, constructed, renovated, improved, equipped and operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

(k) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Lessee, after reasonable investigation, threatened, against or affecting the Lessee or the assets, properties or operations of the Lessee which, if determined adversely to the Lessee or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by or the validity of the Lessee Documents, or upon the financial condition, assets, properties or operations of the Lessee.

(l) None of the representations of the Lessee contained in the Lessee Documents, the Offering Document or any oral or written statement, furnished by or on behalf of the Lessee to the Authority, the Lessor, Bond Counsel or the Underwriter in connection with the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading. There are no facts that the Lessee has not disclosed to the Authority, the Lessor, Bond Counsel or the Underwriter in writing that materially and adversely affect or

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Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax imposed under the Code and will not cause interest on the Tax-Exempt Bonds to lose its exclusion from taxable income under applicable state law. To that end, the Lessee will comply with all requirements of Sections 141, 142, 145, 147, 148, 149 and 150 of the Code (or their statutory predecessors) to the extent applicable to the Tax-Exempt Bonds. In the event that at any time the Lessee is of the opinion that, for purposes of this Section 2.3, it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee or otherwise, the Lessee shall so instruct the Trustee in writing.

(b) The Lessee hereby covenants and agrees that it will not enter into any arrangement, formal or informal, pursuant to which the Lessee (or any "related party," as defined in Treasury Regulations §1.150-1(b)) shall purchase the Tax-Exempt Bonds. This covenant shall not prevent the Lessee from purchasing Bonds in the open market for the purpose of tendering them to the Trustee for purchase and retirement.

(c) The Lessee covenants to comply with the terms and conditions of the Tax Agreement and to pay when due any amount required to be paid to the United States in accordance with the Tax Agreement and this Lease Agreement.

(d) Reserved.

(e) The Lessee covenants to comply with the covenants and procedures set forth in Section 3.15 of the Indenture and to deposit in the Rebate Fund such amount as may be necessary to maintain the deposit in the Rebate Fund at the Rebate Requirement.

Within 60 days after the end of every fifth Rebate Year, the Lessee, in reliance upon the report of the Rebate Analyst, shall deliver to the Authority a certificate stating that all necessary actions have been taken as required by the Indenture and the Tax Agreement, including but not limited to, (i) the required arbitrage rebate calculations, and (ii) payment of the Rebate Amount, if any, in accordance with Section 148(f) of the Code and the direction of the Rebate Analyst.

(f) All covenants and obligations of the Lessee contained in this Section 2.3 of this Lease Agreement shall remain in effect and be binding upon the Lessee until all of the Tax-Exempt Bonds have been paid, notwithstanding any earlier termination of this Lease Agreement or any provision for payment of principal of and premium, if any, and interest on the outstanding Tax-Exempt Bonds and Loan Payments and release and discharge of the Indenture.

(g) Notwithstanding any provision of this Section 2.3, if the Lessee provides, at the Lessee's expense, to the Lessor, the Trustee and to the Authority an Opinion of Bond Counsel to the effect that any action required under this Section, the Tax Agreement, or Section 3.15 of the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusions from gross income of interest on the Tax-Exempt Bonds pursuant to Section 103(a) of the Code, the Lessee, the Lessor, the Authority and the Trustee may rely conclusively on such opinion in complying with the provisions of this Section 2.3, the Tax Agreement and Section 3.15 of the Indenture, and the covenants hereunder shall be deemed to be modified to that extent.

(h) The Lessee agrees that it will not take any action or omit to take any action or cause or permit any circumstance to arise or continue if such action or circumstance or omission would cause any revocation or adverse modification of the federal tax status of the Lessee under Section 501(c)(3) of the Code, unless it obtains, at the Lessee's expense, an Opinion of Bond Counsel, addressed to the Trustee that such revocation or modification will not adversely affect the exclusion from gross income under Section 103(a) of the Code of interest paid on the Tax-Exempt Bonds or cause the interest on the Tax-Exempt

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in the future may (so far as the Lessee can now reasonably foresee) materially and adversely affect the properties, business, prospects, profits, or condition (financial or otherwise) of the Lessee, or the ability of the Lessee to perform its obligations under the Lessee Documents or any documents or transactions contemplated hereby or thereby.

(m) The Lessee (i) understands the structure of the transactions related to the financing of the Facilities; (ii) is familiar with all the provisions of the documents and instruments related to such financing to which the Lessee is a party or of which the Lessee is a beneficiary; (iii) understands the risk inherent in such transactions, including, without limitation, the risk of loss of the Facilities; (iv) has not relied on the Authority or the Underwriter for any guidance or expertise in analyzing the financial consequences of such financing transactions or otherwise relied on the Authority in any manner, except to issue the Series 2024 Bonds in order to provide funds for the Loan; and (v) acknowledges that the Authority makes no warranty, either express or implied, as to the Facilities or that it will be suitable for the Lessee's or the Lessor's purposes or needs.

(n) Subsequent to the Bond Closing for the Series 2024 Bonds, the Lessee will not grant any Liens on the Mortgaged Estate (other than the lien effected by the Deed of Trust and Permitted Encumbrances).

(o) The Lessee hereby acknowledges receipt of the Indenture and the Loan Agreement, agrees to be bound by their respective terms, and accepts all obligations and duties imposed thereby.

(p) To the best of the Lessee's knowledge, none of the Authority Indemnified Persons has any significant or conflicting interest, financial, employment or otherwise, in the Lessee, the Facilities, or in any of the transactions contemplated under the Lessee Documents.

(q) There has been no Material Adverse Change in the financial condition, prospects or business affairs of the Lessee subsequent to the date on which the Authority adopted its resolution approving the issuance of the Series 2024 Bonds.

(r) The Lessee will comply with the Charter in all material respects and will take all reasonable action to maintain, extend and renew the Charter as long as any amounts under this Lease Agreement are due and payable.

(s) The School is operated exclusively for charitable and educational purposes as a charter school under the Charter School Act.

Section 2.3 Lessee's Tax Covenants. The Lessee represents and covenants that:

(a) The Lessee will not take any action or omit to take any action, which action or omission will adversely affect the exclusion from gross income of the interest on the Tax-Exempt Bonds for federal income tax purposes or cause the interest on the Tax-Exempt Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax imposed under the Code, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon an Opinion of Bond Counsel, and in all cases at the sole expense of the Lessee, as may rescind or otherwise negate such action or omission. The Lessee will not directly or indirectly, use or permit the use of any Bond Proceeds of any Series of Tax-Exempt Bonds or any other funds of the Lessee, or take or omit to take any action, that would cause the Tax-Exempt Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) of the Code (or their statutory predecessors). The Lessee will not fail to meet any applicable requirement of Sections 141, 142, 145, 147, 148, 149 and 150 of the Code (or their statutory predecessors) or cause the interest on the Tax-Exempt

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Bonds, or any portion thereof, to become an item of tax preference for purposes of the alternative minimum tax under the Code.

(i) The following obligation to make payments is subject to the limitations in subsection (j) below.

(i) *To Correct Underpayments.* If the Lessee shall be notified by the Authority or the Trustee as of any date that any payment made to the United States Treasury in respect of the Tax-Exempt Bonds pursuant to the rebate provisions of the Indenture shall have failed to satisfy any requirement of Regulations § 1.148.3 (whether or not such failure shall be due to any default by the Lessee), the Lessee shall (1) pay to the Trustee (for deposit to the Rebate Fund) the correct amount in respect thereof, interest thereon, and any penalty imposed under Regulations § 1.148.3(h), and (2) in the event that the Lessee has any knowledge of the reason for such failure, deliver to the Trustee a brief written explanation of such failure and any basis for concluding that such failure was not due to willful neglect.

(ii) *Preservation of Accounting Records.* The Lessee shall retain, and on request of the Rebate Analyst or the Trustee, provide to any such person copies of all of the Lessee's accounting records relating to the accounts and subaccounts in the Funds, for at least six years after the later of the final maturity (whether at stated maturity or earlier prepayment) of the Promissory Note or the first date on which no Tax-Exempt Bonds are Outstanding.

(j) *Limitation.* The Lessee shall have no responsibility or liability to the Authority or any other person for, and shall not be obligated to make payments in respect of, any rebate obligation other than as specifically stated herein, and then only to the extent of the Rebate Amount relating to funds held under the Indenture and any further Rebate Amount owed as a result of the actions or omissions of the Lessee. Furthermore, the Lessee's obligation to retain records with respect to the Rebate Fund held by the Trustee shall be limited to those records it receives from the Trustee.

Section 2.4 Lessee's Covenant to Comply With Charter School Act. The Lessee covenants to comply fully and in all respects with the applicable provisions of the Charter School Act so long as any Bonds remain Outstanding or any other amounts remain outstanding under this Lease Agreement, the Loan Agreement or the Indenture.

ARTICLE III

TERM OF AGREEMENT

The term of this Lease Agreement shall commence on the date of delivery hereof and shall continue until all of the Base Lease Payments shall have been fully paid or provision is made for such payment pursuant to Section 11.1 hereof and all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Lease Payments, all fees and expenses of the Authority accrued and to accrue through final payment of the Lease Payments and all other liabilities of the Lessee accrued and to accrue through final payment of the Lease Payments under this Lease Agreement have been paid or provision is made for such payments pursuant to Section 11.1 hereof, at which point the parties shall modify this Lease Agreement (except as otherwise provided herein) to reduce the Base Lease Payments to a nominal amount or to such other amount as the parties hereto may agree, or may replace this Lease Agreement with a new lease agreement to reflect such terms. Notwithstanding any other provision herein (a) the indemnification provisions of Sections 6.6 and 8.6 hereof and agreements contained in Section 10.4 hereof shall survive after the termination of the Lease Term; (b) all agreements, representations and certifications by the Lessee as to the exclusion from gross income of interest on the Tax-Exempt Bonds

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shall survive termination of the Lease Term until the expiration of statutes of limitation applicable to the liability of the Beneficial Owners of the Tax-Exempt Bonds for federal and state income taxes with respect to interest on the Tax-Exempt Bonds; and (c) upon the defeasance of the Bonds under the Indenture, all the indemnification provisions of Sections 6.6 and 8.6 hereof shall be enforceable by the Indemnified Parties, and all such agreements, representations and certifications regarding the exclusion from gross income of the interest on the Tax-Exempt Bonds shall be enforceable by the Beneficial Owners of the Tax-Exempt Bonds, directly against the Lessee.

ARTICLE IV

LEASE OF LEASED PROPERTY

In consideration of the rents for which provision is made herein and of the covenants, agreements and obligations herein stated, and in reliance upon the representations and warranties contained herein, the Lessor hereby leases the Leased Property to the Lessee and the Lessee hereby leases the Leased Property from the Lessor, subject to the provisions of this Lease Agreement and the Permitted Encumbrances, to have and to hold the Leased Property unto the Lessee for the term of the Lease set forth in Article III hereof. Possession of the Leased Property shall be delivered and accepted as of the date of commencement of the Lease Term.

ARTICLE V

PAYMENT PROVISIONS

Section 5.1 Lease Payments; Limited Obligation. The Lessee and the Lessor acknowledge and agree that the Base Lease Payments and Additional Lease Payments required hereunder during the Lease Term shall be payable from the Revenues and any other legally available funds of the Lessee. Notwithstanding any other provision in this Lease Agreement to the contrary, no indebtedness of any kind incurred or created hereunder by the Lessee or the Lessor shall constitute an indebtedness of the State of North Carolina or the State or either of their political subdivisions or agencies, and no indebtedness of the Lessee or the Lessor hereunder shall involve or be secured by the faith, credit or taxing power of the State of North Carolina or the State or their political subdivisions or agencies.

Section 5.2 Base Lease Payments, Additional Lease Payments and Other Amounts Payable.

(a) The Lessee shall pay directly to the Trustee all Base Lease Payments on the Lease Payment Dates and in the amounts set forth in Exhibit A attached hereto and made a part hereof, as it may be amended from time to time hereunder.

(b) The Lessee may, at any time during the Lease Term, prepay any or all Base Lease Payments in accordance with Article XI hereof. In connection with the prepayment of less than all Base Lease Payments, the Lessor shall deliver to the Trustee, the Authority and the Lessee, within 10 days of any such prepayment, a revised Exhibit A hereto reflecting Base Lease Payments payable after such prepayment, such that remaining Base Lease Payments shall be made in the amounts and on the Lease Payment Dates sufficient to enable the Lessor to make all payments on the Loan in respect of the Bonds (after giving effect to the partial prepayment of the Loan and partial redemption or defeasance of the Bonds) when and as due and payable.

(c) The Lessee shall pay all Additional Lease Payments directly to the party to whom owed at the times and as otherwise provided herein and in the Loan Agreement and Indenture.

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ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

Section 6.1 Maintenance and Modifications of Facilities By Lessee.

(a) The Lessee agrees that during the Lease Term the Facilities shall be operated and maintained in compliance with all governmental laws, building codes, ordinances and regulations and zoning, land use and similar laws applicable to the Facilities, unless the same are being contested in good faith by appropriate proceedings. The Lessee agrees that during the Lease Term it will at its own expense (i) keep the Facilities in as safe a condition as required by law, and (ii) except to the extent the Lessee has determined that any portion of the Facilities is obsolete or not useful in its operations, keep the Facilities in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof, all of which shall be accomplished in a workmanlike manner in accordance with all applicable laws. The Lessee may, at its own expense, make from time to time any additions, modifications or improvements to the Mortgaged Estate it may deem desirable for its purposes that do not substantially reduce its value; provided that all such additions, modifications and improvements made by the Lessee which are affixed to the Mortgaged Estate shall become a part of the Mortgaged Estate. The Lessee will not permit the removal of any personal property from the Mortgaged Estate unless such personal property is obsolete, sold for fair market value or will be replaced with personal property of an equal or greater value.

(b) No later than May 30, 2029, and each fifth anniversary thereafter, the Lessee shall engage an Independent consultant who shall, within 60 days of engagement, make (i) an examination of and report on the physical condition of the Leased Property and (ii) recommendations as to the amounts to be accumulated in the Repair and Replacement Fund for the proper maintenance and upkeep of the Leased Property. Within fourteen Business Days of its receipt of the initial report, the Lessee shall either (i) accept the recommendations of the initial Independent consultant or (ii) engage and immediately accept the recommendations (which shall be made within 60 days of such engagement) of a different Independent consultant in the event the recommendations outlined in the initial report are deemed by the Lessee to be unreasonable or inconsistent with the Lessee's operation and maintenance practices. Within three Business Days following receipt of any reports of any Independent consultant delivered pursuant to this Section, the Lessee shall forward a copy of such report to the Trustee.

(c) The Lessee will not permit any Liens, security interests or other encumbrances, other than Permitted Encumbrances, to be established or to remain against the Mortgaged Estate for any additions, modifications, improvements, repairs, renewals or replacements made by the Lessee to the Mortgaged Estate. However, if no Event of Default has occurred and is continuing, and after notifying the Trustee of its intention to do so, the Lessee may permit the Liens to remain undischarged and unsatisfied while the Lessee is diligently prosecuting, in good faith and at its own expense, a contest of any mechanics' or other Liens filed or established against the Mortgaged Estate, including any appeal therefrom. The Lessee's right to contest a Lien shall not apply, however, if the Mortgaged Estate or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Section 6.2 Taxes, Other Governmental Charges and Utility Charges. The Lessee will pay, as the same become due, (a) all taxes and governmental charges of any kind whatsoever or payments in lieu of taxes that may at any time be lawfully assessed or levied against or with respect to the Mortgaged Estate or any interest therein, or any machinery, equipment or other property installed or brought by the Lessee therein or thereon which, if not paid, will become a Lien on the Mortgaged Estate prior to or on a parity with the lien thereon under this Lease Agreement or the Deed of Trust, (b) all utility and other charges

(d) On or prior to any redemption date established pursuant to Section 5.01 of the Indenture (other than sinking fund redemption), the Lessee shall pay an amount of money that, together with the Lease Payments made by the Lessee and then on deposit in the Bond Fund and any amounts transferred from the Debt Service Reserve Fund to the Bond Fund, is sufficient to pay the principal of, premium, if any, and interest to the redemption date on the Bonds called for redemption.

(e) As further described in Sections 6.2 and 6.3 hereof, the Lessee shall pay or provide for the payment of all taxes and assessments, general or special, concerning or in any way related to the Facilities or any part thereof, and any other governmental charges or impositions whatsoever related to the Facilities, and premiums for insurance policies maintained on the Facilities as required by this Lease Agreement.

(f) In the event the Lessee should fail to make or fail to cause to be made any of the payments required by this Section 5.2, the item or installment in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same and, with respect to the payments required by subsections (a), (c) and (d) of this Section 5.2, to pay interest thereon at the highest rate of interest borne by any of the Bonds, or the maximum rate permitted by law if less than such rate.

Section 5.3 Manner of Payment. The Base Lease Payments (including any prepayment thereof) shall be paid by the Lessee by wire transfer or other method of payment acceptable to the Trustee in lawful money of the United States of America to the Trustee at its designated corporate trust office. The obligation of the Lessee to pay the Base Lease Payments and Additional Lease Payments during the Lease Term shall be absolute and unconditional, payable from all legally available sources, and payment of the Base Lease Payments and Additional Lease Payments shall not be abated through accident or unforeseen circumstances, or for any other reason, including without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Facilities, commercial frustration of purpose, or failure of the Lessor to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Lease Agreement, it being the intention of the parties that the payments required by this Lease Agreement will be paid in full when due without any delay or diminution whatsoever, subject only to the Lessee's rights under Section 6.2 hereof. Notwithstanding any dispute between the Lessee and Lessor, the Lessee shall, during the Lease Term, make all payments of Base Lease Payments and Additional Lease Payments when due and shall not withhold any Base Lease Payments or Additional Lease Payments pending final resolution of such dispute (except to the extent permitted by Section 6.2 hereof with respect to certain Additional Lease Payments), nor shall the Lessee assert any right of set-off, recoupment or counterclaim against its obligation to make such payments required hereunder. No action or inaction on the part of the Lessor shall affect the Lessee's obligation to pay all Base Lease Payments and Additional Lease Payments (except to the extent provided by Section 6.2 hereof with respect to certain Additional Lease Payments), during the Lease Term.

Section 5.4 Pledge by Lessee. In fulfillment of its obligations hereunder, as security for the payment of the Lease Payments, the Lessee hereby pledges and assigns to Lessor and Trustee, and grants to Lessor and Trustee a lien on and security interest in, the following:

(a) All of the Lessee's right, title and interest in and to the Mortgaged Estate, including all related additions, replacements, substitutions and proceeds;

(b) To the extent permitted by law, all Revenues; and

(c) Any and all other interests in real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security by the Lessee or by anyone on its behalf.

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incurred in the operation, maintenance, use, occupancy and upkeep of the Mortgaged Estate, and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a Lien on the Mortgaged Estate; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as may have become due during the term of this Lease Agreement. The Lessee may, at its own expense, but only if no Event of Default (excluding the issue being contested hereunder) has occurred and is continuing, diligently prosecute and in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom if, in the Opinion of Counsel, the Mortgaged Estate shall not be subject to loss or forfeiture. In the event that the Lessee is not able to obtain such Opinion of Counsel, such taxes, assessments or charges shall be paid promptly or secured by posting a bond with the Lessor in form satisfactory to the Lessor. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the Lessor may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Lessor shall become an additional obligation of the Lessee payable to the Lessor, which amount the Lessee agrees to pay on demand together with interest thereon at a rate which shall be equal to the highest rate of interest borne by the Bonds or the maximum rate permitted by law if less than such rate.

Section 6.3 Insurance Required.

(a) Throughout the term of this Lease Agreement, the Lessee shall keep or cause to be kept, the following insurance coverages relating to the Facilities, paying as the same become due and payable all premiums with respect thereto:

(i) Casualty insurance (including builder's all-risk insurance) against loss or damage to any structure constituting any part of the Facilities by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Such extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. All insurance provided pursuant to this subsection shall be in an amount equal to the lesser of (i) one hundred percent (100%) of the replacement cost (without deduction for depreciation) of all buildings, structures and fixtures constituting any part of the Facilities, or (ii) the principal amount of the Bonds allocable to the Facilities then Outstanding, and shall be subject to a deductible not to exceed \$100,000;

(ii) Commercial comprehensive general liability and automobile liability insurance against claims arising in, on or about the Facilities, including in, on or about the sidewalks or premises adjacent to the Facilities, providing coverage limits not less than \$1,000,000 per occurrence and \$2,000,000 in aggregate;

(iii) Business interruption or rent loss insurance standard in the industry to cover Operating Expenses for the Facilities; and

(iv) Such other forms of insurance as are customary in the industry or as the Lessee is required by law to provide with respect to the Facilities, including, without limitation, any legally required worker's compensation insurance and disability benefits insurance.

(b) All the insurance coverage required by this Section may be subject to deductible clauses in such amounts as are customary for facilities of similar size, type and character within the State of North Carolina. At least every three years, commencing not later than the third anniversary of the Bond Closing for the Series 2024 Bonds, the Lessee shall employ (or cause to be employed), at its own expense, an Insurance Consultant to review the insurance coverage required by this Section and to render to the Lessor

and the Trustee a report as to the adequacy of such coverage and as to its recommendations, if any, for adjustments thereto. The insurance coverage required by this Section may be reduced or otherwise adjusted by the Lessee without the consent of the Trustee or the Lessor, provided that all coverages after such reduction or other adjustment are certified by the Insurance Consultant to be adequate and customary for facilities of like size, type and character, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance and the effect of such terms and such cost upon the Lessee's costs and charges for the use of the Facilities.

(c) The insurance coverage required by the Lease shall be increased or otherwise adjusted by the Lessee if as a result of such review the Insurance Consultant finds that the existing coverage is inadequate, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance, and the effect of such terms and such cost upon the Lessee's costs and charges for its services. The insurance coverage required by this Section, and modification thereof permitted or required by this paragraph, shall at all times be adequate and customary for facilities of like size, type and character, and the Lessee shall request that the Insurance Consultant so certify in the report required by this Section. The Lessee shall pay any fees charged by such Insurance Consultant and any expenses incurred by the Authority and the Trustee.

(d) All policies maintained (or caused to be maintained) by the Lessee pursuant to this Section shall be taken out and maintained with generally recognized, responsible insurance companies rated not less than "A-" by A.M. Best, authorized by the State of North Carolina, which may include "captive" insurance companies or governmental insurance pools, selected by the Lessee. The insurance policies required by subsection (a)(i) of this Section shall name the Trustee, the Authority and the Lessee as insureds as their respective interests may appear (provided that with respect to insurance maintained pursuant to subsection (a)(i) of this Section, the Trustee shall also be named as a mortgagee under the terms of a standard North Carolina mortgagee loss payable endorsement), and the Trustee shall also be named as an additional insured on the policies required by subsections (a)(ii) and (a)(iii) of this Section, and, provided further that all insurance proceeds for losses related to the Mortgage Estate, and except for worker's compensation, fidelity insurance and liability insurance, shall be paid directly to the Trustee. Such policies or certificates of insurance shall provide that the insurer will endeavor to mail thirty (30) days' written notice to the Authority and the Trustee of any amendment or cancellation prior to expiration of such policy.

(e) The Lessee shall deliver to the Trustee (a) upon the date of issuance of each Series of Bonds, a certificate or certificates of insurance evidencing the coverages which the Lessee is then required to maintain pursuant to this Section, together with evidence as to the payment of all premiums then due thereon, (b) at least thirty (30) days prior to the expiration of any such policies, a certificate of an Authorized Representative of the Lessee confirming the renewal thereof, if then required by this Section, and the payment of all premiums then due with respect thereto, and (c) promptly upon request by the Authority or the Trustee, but in any case within ninety (90) days after the end of each Fiscal Year, a certificate of an Authorized Representative of the Lessee setting forth the particulars as to all insurance policies maintained by the Lessee pursuant to this Section and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of this Section and that all premiums then due thereon have been paid. The Trustee shall not be responsible for the sufficiency of coverage or the amounts of any such policies or otherwise monitoring the Lessee's compliance with its insurance obligations hereunder.

Section 6.4 Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to subsections (i) of Section 6.3(a) hereof shall be applied as provided in Section 7.2 hereof and Article VII of the Loan Agreement. The Net Proceeds of insurance carried pursuant to subsections (ii), (iii) and (iv) of Section 6.3(a) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid.

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from the successful allegation of fraud, gross negligence or willful misconduct of such party, or to the Authority or any Authority Indemnified Person with respect to any Liabilities arising from the successful allegation of fraud or willful misconduct of such party.

(d) The Lessee's indemnification contained herein shall be effective not only with any existing Environmental Requirements affecting the Lessee, Environmental Indemnity Parties and/or the Facilities, but also for any hereinafter enacted Environmental Law, regulation, statute or program, whether federal, State of North Carolina or local affecting the Lessee, Environmental Indemnity Parties and/or the Facilities.

(e) The Lessee's indemnification contained herein shall extend to any and all like claims which arise from the acts or omissions of any user, tenant, lessee, agent or invitee of the Lessee.

(f) The obligations under this Section shall not be affected by any investigation by or on behalf of Environmental Indemnity Parties, or by any information which Environmental Indemnity Parties may have or obtain with respect thereto.

(g) The Lessee's indemnification shall include the duty to defend any and all claims of the types described in this Section, and Environmental Indemnity Parties may participate in the defense of any claim of the type described in this Section without relieving the Lessee of any obligation hereunder. This duty to defend shall apply and constitute an obligation of Lessee regardless of any challenge by Lessee to this provision, the indemnification contained herein, or any other provision of this Lease Agreement. This duty to defend shall apply regardless of the validity of Lessee's indemnification, as may ultimately be determined by a court of competent jurisdiction.

Section 6.7 Environmental Covenants.

(a) *Use of Facilities.* The Lessee will not intentionally or unintentionally conduct, or allow to be conducted, any business, operation or activity on, under or in the Facilities, or employ or use the Facilities or allow for it to be employed or used, to manufacture, transport, treat, store or dispose any Regulated Chemical which would violate or potentially violate Environmental Requirements, including, but not limited to, any action which would:

(i) bring the Lessee or the Facilities within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §6901, *et seq.*;

(ii) cause, or allow to be caused, a release or threat of release, of hazardous substances on, under, in or about the Facilities as defined by, and within the ambit of, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §9601, *et seq.*;

(iii) violate the Clean Air Act of 1970, as amended, 42 U.S.C. §7401, *et seq.*, or other similar State of North Carolina, regional or local statute, law, regulation, rule or ordinance, including without limitation, the laws of the State of North Carolina, or any other statute providing for the financial responsibility for cleanup for the release or threatened release of substances provided for thereunder.

The Lessee will not do or permit any act or thing, business or operation, that materially increases the dangers, or poses an unreasonable risk of harm, or impairs, or may impair, the value of the Facilities, or any part thereof.

Section 6.5 Advances by Trustee. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease Agreement or shall fail to keep the Facilities in the condition required hereby (except as otherwise herein permitted), the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and all amounts advanced therefor by the Trustee shall become an additional obligation of the Lessee under this Lease Agreement, which amounts the Lessee agrees to pay on demand together with interest thereon at a rate equal to the highest interest rate borne by any of the Bonds or the maximum rate permitted by law if less than such rate.

Section 6.6 Environmental Indemnity.

(a) In addition to the indemnification set forth in Section 8.6 hereof, the Lessee shall and does hereby indemnify and hold harmless the Environmental Indemnity Parties for, from and against any and all Environmental Damages that the Environmental Indemnity Parties may incur as well as any and all loss, costs, damages, exemplary damages, natural resources damages, Liens and expenses, (including, but not limited to, attorneys' fees and any and all other costs incurred in the investigation, defense and settlement of claims) that Environmental Indemnity Parties may incur as a result of or in connection with the assertion against Environmental Indemnity Parties, or against all or a portion of the Facilities, of any claim, civil, criminal or administrative, which:

(i) arises out of the actual, alleged or threatened discharge, dispersal, release, storage, treatment, generation, disposal or escape of any Regulated Chemical, including, but not limited to, any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, medical waste and waste (including materials to be recycled, reconditioned or reclaimed); or

(ii) actually or allegedly arises out of the use of any Regulated Chemical, the existence or failure to detect the existence or proportion of any Regulated Chemical in the soil, air, surface water or groundwater, or the performance or failure to perform the abatement or removal of any Regulated Chemical or of any soil, water, surface water or groundwater containing any Regulated Chemical; or

(iii) arises out of the actual or alleged existence of any Regulated Chemical on, in, under, or affecting all or a portion of the Facilities; or

(iv) arises out of any misrepresentations of the Lessee concerning any matter involving Regulated Chemicals or Environmental Requirements; or

(v) arises out of the Lessee's failure to provide all information, make all submissions and filings, and take all steps required by appropriate government authority under any applicable Environmental Law, regulation, statute or program, whether federal, state or local, whether currently existing or hereinafter enacted.

(b) Without prejudice to the survival of any other agreements of the Lessee hereunder, this indemnification shall survive any termination, payment or satisfaction of the Bonds and the termination of this Lease Agreement, and any foreclosure or any other transfer of any kind of the Facilities.

(c) The Lessee's indemnification contained herein to each Environmental Indemnity Party is intended to be for his or her active or passive negligence or misconduct; provided, however, nothing contained herein shall be deemed to provide indemnification to any Environmental Indemnity Party (excluding the Authority and the Authority Indemnified Persons) with respect to any Liabilities arising

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(b) *Maintenance of Facilities.* The Lessee shall maintain the Facilities free from contamination by Regulated Chemicals and shall not intentionally or unintentionally allow a release, discharge or emission, or threat of release, discharge or emission, of any Regulated Chemical on, under, in or about the Facilities, and shall not permit the migration or threatened migration from other properties upon, about or beneath the Facilities.

(c) *Notice of Environmental Problem.* The Lessee (provided that the Lessee shall only forward to the Trustee those notices, letters, citations, orders, warnings, complaints, inquiries, claims or demands actually received by the Lessee) shall promptly provide a copy to the Trustee, and in no event later than fifteen (15) days from the Lessee's receipt or submission, of any notice, letter, citation, order, warning, complaint, inquiry, claim or demand that:

(i) the Lessee and/or any tenants or sublessees have violated, or are about to violate, any Environmental Law or Environmental Requirement;

(ii) there has been a release, or there is a threat of release, of any Regulated Chemical from the Facilities;

(iii) the Lessee and/or any tenants or sublessees may be or are liable, in whole or in part, for the costs of cleaning up, remediating, removing or responding to a release of any Regulated Chemical; or

(iv) any portion of the Facilities is subject to a Lien in favor of any governmental entity for any liability, costs or damages, under Environmental Requirements arising from, or costs incurred by such governmental entity in response to, a release of any Regulated Chemical.

(d) *Response Action.* The Lessee shall take all appropriate responsive action, including any removal and remedial action, in the event of a release, emission, discharge or disposal of any Regulated Chemical in, on, under or about the Facilities, so as to remain in compliance with the above, and to keep the Facilities free from and unaffected by Regulated Chemicals.

(e) *No Liens or Encumbrances.* The Lessee shall prevent the imposition of any Liens or encumbrances against the Facilities for the costs of any response, removal or remedial action or cleanup of any Regulated Chemicals.

(f) *Compliance with Environmental Requirements.* The Lessee shall carry on its business and operations at the Facilities to comply in all respects and will continue to remain in compliance with all applicable Environmental Requirements and maintain all permits and licenses required thereunder.

(g) *Additional Environmental Reports.* As long as there are any Bonds Outstanding, the Lessee shall provide the Trustee with a copy of any Environmental Report performed during that time. The Trustee shall have no duty to review or analyze any such environmental report and shall not be required to act upon the same unless the report creates an Event of Default hereunder.

Section 6.8 Additional Environmental Provisions.

(a) *Right to Notify Agencies.* To the extent the Trustee receives written notice, whether from the Lessee or any other party, stating that the Lessee or the Lessor is in violation of any environmental law, statute, regulation, ordinance, rule or order, whether federal, State of North Carolina or local, or that there has been a release or threat of release of any Regulated Chemical from or upon the Facilities, the Trustee shall promptly notify the Lessor, the Lessee, and the Registered Owners of such notice.

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(b) *Right of Inspection.*

(i) The Trustee at any time and from time to time, with reasonable cause and notice, either prior to or after the occurrence of any Event of Default hereunder, may require the Lessee to submit to the Trustee within ninety (90) days of either the notice required under Section 6.7(c) hereof or a written request from the Trustee, an Environmental Assessment, in scope, form and substance, and prepared by an independent, competent and qualified engineer, showing that the engineer made all appropriate inquiry consistent with good commercial and customary practice, such that consistent with generally accepted engineering practice and procedure, no evidence or indication came to light which would suggest there was a release of substances on, under, in or about the Facilities which could necessitate an environmental response action, and which demonstrates that the Facilities complies with, and does not deviate from, all applicable environmental statutes, laws, ordinances, rules and regulations, including any licenses, permits or certificates required thereunder, and that the Lessee is in compliance with, and has not deviated from, the representations and warranties set forth in Sections 2.2 and 6.7 hereof. The Trustee shall have no duty to review or analyze any such environmental report and shall not be required to act upon the same unless the report creates an Event of Default hereunder.

(ii) The Lessee hereby grants, and will cause any tenants or users of the Facilities to grant, to the Trustee, its agents, attorneys, employees, consultants and contractors, upon reasonable notice and under reasonable conditions established by the Lessee which do not impede the performance of the Environmental Assessment, an irrevocable license and authorization to enter upon and inspect the Facilities and perform such sampling, tests and analysis, including without limitation, subsurface testing, soils and groundwater testing, and other tests which may physically invade the Facilities, as the Trustee or its agent determines is necessary; provided, however, that the Trustee shall use its best efforts not to interfere with the operations of the Lessee's charter school or to materially damage the Facilities.

(iii) The Lessee will cooperate with the consultants and supply to the consultants such historical and operational information as may be reasonably requested by the consultants, together with any notices, permits or other written communications pertaining to violations of Environmental Requirements and any and all necessary information and make available personnel having knowledge of such matters as may be required by the Trustee, the Trustee's agents, consultants and engineers to complete an Environmental Assessment.

(iv) Should the Lessee fail to perform an Environmental Assessment within the time period set forth in Section 6.8(b)(i) hereof, the Trustee shall have the right but not the obligation to retain an environmental consultant to perform said Environmental Assessment.

(v) The cost of performing any Environmental Assessment shall be paid by the Lessee upon demand of the Trustee and any such obligations shall be deemed to be an Additional Lease Payment due hereunder.

(c) *Event of Default.* If an Environmental Assessment reveals any violations of Environmental Requirements or the Lessee receives a notice of a violation of Environmental Requirements, and the Lessee fails to cure the violation in the time period and the manner specified in Section 10.1(b) hereof, such action will constitute an Event of Default.

(d) *No Assumption of Risk.* The Trustee's rights under this Section shall be exercised by it in its sole discretion and not for the benefit of the Lessee. The Trustee shall have no obligation (unless directed and indemnified as provided in the Indenture) to enter onto the Facilities or to take any other action which

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(b) shall provide the Authority and Trustee with an opinion of Bond Counsel to the effect that such merger, consolidation, sale or conveyance would not adversely affect the validity of any of the Bonds or the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds;

(c) shall provide the Authority and the Trustee with an Opinion of Counsel to the Lessee (which may be rendered in reliance upon the Opinion of Counsel to such other corporation), stating that none of the other corporations which are a party to such consolidation, merger or transfer has any pending litigation other than that arising in the ordinary course of business or, has any pending litigation which might reasonably result in a substantial adverse judgment. For the purposes of the preceding sentence, the term "substantial adverse judgment" shall mean a judgment in an amount which exceeds the insurance or reserves therefor by a sum which is more than 2% of the aggregate net worth of the resulting, surviving or transferee corporation immediately after the consummation of such consolidation, merger or transfer and after giving effect thereto;

(d) shall provide evidence to the Authority and the Trustee that the surviving or acquiring entity has a consolidated tangible net worth (after giving effect to such consolidation, merger, sale or conveyance) of not less than the consolidated tangible net worth of the Lessee immediately prior to such consolidation, merger, sale or conveyance;

(e) shall deliver to the Trustee within thirty (30) days of the close of such transaction, an Opinion of Counsel that all conditions herein have been satisfied and that all liabilities and obligations of the Lessee under the Lessee Documents shall become obligations of the new entity; provided, however, the Lessee shall not be released from same; and

(f) in the case of a consolidation or merger, shall provide to the Trustee and the Authority an Opinion of Counsel to the effect that the surviving entity can continue to operate the Facilities as a charter school in accordance with the Charter School Act and that the entity is entitled to receive the County Payments and State Payments.

Section 8.3 Transfer of Membership Interest in Lessor. The Lessee agrees that during the Lease Term it will not transfer or convey its membership interest in Lessor to any Person unless (i) no Event of Default has occurred and is continuing, (ii) it provides to the Trustee notice of its intent at least ninety (90) days in advance of such transfer or conveyance, and (iii) the transferee:

(a) shall provide the Authority and the Trustee with an opinion of Bond Counsel to the effect that such transfer or conveyance would not adversely affect the validity of any of the Bonds or the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds; and

(b) shall provide the Authority and the Trustee with an Opinion of Counsel to the transferee acceptable to Bond Counsel that the transferee is described in Section 501(c)(3) of the Code and is not a private foundation under Section 509(a) of the Code.

Section 8.4 Further Assurances. The Lessor and the Lessee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Lease Agreement, subject, however, to the terms and conditions of Article X of the Indenture.

Section 8.5 Audits. The Lessee agrees that it will have the books and records of the Lessee audited annually commencing with the Fiscal Year ending June 30, 2024, by an Accountant as soon as

is authorized by this Article for the protection of its security interest. The Lessee specifically agrees and acknowledges that any action permitted under this Section shall not be construed to be the management or control of the Facilities by the Trustee.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.1 Damage, Destruction and Condemnation. If, during the Lease Term (a) the Facilities or any portion thereof shall be destroyed (in whole or in part), or damaged by fire or other casualty; or (b) title to, or the temporary or permanent use of, the Facilities or any portion thereof or the estate of the Lessee or the Lessor in the Facilities or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or (c) a breach of warranty or a material defect in the construction, manufacture or design of the Facilities shall become apparent; or (d) title to or the use of all or any portion of the Facilities shall be lost by reason of a defect in title thereto; then the Lessee shall be obligated to continue to pay the amounts specified in Section 5.2 of this Lease Agreement.

Section 7.2 Treatment of Net Proceeds. The Lessee and, to the extent such Net Proceeds are within its control, the Lessor, shall cause the Net Proceeds of any insurance policies, payment of performance bonds or condemnation awards to be applied in accordance with the terms of Article VII of the Loan Agreement.

Section 7.3 Continuation of Operations in Event of Casualty. In the event of any damage to or destruction of the Facilities or any part thereof by fire, lightning, vandalism, malicious mischief and extended coverage perils, the Lessee shall make all diligent and reasonable efforts to continue operation of the Facilities in such a manner that will ensure continuation of County Payments and State Payments or shall obtain or use other financing resources to continue operation of the Facilities and ensure due and timely payment of the Lease Payments.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.1 Annual Budget. The Lessee agrees to annually budget sufficient expenditures to provide for all Base Lease Payments, Additional Lease Payments and other amounts due under this Lease Agreement.

Section 8.2 Consolidation, Merger, Sale or Conveyance. The Lessee agrees that during the term of this Lease Agreement it will maintain its corporate existence, will continue to be a non-profit corporation under the laws of the State of North Carolina, will not merge or consolidate with, or sell or convey all or substantially all of its assets to, any Person unless (i) no Event of Default has occurred and is continuing, (ii) it first acquires the consent of the Authority and the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding to such transaction, (iii) it provides to the Trustee notice of its intent at least ninety (90) days in advance of such consolidation, merger, sale or conveyance, and (iv) the acquirer of the Lessee's interest in the Facilities or the corporation with which it shall be consolidated or the resulting corporation in the case of a merger:

(a) shall assume in writing the performance and observance of all covenants and conditions of this Lease Agreement;

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practicable after the close of such Fiscal Year. The Annual Report shall be completed no later than December 31 following the end of each Fiscal Year.

Section 8.6 Financial Statements; Reports; Annual Certificate. The Lessee agrees that it will maintain proper books of records and accounts with full, true and correct entries of all of its dealings substantially in accordance with the practices generally accepted for public school accounting. The Lessee agrees that it will provide to the Trustee and the Underwriter all items required to be delivered pursuant to the Continuing Disclosure Agreement, including, but not limited to, the Annual Reports, Quarterly Reports, and Operations Reports to be delivered pursuant to Sections 3 and 4 and the Reporting of Listed Events to be made pursuant to Section 5 thereof.

(a) In addition, the Lessee shall submit to the Trustee and the Underwriter (1) copies of all written complaint notifications from the State Compliance Office within ten (10) days of having received such complaint notification and copies of any and all of Lessee's responses to such complaint notifications; (2) notices of any meeting at which the Lessee is before the State Compliance Office for issues of non-compliance; and (3) copies of the minutes of any meeting of the State Compliance Office referenced in (2) above within ten (10) days following the availability thereof.

(b) The Lessee will provide the Authority with any of the above documents upon request by the Authority within thirty (30) days after receipt of the Authority's request.

(c) As soon as is practicable after their completion, if requested by the Underwriter or the Trustee, the Lessee shall provide to the Underwriter and to the Trustee with a copy of each report on enrollment, headcount, membership, attendance, waitlist and any other similar reports as requested.

(d) By December 31 of each Fiscal Year, commencing December 31, 2024, the Lessee shall provide the Lessor, the Trustee and the Underwriter a certificate executed by the Disclosure Representative in substantially the form attached hereto as Exhibit C.

(e) The Lessee shall provide the Lessor, the Trustee and the Underwriter with certificates executed by the Disclosure Representative in substantially the forms attached hereto as Exhibit D and Exhibit E as provided in Section 8.18 and Section 8.19 below.

(f) The Trustee shall have no duty to review or analyze documents, including any reports, financial statements, insurance policies or certificates, or other material delivered to the Trustee under the terms of this Lease Agreement and shall only be required to act on such information if (i) it has received written notice that the information contained therein creates an Event of Default hereunder and (ii) direction to act and indemnity satisfactory to it from Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding in accordance with the Indenture.

Section 8.7 Indemnification. To the fullest extent permitted by law, the Lessee agrees to fully, forever and irrevocably release, indemnify, hold harmless and defend the Indemnified Parties, against any and all Liabilities, arising out of or based upon or in any way relating to:

(a) this Lease Agreement, the Lessee Documents or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(b) the performance or observance by or on behalf of the Trustee or the Authority of those things on the part of the Trustee or the Authority agreed to be performed or observed hereunder or under the Indenture and the documents identified in subsection (a) above;

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(c) any act or omission of the Lessee or any of its affiliates or affiliated persons, agents, contractors, servants, employees, tenants or licensees in connection with the Facilities, the operation of the Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Facilities or any part thereof;

(d) any lien or charge upon payments by the Lessor or the Lessee to the Authority or the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Facilities;

(e) any violation of any Environmental Law and Environmental Requirements with respect to, or the release of any Regulated Chemicals from, the Facilities or any part thereof;

(f) the defeasance and/or redemption, in whole or in part, of the Bonds;

(g) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing shall not apply to the extent of any information provided by the Authority for inclusion therein;

(h) any declaration of taxability of interest on the Tax-Exempt Bonds, or allegations that interest on the Tax-Exempt Bonds is taxable or any regulatory audit or inquiry regarding whether interest in the Tax-Exempt Bonds is taxable;

(i) any investigation or formal or informal inquiry by any federal, state, or local governmental or regulatory agency (including, but not limited to, the U.S. Securities & Exchange Commission) with respect to the Bonds or the transactions contemplated by the Authority Documents or in connection therewith;

(j) any third party request to the Authority for documents or information regarding the Bonds or related documents or transactions pursuant to the Federal Freedom of Information Act ("FOIA") or Wisconsin Public Records Law (Wis. Stat. §§ 19.21, et. seq.); to the extent not paid by the requesting party;

(k) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party; or

(l) any injury to or death of any Person or damage to property in or upon the Facilities or growing out of or connected with the use, nonuse, condition or occupancy of the Facilities;

except (A) in the case of the foregoing indemnification of the Trustee Indemnified Persons, to the extent such Liabilities are caused by the gross negligence or willful misconduct of such Trustee Indemnified Person; or (B) in the case of the foregoing indemnification of the Authority and the Authority Indemnified Persons, to the extent such Liabilities are caused by the willful misconduct of the Person seeking indemnification.

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Section 8.9 Authority of Authorized Representative of Lessor. Whenever under the provisions of this Lease Agreement the approval of the Lessor is required, or the Lessee or the Trustee is required to take some action at the request of the Lessor, such approval or such request shall be made by the Authorized Representative of the Lessor unless otherwise specified in this Lease Agreement, the Loan Agreement or the Indenture. The Lessee or the Trustee shall be authorized to act on any such approval or request and the Lessor shall have no complaint against the Lessee or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Lease Agreement, the Loan Agreement or the Indenture by an Authorized Representative of the Lessor shall be on behalf of the Lessor and shall not result in any personal liability of such Authorized Representative.

Section 8.10 Licenses and Qualifications. The Lessee will do, or cause to be done, all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals and to comply, or cause its lessees to comply, with such permits, licenses and other governmental approvals necessary for operation of the Facilities and the School as a charter school (as defined in the Charter School Act) (subject, however, to Section 8.11 hereof).

Section 8.11 Right to Inspect. Following reasonable notice to the Lessee, at any and all reasonable times during business hours, the Trustee, the Authority, the Lessor and their duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Facilities, including all books and records of the Lessee (excluding records the confidentiality of which may be protected by law), and to make such copies and memoranda from and with regard thereto as may be desired; provided, however, that they shall maintain these books and records in confidence unless required by applicable law to do otherwise and it is necessary to distribute the information to some other third party under applicable law.

Section 8.12 Assignment and Subleasing. This Lease Agreement may not be assigned by the Lessee for any reason other than to a successor by operation of law. However, the Leased Property may be subleased to any other person or entity, as a whole or in part, by the Lessee, with the consent of the Lessor, and subject to each of the following conditions:

(a) this Lease Agreement and the obligations of the Lessee hereunder, shall, at all times during the Lease Term remain obligations of the Lessee subject to Sections 5.1 and 5.2 of this Lease Agreement, and the Lessee shall maintain its obligations to the Lessor, notwithstanding any sublease;

(b) the Lessee shall furnish or cause to be furnished to the Lessor a copy of any sublease agreement;

(c) no sublease by the Lessee shall violate the Constitution or laws of the State of North Carolina; and

(d) the Leased Property may be conveyed or subleased, in whole or in part, only to another entity or entities if, in the opinion of nationally recognized Bond Counsel, such conveyance or sublease will not impair the exclusion from gross income for purposes of federal income taxation of the Tax-Exempt Bonds.

Section 8.13 Prohibited Use. No portion of the proceeds of the Bonds shall be used to finance or refinance any facility, place or building used or to be used for sectarian instruction or study or as a place of devotional activities or religious worship, in such a manner or to such an extent as would result in any of the Tax-Exempt Bonds being treated as an obligation not described in Section 103(a) of the Code.

THE LESSEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE AUTHORITY AND THE AUTHORITY INDEMNIFIED PERSONS SHALL BE RELEASED FROM, AND INDEMNIFIED HEREUNDER AGAINST, LIABILITIES ARISING FROM THE AUTHORITY'S OR ANY AUTHORITY INDEMNIFIED PERSON'S OWN NEGLIGENCE OF ANY KIND, DESCRIPTION OR DEGREE (EXPRESSLY WAIVING THE COMPARATIVE NEGLIGENCE PROVISIONS OF SECTION 895.045 OF THE WISCONSIN STATUTES AND THE STATUTORY OR COMMON-LAW CONTRIBUTORY OR COMPARATIVE NEGLIGENCE LAWS OF ANY OTHER STATE OR JURISDICTION), OR BREACH OF CONTRACTUAL DUTY, WITHOUT REGARD TO OR THE NECESSITY OF ANY BREACH OR FAULT ON THE PART OF LESSEE OR ANY OTHER PERSON, EXCEPT INsofar AS AND TO THE EXTENT THAT ANY SUCH LIABILITIES ARISE FROM THE WILLFUL MISCONDUCT OF THE PERSON SEEKING INDEMNIFICATION.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Lessee, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Lessee shall pay the fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Lessee if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses shall survive the final payment or defeasance of the Series 2024 Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section shall remain valid and in effect notwithstanding repayment of the loan hereunder or payment, redemption or defeasance of the Series 2024 Bonds or termination of this Lease Agreement.

Notwithstanding anything to the contrary contained in Section 6.6 or in this Section 8.7, it is understood and agreed that nothing in Section 6.6, Section 8.7 or elsewhere in this Lease Agreement shall be deemed or construed a modification of or limitation on the rights of the Authority and the Authority Indemnified Persons to indemnification from the Lessor under Section 8.6 of the Loan Agreement. To the extent any provision herein conflicts with the indemnification provided under Section 8.6 of the Loan Agreement, Section 8.6 of the Loan Agreement shall control.

Section 8.8 Authority of Authorized Representative of Lessee. Whenever under the provisions of this Lease Agreement or the Indenture the approval of the Lessee is required, or the Lessor, the Authority or the Trustee is required to take some action at the request of the Lessee, such approval or such request shall be made by the Authorized Representative of the Lessee unless otherwise specified in this Lease Agreement. The Lessor, the Authority or the Trustee shall be authorized to act on any such approval or request and the Lessee shall have no complaint against the Lessor, the Authority or the Trustee as a result of any such action taken in accordance with such approval or request. The execution of any document or certificate required under the provisions of this Lease Agreement, the Loan Agreement or the Indenture by an Authorized Representative of the Lessee shall be on behalf of the Lessee and shall not result in any personal liability of such Authorized Representative.

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Section 8.14 Limitations on Incurrence of Additional Indebtedness. The Lessee shall not incur additional Indebtedness except pursuant to this Section 8.14.

(a) **Senior Indebtedness.** The Lessee shall not incur additional Indebtedness secured by Liens on any portion of the Mortgaged Estate or the Revenues that are senior to the Lien of any Deed of Trust on any portion of the Mortgaged Estate or the security interest in the Revenues granted by the Loan Agreement, this Lease Agreement and any Deed of Trust.

(b) **Long-Term Indebtedness.** The Lessee may incur additional parity Long-Term Indebtedness if either of the following tests is met:

(i) (1) the Coverage Ratio for the most recent Fiscal Year for which an audit has been completed was at least 1.10 to 1.00; and (2) a Management Consultant reports that the Maximum Annual Coverage Ratio for the Fiscal Year following the incurrence of such Long-Term Indebtedness or, if such Long-Term Indebtedness is being issued to finance improvements, equipment or new facilities, the Fiscal Year after such improvements, equipment or new facilities are placed in service, is projected to be at least 1.20 to 1.00 (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby and provided that, such projected Net Income Available for Lease Payments shall be adjusted to provide for any projected revenues and expenses anticipated as the result of any real or personal property acquired, constructed, or completed with the proceeds of any such Long-Term Indebtedness); or

(ii) A certificate of an Authorized Representative of the Borrower certifying the Maximum Annual Coverage Ratio for the most recently completed Fiscal Year for which an audit has been completed was at least 1.10 to 1.00 (taking into account the proposed additional Long-Term Indebtedness and any Long-Term Indebtedness to be refinanced thereby).

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

(d) **Refunding Indebtedness.** The Lessee may issue Refunding Indebtedness, provided that the Lessee certifies, in writing, to the Trustee that the Maximum Annual Debt Service will not be increased by more than 10% by such refunding.

(e) **Balloon Indebtedness.** The Lessee may issue Balloon Indebtedness if the conditions set forth in subsection 8.14(b)(i) or subsection 8.14(b)(ii) are met when it is assumed that: (A) the Balloon Amount is Long-Term Indebtedness maturing over a term equal to the term of the Balloon Amount or a term of 20 years from the date of issuance of the Balloon Indebtedness, whichever is greater; and (B) the Balloon Amount bears interest on the unpaid principal balance at the Projected Rate and is payable on a level debt service basis over a 20-year period.

(f) **Put Indebtedness.** The Lessee may issue Put Indebtedness if:

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(i) (A) at the time such Put Indebtedness is incurred a Financial Institution has provided a binding commitment that provides for the amortization of Indebtedness incurred under such commitment over a term of at least 24 months commencing with the next succeeding Put Date, to provide financing sufficient to pay such Put Indebtedness on the Put Date occurring during the term of such commitment; and (B) the conditions set forth in subsection 8.14(b)(i) or subsection 8.14(b)(ii) are met when it is assumed that the Put Indebtedness is Long-Term Indebtedness that bears interest at the Projected Rate and is payable on a level debt service basis over a 25-year period; or

(ii) (A) the period from the date of incurrence of the proposed Put Indebtedness to the first Put Date is at least 36 months and (B) the conditions set forth in clause subsection 8.14(b)(i) or subsection 8.14(b)(ii) are met when it is assumed that the Put Indebtedness is Long-Term Indebtedness that either: (i) bears interest at the fixed rate applicable to the Put Indebtedness to be incurred (with such fixed interest rate applied over the entire term of the Indebtedness, for purposes under this subsection 8.14(f)(ii)); or (ii) bears interest at the Projected Rate and is payable on a level debt service basis over a 25-year period.

(g) *Short-Term Indebtedness and Interim Indebtedness.* To the extent permitted by applicable law and if no Event of Default under this Lease Agreement, or an event that with the giving of notice or passage of time or both would constitute an Event of Default under this Lease Agreement, has occurred and is continuing, Lessee may incur Short-Term Indebtedness for working capital purposes which the Lessee in its judgement deems expedient, or Interim Indebtedness to finance and refinance existing capital needs which the Lessee in its judgement deems expedient, in each case which Short-Term Indebtedness or Interim Indebtedness constitutes Nonrecourse Indebtedness, so long such proposed Indebtedness, together with all Short-Term Indebtedness and Interim Indebtedness then outstanding, does not exceed 25% of the Revenues of the Lessee for the fiscal year for which the most recent available audited financial statements of the Lessee are available.

(h) *Non-Recourse Indebtedness.* Indebtedness consisting of purchase money obligations with respect to any item of equipment related to the Personality may be incurred without limitation.

(i) *Operating Leases.*

(i) Indebtedness consisting of leases which are considered operating leases for a charter school facility under general accepted accounting principles, the term of which does not exceed two years, may be incurred without limitation.

(ii) Indebtedness consisting of operating leases for a charter school facility under generally accepted accounting principles, the term of which exceeds two years, may be incurred if, prior to the incurrence of such Indebtedness, an Management Consultant selected by the Lessee provides a written report to the Trustee indicating that the Coverage Ratio required to be met under the Long-Term Indebtedness provisions set forth in paragraph (b) above are satisfied, assuming only for the purposes of such calculation that such operating lease Indebtedness constitutes additional Long-Term Indebtedness.

(f) *Subordinated Indebtedness.* Subordinated Indebtedness may be incurred without limitation.

Section 8.15 Covenant to Comply with Indenture and Loan Agreement. The Lessee hereby acknowledges receipt of the Indenture and the Loan Agreement, agrees to be bound by the respective terms thereof and accepts all obligations and duties imposed on the Lessee thereby.

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applicable requirements or restrictions imposed by law, or to the extent practical, it shall revise its methods of operation and shall take such other reasonable actions as shall be in conformity with the recommendations. So long as the Lessee shall retain a Management Consultant and complies with such Management Consultant's recommendations to the extent practical or not prohibited by law, no default or Event of Default shall be declared solely by reason of a violation of the requirement to have Days Cash on Hand equal to at least 45 Days Cash on Hand as of June 30, 2024, and as of each June 30 thereafter.

Section 8.19 Coverage Ratio.

(a) The Lessee will deliver annually to the Lessor, the Trustee and the Underwriter not later than December 31 after each June 30, commencing June 30, 2025, a certificate in the form attached hereto as Exhibit E stating the Coverage Ratio for the Fiscal Year then ended. The Coverage Ratio is required to be at or above 1.10 to 1.00 for any Fiscal Year, commencing June 30, 2025. If such Coverage Ratio is below 1.10 to 1.00 but above 1.00 to 1.00, the Lessee shall retain, at its expense and within forty-five (45) days following the related reporting date, a Management Consultant to submit a written report and make recommendations within 60 (sixty) days of being retained (a copy of such report and recommendations shall be filed with the Lessor, the Underwriter and the Trustee and on EMMA) with respect to increasing Revenues, decreasing Operating Expenses or other financial matters of the Lessee which are relevant to increasing the Coverage Ratio to at least the required level. Beneficial Owners of the Bonds then Outstanding shall have the right to object to the Lessee's selection of a Management Consultant and direct the Lessee to select an alternate Management Consultant pursuant to Section 8.21 herein and Section 9.05 of the Indenture. The Lessee will, subject to the exceptions in the next sentence, adopt and follow the recommendations of the Management Consultant and will thereafter calculate the Coverage Ratio for each succeeding fiscal year. So long as the Management Consultant determine that the Lessee is demonstrating reasonable diligence to comply with the appropriate recommendations (excepting certain limited instances when an Opinion of Counsel is obtained excusing such actions by the Lessee or where the Lessee makes a good faith determination in a statement to the Trustee that the Management Consultant's recommendations would violate State of North Carolina or federal law, the educational or charitable purpose of the Lessee or the Charter) and the Coverage Ratio does not fall below 1.00 in any Fiscal Year, the Lessee will be deemed to have complied with its covenants hereunder. The Lessee shall continue to retain the Management Consultant until the Lessee has achieved a Coverage Ratio of at least the required level for at least two consecutive fiscal years.

(b) If the Coverage Ratio falls below 1.00 to 1.00 for any Fiscal Year, the Lessee shall be deemed to be in default under this Lease. The Lessee is required to notify the Trustee and Registered Owners of the Outstanding Bonds of the Coverage Ratio if the Coverage Ratio is below 1.00 to 1.00.

(c) Any contract entered into between the Lessee and any Management Consultant engaged by the Lessee pursuant to this Section 8.19 must meet the requirements of this Lease Agreement and the Tax Agreement.

Section 8.20 Subordination. The Lessee hereby covenants and agrees: (1) this Lease Agreement at all times shall automatically be subordinate to each Deed of Trust (unless waived in writing by the beneficiary pursuant to the Deed of Trust); (2) Lessee shall attorn to the Beneficiary and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Real Property (as that term is defined in each Deed of Trust) by any purchaser at a foreclosure sale or by the Beneficiary in any manner; (3) to execute such further evidences of attornment and subordination as a mortgagee or any purchaser at a foreclosure sale may from time to time request, including a subordination and attornment agreement in form and substance acceptable to the Beneficiary or any purchaser in its sole discretion; (4) this Lease Agreement shall not be terminated by foreclosure or any other transfer of the Real Property (as that term is defined in each Deed of Trust); (5) after a foreclosure sale of

Section 8.16 Liens. Except as specifically provided in this Lease Agreement, the Lessee covenants not to create, assume, incur or suffer to be created, assumed or incurred any Lien (other than Permitted Encumbrances) on the Mortgaged Estate.

Section 8.17 Calculation of Principal and Interest Requirements on Long-Term Indebtedness. The calculation of Principal and Interest Requirements on Long-Term Indebtedness that is Balloon Indebtedness, Put Indebtedness, or Variable Rate Indebtedness shall be made as set forth below:

(a) In determining the amount of debt service payable on any Balloon Indebtedness, it shall be assumed the Balloon Amount is Long-Term Indebtedness maturing over a term equal to the term of the Balloon Indebtedness or a term of 20 years from the date of issuance of the Balloon Indebtedness, whichever is greater, and the Balloon Amount bears interest on the unpaid principal balance at the Projected Rate and is payable on a level debt service basis over a 20-year period.

(b) Any Put Indebtedness that bears interest at a variable rate shall be assumed to bear interest at the Projected Rate and be payable on a level debt service basis over a 25-year period and any Put Indebtedness that bears interest at a fixed rate shall be assumed to bear interest at the fixed rate applicable to the Put Indebtedness, with such fixed interest rate applied over the entire term of the Indebtedness, and be payable on a level debt service basis over a 25-year period.

(c) In determining the amount of debt service payable on any Variable Rate Indebtedness for any future period, interest on any such Variable Rate Indebtedness for any period of calculation shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average annual rate of interest on similar securities (calculated in the manner in which the rate of interest for the Determination Period is to be calculated) which was in effect for the twenty-four (24) month period prior to a date selected by the Lessee, which selected date is within forty-five (45) days immediately preceding the beginning of the Determination Period, plus two percent (2%) per annum, as certified by a banking or investment banking institution knowledgeable in matters of variable rate financing or, if it is not possible to calculate such average annual rate of interest, by assuming that the rate of interest applicable to the Determination Period is equal to the rate of interest then in effect on such Variable Rate Indebtedness, plus two percent (2%) per annum. In addition, debt service shall include any continuing credit enhancement, liquidity, and/or remarketing fees for the relevant period.

Section 8.18 Liquidity Covenant. The Lessee hereby covenants and agrees that it will maintain Days Cash on Hand equal to at least 45 Days Cash on Hand as of June 30, 2024, and as of each June 30 thereafter, tested annually as of the end of each Fiscal Year based on the audited financial statements for such Fiscal Year.

The Lessee will provide the Lessor, the Trustee and the Underwriter not later than December 31 after each June 30, commencing June 30, 2024, with a certificate in substantially the form attached hereto as Exhibit D stating the Days Cash on Hand as of the applicable June 30. In the event that Days Cash on Hand falls below the requirement set forth above as of any testing date, the Lessee shall retain a Management Consultant within forty-five (45) days following the related reporting date at the Lessee's expense. Beneficial Owners of the Bonds then Outstanding shall have the right to object to the Lessee's selection of a Management Consultant and direct the Lessee to select an alternate Management Consultant pursuant to Section 8.21 herein and Section 9.05 of the Indenture. The Management Consultant shall make appropriate recommendations within 60 days of being retained in order to bring the Lessee into compliance with the provisions of this Section.

Copies of such recommendations shall be filed with the Lessor, the Underwriter and Trustee and on EMMA. The Lessee agrees that promptly upon the receipt of such recommendations, subject to

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the Real Property, a Beneficiary or any other purchaser at such foreclosure sale may, at the Beneficiary's or such purchaser's option, accept or terminate this Lease Agreement; and (6) the Lessee shall, upon receipt after the occurrence of an Event of Default of a written request from the Beneficiary, pay all Income payable under this Lease Agreement to the Beneficiary.

Section 8.21 Management Consultant. Upon the selection of a Management Consultant as required by Sections 8.18 or 8.19 of this Lease Agreement, the Lessee shall cause a notice of the selection of such Management Consultant, in the form attached hereto as Exhibit F, including the name of such Management Consultant and a brief description of such Management Consultant to be filed with EMMA. The Management Notice must also state each Beneficial Owner of the Bonds then Outstanding shall be deemed to have consented to the selection of such Management Consultant unless such Beneficial Owner submits to the Trustee a written objection to the Management Consultant in the form attached hereto as Exhibit I, within ten days of the date the Management Notice is posted to EMMA. If the Beneficial Owners of at least a majority in aggregate principal amount of the Bond then Outstanding provide Objection Notices to the Trustee within the Objection Period, then the Lessee shall select an alternate Management Consultant and post a new Management Notice with respect to the newly selected Management Consultant.

Section 8.22 Continuing Disclosure Agreement. The Lessee hereby covenants to execute and deliver the Continuing Disclosure Agreement, as the continuing disclosure undertaking required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), contemporaneously with the issuance of the Series 2024 Bonds. The Continuing Disclosure Agreement shall be for the benefit of the Registered Owners and the Beneficial Owners each Registered Owner and Beneficial Owner shall be a beneficiary of this Section 8.22 and such Continuing Disclosure Agreement with the right to enforce this Section 8.22 and the Continuing Disclosure Agreement directly against the Lessee. The Lessee, together with the Lessor, shall enter into the Continuing Disclosure Agreement with Digital Assurance Certification, LLC, or another nationally recognized dissemination agent.

Section 8.23 DACA; Direction Regarding State Payments Applied to Lease Payments.

(a) The Lessee represents and warrants that (i) it maintains a depository account at the Primary Depository Bank (the "Account"), which account is subject to the DACA, (ii) it maintains no other depository accounts that receive State Payments, and (iii) it will not move the Account or open new accounts for the purpose of receiving State Payments without first having entered into an agreement in the form and substance of the DACA covering all such accounts which is acceptable to the Beneficial Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

(b) The Lessee represents, covenants and agrees that it has directed the payors of State Payments to deposit such State Payments into the operating account of the Lessee (the "Primary Operating Account") at Southern Bank (the "Primary Depository Bank").

(c) In the event the Lessee wishes to change its Primary Depository Bank, it may do so; provided that the Lessee shall (i) first notify the Trustee in writing of such change and the effective date of such change and (ii) direct the payors of State Payments to deposit all State Payments into the Primary Operating Account at the new Primary Depository Bank.

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ARTICLE IX

ASSIGNMENT AND PLEDGE BY LESSOR

The Lessor shall assign certain of its rights and interests in and under this Lease Agreement to the Authority pursuant to the Loan Agreement as security for payment of the principal of, premium, if any, and interest on the Series 2024 Promissory Notes, and the Authority will further assign its rights under the Lease Agreement (other than the Authority's Unassigned Rights) to the Trustee pursuant to the Indenture as security for payment of the principal of, premium, if any, and interest on the Bonds. The Lessee hereby consents to such assignments.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 Events of Default. The following shall be Events of Default of the Lessee under this Lease Agreement, and the term Event of Default shall mean, whenever it is used in this Lease Agreement, any one or more of the following events:

(a) Failure by the Lessee to make the Base Lease Payments required by Section 5.2 hereof by the Lease Payment Date.

(b) Failure by the Lessee to observe or perform any other covenant, condition or agreement on its part to be observed or performed herein other than as referred to in subsection (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied shall have been given to the Lessee by the Lessor, the Authority or the Trustee; provided, with respect to any such failure covered by this subsection (b), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Trustee to remedy such failure shall have been commenced within such thirty-day period and shall thereafter be diligently pursued to completion and the failure shall be remedied within ninety (90) days of such occurrence, unless said remedy cannot be performed within ninety (90) days and the Lessee is actively working toward a remedy.

(c) The dissolution or liquidation of the Lessee, or failure by the Lessee to promptly contest and have lifted any execution, garnishment or attachment of such consequence as will impair its ability to meet its obligations with respect to the operation of its charter school or to make any payments under this Lease Agreement. The phrase "dissolution or liquidation of the Lessee," as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another domestic corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets under the conditions permitting such actions contained in Section 8.2 hereof.

(d) The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Lessee in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or State of North Carolina bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequesteror (or other similar official) of the Lessee or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days.

(e) The commencement by the Lessee of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or State of North Carolina bankruptcy,

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Section 10.2 Remedies On Default.

(a) Whenever an Event of Default referred to in Section 10.1 hereof shall have occurred and is continuing, the Lessor, or the Trustee where so provided herein, may take any one or more of the following remedial steps:

(i) The Lessor (or the Trustee acting as assignee of the Lessor, as and to the extent provided in the Indenture) may declare the Lease Payments payable hereunder for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become due and payable;

(ii) The Lessor (or the Trustee acting as assignee of the Lessor, as and to the extent provided in the Indenture) may terminate the Lease Term and give notice to the Lessee to vacate and surrender possession of the Leased Property within ten (10) Business Days of such notice;

(iii) The Lessor (or the Trustee acting as assignee of the Lessor, as and to the extent provided in the Indenture) may proceed to foreclose through the courts on or otherwise sell, trade-in, repossess or liquidate the Lessee's interest in the Leased Property, or any part thereof, in any lawful manner;

(iv) The Lessor (or the Trustee acting as assignee of the Lessor, as and to the extent provided in the Indenture) may lease or sublease the Leased Property or any portion thereof or sell any interest the Lessor has in the Leased Property; and

(v) The Lessor (or the Trustee acting as assignee of the Lessor, as and to the extent provided in the Indenture) may take whatever action at law or in equity or pursuant to the Financing Documents as may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Lessee under this Lease Agreement.

(b) Notwithstanding the foregoing, prior to the exercise by the Lessor or the Trustee of any remedy that would prevent the application of this paragraph, the Lessee may, at any time, pay all accrued payments hereunder (exclusive of any payments accrued solely by virtue of declaration pursuant to subsection (a)(i) of this Section 10.2) and fully cure all defaults, and in such event, the Lessee shall be fully reinstated to its position hereunder as if such Event of Default had never occurred.

(c) In the event that the Lessee fails to make any payment required hereby, the payment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid.

(d) Whenever any Event of Default has occurred and is continuing under this Lease Agreement, the Trustee may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights of the Lessor under this Article, upon notice as required to the Lessor. In addition, the Trustee shall have available to it all of the remedies prescribed in the Indenture.

(e) Any amounts collected pursuant to action taken under the immediately preceding paragraph (d) (other than sums collected for the Lessor on account of the Lessor's Unassigned Rights, which sums shall be paid directly to the Lessor), after reimbursement of any costs incurred by the Lessor or the Trustee in connection therewith, shall be applied in accordance with the provisions of the Indenture.

(f) If the Lessor or the Trustee shall have proceeded to enforce their rights under this Lease Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have

insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequesteror (or other similar official) of the Lessee or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of the Lessee generally to pay its debts as such debts become due, or the taking of corporate action by the Lessee in furtherance of any of the foregoing.

(f) Failure of the Lessee to comply with any covenants contained in the Tax Agreement.

(g) The occurrence of an Event of Default under the Indenture, the Loan Agreement, the Deed of Trust or any of the Lessee Documents.

(h) Any representation or warranty made by the Lessee herein or made by the Lessee in any statement or certificate furnished by the Lessee either required hereby or in connection with the execution and delivery of this Lease Agreement and the sale and the issuance of the Bonds shall prove to have been untrue in any material respect as of the date of the issuance or making thereof.

(i) Judgment for the payment of money in excess of \$100,000 (which is not covered by insurance) is rendered by any court or other governmental body against the Lessee, and the Lessee does not discharge same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within sixty (60) days from the date of entry thereof, and within said sixty-day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under Generally Accepted Accounting Principles.

(j) A writ or warrant of attachment or any similar process shall be issued by any court against the Mortgaged Estate, and such writ or warrant of attachment or any similar process is not released or bonded within sixty (60) days after its entry.

(k) Any of the Lessee's representations and warranties herein or in any of the other Lessee Documents with respect to environmental matters are false in any material respect.

(l) The termination of the Charter either by its terms or for any other reason.

The foregoing provisions of subsection (b) of this Section 10.1 are subject to the following limitations: If by reason of force majeure the Lessee is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the Lessee contained in Article V and in Sections 6.2, 6.3, 6.6 and 8.6 hereof, the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of North Carolina or any political subdivision thereof or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee. The Lessee agrees, however, if possible, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Lessee unfavorable to the Lessee.

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been determined adversely to the Lessor or the Trustee, then and in every such case, the Lessee, the Lessor and the Trustee shall be restored to their respective positions and rights hereunder, and all rights, remedies and powers of the Lessee, the Lessor and the Trustee shall continue as though no such proceedings had been taken.

(g) In the event of any payment by the Lessor, the Lessor shall be subrogated to all of Lessee's rights of recovery therefor against any Person and the Lessee shall execute and deliver all documents and instruments and perform all actions necessary to secure such rights of the Lessor.

Section 10.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement, the other Financing Documents or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required herein or by applicable law. Such rights and remedies given the Lessor hereunder shall also extend to the Trustee, the Beneficial Owners and the Registered Owners of the Bonds, subject to the Indenture.

Section 10.4 Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should breach any of the provisions of this Lease Agreement and the Lessor or the Trustee should employ attorneys or incur other expenses for the collection of Lease Payments or the enforcement of performance or observance of any obligation or agreement on the part of any Lessee herein contained, the Lessee agrees that it will on demand therefore pay to the Lessor and the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses incurred by the Lessor and the Trustee. The obligations of the Lessee arising under this Section 10.4 shall continue in full force and effect notwithstanding the final payment of the Bonds or the termination of this Lease Agreement for any reason.

Section 10.5 Waiver. In the event any agreement contained in this Lease Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Lessor's rights in and under this Lease Agreement to the Authority under the Loan Agreement and then to the Trustee under the Indenture, the Lessor shall have no power to waive any Event of Default hereunder without the consent of the Trustee (or the Authority if such Event of Default relates to the Authority's Unassigned Rights). Notwithstanding the foregoing, a waiver of an Event of Default under the Loan Agreement or the Indenture or a rescission of a declaration of acceleration of the Bonds and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under this Lease Agreement and a rescission and annulment of its consequences; provided, that no such waiver or rescission shall extend to or affect any subsequent or other default hereunder or impair any right consequent thereon.

Section 10.6 Treatment of Funds in Bankruptcy. The Lessee acknowledges and agrees that in the event the Lessee commences a case under the United States Bankruptcy Code located at 11 U.S.C. § 101 et. seq. or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code: (i) amounts on deposit in any of the Funds are not, nor shall they be deemed to be, property of the Lessee's bankruptcy estate as defined by § 541 of the Bankruptcy Code; (ii) that in no event shall the Lessee assert, claim or contend that amounts on deposit in any of the Funds are property of the Lessee's bankruptcy estate; and (iii) that amounts on deposit in any of the Funds are held in trust solely for the benefit of the Registered Owners and the Beneficial Owners, shall be applied only in accordance with the provisions of the Indenture, and the Lessee has no legal, equitable or reversionary interest in, or right to, such amounts.

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ARTICLE XI

PREPAYMENT OPTION

Section 11.1 Option to Prepay. So long as no Event of Default pursuant to Section 10.1 hereunder exists, the Lessee shall have and is hereby granted the option to prepay all or a portion of the Base Lease Payments by delivering to the Trustee (i) money or securities and (ii) written notice from the Lessor and the Lessee acknowledging the prepayment amount and that such prepayment constitutes a corresponding prepayment of the Loan pursuant to Article XI of the Loan Agreement, setting forth the principal amount of Bonds to be redeemed or defeased pursuant to the Indenture (which amount shall take into account any credits for prepayment of the Loan in accordance with Section 11.2 of the Loan Agreement), and directing the Trustee to effect an optional redemption of all or a portion of the Bonds in accordance with Section 5.01 of the Indenture or, if the Bonds are not then subject to redemption as provided in the Indenture, to effect a defeasance of all or a portion of the Bonds in accordance with Section 7.01 of the Indenture. Such written notice from the Lessor and Lessee is also required to satisfy any notice provisions in the Loan Agreement in connection with a prepayment of the Loan, including but not limited to Section 11.3 of the Loan Agreement. The Lessee acknowledges that the money or securities delivered as any prepayment of Base Lease Payments must be in such form as will allow the Trustee to redeem or defease the applicable Bonds in accordance with the terms of Article V and Article VII of the Indenture, as applicable, and that all other conditions to such redemption or defeasance, as applicable, shall be satisfied. In the event the Lessee prepays all of the Base Lease Payments pursuant to this Section, pays all reasonable and necessary fees and expenses of the Trustee accrued and to accrue through final payment of the Bonds as a result of such prepayment, all of its liabilities accrued and to accrue hereunder through final payment of the Bonds as a result of such prepayment, and all other amounts payable by the Lessee hereunder, and if all conditions to termination of the Loan Agreement have been satisfied, including payments of any Rebate Amount, the parties shall modify this Lease Agreement (except as otherwise provided herein) to reduce the Base Lease Payments to a nominal amount or to such other amount as the parties hereto may agree, or may replace this Lease Agreement with a new lease agreement to reflect such terms.

Section 11.2 Notice of Exercise of Option to Prepay. In order to exercise the option granted by this Article XI, the Lessee shall give written notice to the Lessor and the Trustee which shall specify therein the date of making the payment, which date shall be not less than forty-five (45) days nor more than ninety (90) days from the date the notice is mailed. If the Lessee shall have given notice to the Lessor and the Trustee of its intention to prepay Base Lease Payments, but shall not have deposited the required amounts with the Trustee on the date specified in such notice, the Lessee shall continue to pay Base Lease Payments as if no such notice had been given.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, facsimile (confirmed by certified mail), email (confirmed by certified mail), or overnight courier, addressed as follows:

If to the Borrower:
or the Lessee:

If to the Authority:

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such security interest to the Trustee to be perfected by the filing of financing statements which shall fully comply with the North Carolina Uniform Commercial Code in the office of the Secretary of State of North Carolina and in such other office as is at the time provided by law as the proper place for the filing thereof. The parties further agree that all necessary continuation statements shall be filed by the Trustee within the time prescribed by the North Carolina Uniform Commercial Code in order to continue such security interests.

Section 12.10 Cancellation at Expiration of Lease Term. Upon the termination of this Lease Agreement, and provided the Bonds have been fully retired and all amounts due hereunder, under the Loan Agreement and under the Indenture have been paid in full, the Lessor shall deliver to the Lessee any documents and take or cause the Trustee and/or the Authority to take such actions as may be necessary to evidence the termination of this Lease Agreement and the discharge of the Lien of the Deed of Trust.

Section 12.11 Non-Liability of Authority. The Authority shall not be obligated to pay the principal of, premium, if any, or interest on the Bonds or any costs incidental thereto, except from the Trust Estate. Neither the faith and credit nor the taxing power of any Member, the State of Wisconsin or any other political subdivision or agency thereof or any political subdivision approving the issuance of the Bonds, nor the faith and credit of the Authority or of any Sponsor or Authority Indemnified Person, is pledged to the payment of the principal of, premium, if any, or interest on the Bonds or any costs incidental thereto. The Authority has no taxing power. The Authority shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Lease Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Lessor under this Lease Agreement, and except as may result solely from the Authority's own willful misconduct.

Section 12.12 No Personal Liability of Officials of Lessee, Lessor, Authority or Trustee. None of the covenants, stipulations, promises, agreements and obligations (if any) of the Authority, the Trustee, the Lessor or the Lessee contained herein shall be deemed to be covenants, stipulations, promises, agreements or obligations of any official, officer, agent or employee of the Authority, the Trustee, the Lessor or the Lessee in his or her individual capacity, and no recourse shall be had for the payment of the principal of or premium, if any, or interest on the Bonds or for any claim based thereon or any claim hereunder against any official, officer, agent or employee of the Authority, the Lessor or the Lessee or any officer, agent, servant or employee of the Trustee or any natural person executing any Bond, including any officer or employee of the Trustee.

Section 12.13 No Obligation of the State of North Carolina. No indebtedness of any kind incurred or created by the Lessee hereunder shall constitute an indebtedness of the State of North Carolina or its political subdivisions, and no indebtedness of the Lessee shall involve or be secured by the faith, credit, or taxing power of the State of North Carolina or its political subdivisions.

Section 12.14 Prior Agreements Superseded. This Lease Agreement, together with all agreements executed by the parties concurrently herewith or in conjunction with the initial issuance of a Series of Bonds, shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Lessor and the Lessee relating to the Facilities.

Section 12.15 Covenant by Lessee With Respect to Statements, Representations and Warranties. It is understood by the Lessee that all such statements, representations and warranties made by it in this Lease Agreement shall be deemed to have been relied upon by the Authority as an inducement to issue the Bonds, and that if any such statements, representations and warranties were false at the time they were made or (with respect to those representations and warranties which are to continue) are breached

If to the Trustee:

If to the Underwriter:

A duplicate copy of each notice, certificate or other communication given hereunder by the Lessor or the Lessee shall also be given to the Trustee. The Authority, the Lessor, the Lessee or the Trustee may, by notice hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.2 Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Lessor and the Lessee, and their respective successors and assigns, subject, however, to the limitations contained in Section 8.2, Article IX and Section 12.12 hereof.

Section 12.3 Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.4 Third Party Beneficiaries. Each of the Authority, the Indemnified Parties, the Beneficial Owners and the Registered Owners are intended "Third Party Beneficiaries" of this Lease Agreement entitled to enforce such rights in his, her, its or their own name. Nothing in this Lease Agreement shall confer any right upon any person other than parties hereto, and those specifically designated as Third Party Beneficiaries of this Lease Agreement.

Section 12.5 Net Lease. This Lease Agreement shall be deemed and construed to be a "triple net lease," and the Lessee shall pay absolutely net during the Lease Term, the Base Lease Payments, Additional Lease Payments and all other payments required hereunder, free of any deductions, and without abatement, deduction or setoff (other than credits against Base Lease Payments expressly provided for in this Lease Agreement).

Section 12.6 Amendments, Changes And Modifications. Except as otherwise provided in this Lease Agreement or in the Indenture, this Lease Agreement may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Authority and the Trustee.

Section 12.7 Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.8 Governing Law. This Lease Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of North Carolina, except as such laws may be preempted by any federal rules, regulations and laws. Unless otherwise required by North Carolina law, the parties hereto expressly acknowledge and agree that any judicial action to interpret or enforce the terms of this Lease Agreement shall be brought and maintained in State of North Carolina and federal courts in the Edgecombe County, North Carolina or the United States Bankruptcy Court in any case involving or having jurisdiction over the Lessee or the Mortgaged Estate. To the extent that any provision of this Lease Agreement conflicts with any provision of the Charter School Act in effect on the date of final execution of this Lease Agreement, the provisions of the Charter School Act shall control.

Section 12.9 Filing. The Lessee shall cause the security interest in any personal property comprising a part of the Facilities or the Mortgaged Estate granted to the Authority and the assignment of

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during the term hereof, such misrepresentation or breach shall constitute a breach of this Lease Agreement which may give rise to an Event of Default hereunder.

Section 12.16 Captions. The captions and headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease Agreement.

Section 12.17 Lease Payments Due on Holidays. If the date for making any Lease Payment or the last date for performance of any act or the exercise of any right, as provided in this Lease Agreement is not a Business Day, such Lease Payments may be made or act performed or right exercised on the next succeeding Business Day unless otherwise provided herein, with the same force and effect as if done on the nominal date provided in this Lease Agreement.

Section 12.18 Provision of General Application. Any consent or approval of the Lessor required pursuant to this Lease Agreement shall be in writing and shall not be unreasonably withheld.

Section 12.19 Survival. Notwithstanding the payment in full of the Bonds, the discharge of the Indenture, and the termination or expiration of the Loan Agreement and the Series 2024 Promissory Notes and this Lease Agreement, all provisions in this Lease Agreement concerning (a) the tax-exempt status of the Tax-Exempt Bonds (including, but not limited to provisions concerning the payment of the Rebate Amount), (b) the interpretation of this Lease Agreement, (c) the governing law, (d) the forum for resolving disputes, (e) the Authority's right to rely on facts or certificates, (f) the indemnity of the Indemnified Parties, and (g) the Authority's and Trustee's lack of pecuniary liability shall survive and remain in full force and effect.

Section 12.20 Notice of Change in Fact. The Lessee will notify the Lessor, the Authority, the Underwriter and the Trustee promptly after the Lessee becomes aware of (i) any change in any material fact or circumstance represented or warranted by the Lessee in this Lease Agreement or in connection with the issuance of a Series of Bonds which would make any such representation or warranty false when made, (ii) any default or event which, with notice or lapse of time or both, could become an Event of Default under this Lease Agreement, the Loan Agreement or the Indenture or any of the Lessee Documents, specifying in each case the nature thereof and what action the Lessee has taken, is taking, and/or proposes to take with respect thereto, (iii) any Internal Revenue Service audit of the Lessee or the Bonds, (iv) any material litigation affecting the Bonds, the Lessee or the Facilities, and (v) any default in any indebtedness of the Lessee.

Section 12.21 Application of Proceeds. Notwithstanding any provision herein to the contrary, including, but not limited to, Section 6.4 and Section 7.2, upon the occurrence and continuation of an Event of Default under the Indenture or the Agreement, any and all moneys shall be applied pursuant to Section 8.05 of the Indenture.

(Remainder of page left blank intentionally)

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IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Agreement to be executed in their respective corporate names by their duly authorized officers, all as of the date first above written.

NECP HOLDINGS, LLC

By: North East Carolina Preparatory School, Inc., as sole member

By: _____
Name: Mark Lee Cockrell
Title: Executive Director

ACKNOWLEDGMENT

STATE OF NORTH CAROLINA)
) ss:
EDGECOMBE COUNTY)

This instrument was acknowledged before me on the ____ day of _____ 2024, by Mark Lee Cockrell, Executive Director of North East Carolina Preparatory School, Inc., as sole member of NECP Holdings, LLC, a North Carolina limited liability company, on behalf of the company, who personally appeared before me this day and acknowledged that he signed the foregoing instrument.

My Commission Expires: _____
Notary Public

NORTH EAST CAROLINA PREPARATORY SCHOOL, INC.

By: _____
Name: Anne Yancey Mann
Title: Chair

ACKNOWLEDGMENT

STATE OF NORTH CAROLINA)
) ss:
FORSYTH COUNTY)

This instrument was acknowledged before me on the ____ day of _____ 2024, by Anne Yancey Mann, Chair of North East Carolina Preparatory School, Inc., a North Carolina non-profit corporation, on behalf of the corporation, who personally appeared before me this day and acknowledged that he signed the foregoing instrument.

My Commission Expires: _____
Notary Public

[PFA/North East Carolina Preparatory School – Lease Agreement]

[PFA/North East Carolina Preparatory School – Lease Agreement]

EXHIBIT A
BASE LEASE PAYMENT SCHEDULE

North East Carolina Preparatory School	
Schedule of Monthly Payments	
Monthly Payment Date	Monthly Payments
07/05/24	162,853.82
08/05/24	162,853.82
09/05/24	162,853.82
10/05/24	162,853.82
11/05/24	162,853.82
12/05/24	162,853.82
01/05/25	152,762.50
02/05/25	152,762.50
03/05/25	152,762.50
04/05/25	152,762.50
05/05/25	152,762.50
06/05/25	152,762.50
07/05/25	157,740.00
08/05/25	157,740.00
09/05/25	157,740.00
10/05/25	157,740.00
11/05/25	157,740.00
12/05/25	157,740.00
01/05/26	157,740.00
02/05/26	157,740.00
03/05/26	157,740.00
04/05/26	157,740.00
05/05/26	157,740.00
06/05/26	157,740.00
07/05/26	157,663.13
08/05/26	157,663.13
09/05/26	157,663.13
10/05/26	157,663.13
11/05/26	157,663.13
12/05/26	157,663.13
01/05/27	157,663.13
02/05/27	157,663.13
03/05/27	157,663.13
04/05/27	157,663.13
05/05/27	157,663.13
06/05/27	157,663.13
07/05/27	157,583.33
08/05/27	157,583.33
09/05/27	157,583.33
10/05/27	157,583.33
11/05/27	157,583.33
12/05/27	157,583.33
01/05/28	157,583.33

North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
02/05/28	157,583.33
03/05/28	157,583.33
04/05/28	157,583.33
05/05/28	157,583.33
06/05/28	157,583.33
07/05/28	157,408.33
08/05/28	157,408.33
09/05/28	157,408.33
10/05/28	157,408.33
11/05/28	157,408.33
12/05/28	157,408.33
01/05/29	157,408.33
02/05/29	157,408.33
03/05/29	157,408.33
04/05/29	157,408.33
05/05/29	157,408.33
06/05/29	157,408.33
07/05/29	157,579.17
08/05/29	157,579.17
09/05/29	157,579.17
10/05/29	157,579.17
11/05/29	157,579.17
12/05/29	157,579.17
01/05/30	157,579.17
02/05/30	157,579.17
03/05/30	157,579.17
04/05/30	157,579.17
05/05/30	157,579.17
06/05/30	157,579.17
07/05/30	157,661.46
08/05/30	157,661.46
09/05/30	157,661.46
10/05/30	157,661.46
11/05/30	157,661.46
12/05/30	157,661.46
01/05/31	157,661.46
02/05/31	157,661.46
03/05/31	157,661.46
04/05/31	157,661.46
05/05/31	157,661.46
06/05/31	157,661.46
07/05/31	157,655.21
08/05/31	157,655.21

North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
09/05/31	157,655.21
10/05/31	157,655.21
11/05/31	157,655.21
12/05/31	157,655.21
01/05/32	157,655.21
02/05/32	157,655.21
03/05/32	157,655.21
04/05/32	157,655.21
05/05/32	157,655.21
06/05/32	157,655.21
07/05/32	157,560.42
08/05/32	157,560.42
09/05/32	157,560.42
10/05/32	157,560.42
11/05/32	157,560.42
12/05/32	157,560.42
01/05/33	157,560.42
02/05/33	157,560.42
03/05/33	157,560.42
04/05/33	157,560.42
05/05/33	157,560.42
06/05/33	157,560.42
07/05/33	157,793.75
08/05/33	157,793.75
09/05/33	157,793.75
10/05/33	157,793.75
11/05/33	157,793.75
12/05/33	157,793.75
01/05/34	157,793.75
02/05/34	157,793.75
03/05/34	157,793.75
04/05/34	157,793.75
05/05/34	157,793.75
06/05/34	157,793.75
07/05/34	157,504.17
08/05/34	157,504.17
09/05/34	157,504.17
10/05/34	157,504.17
11/05/34	157,504.17
12/05/34	157,504.17
01/05/35	157,504.17
02/05/35	157,504.17
03/05/35	157,504.17

North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
04/05/35	157,504.17
05/05/35	157,504.17
06/05/35	157,504.17
07/05/35	157,525.00
08/05/35	157,525.00
09/05/35	157,525.00
10/05/35	157,525.00
11/05/35	157,525.00
12/05/35	157,525.00
01/05/36	157,525.00
02/05/36	157,525.00
03/05/36	157,525.00
04/05/36	157,525.00
05/05/36	157,525.00
06/05/36	157,525.00
07/05/36	157,816.67
08/05/36	157,816.67
09/05/36	157,816.67
10/05/36	157,816.67
11/05/36	157,816.67
12/05/36	157,816.67
01/05/37	157,816.67
02/05/37	157,816.67
03/05/37	157,816.67
04/05/37	157,816.67
05/05/37	157,816.67
06/05/37	157,816.67
07/05/37	157,525.00
08/05/37	157,525.00
09/05/37	157,525.00
10/05/37	157,525.00
11/05/37	157,525.00
12/05/37	157,525.00
01/05/38	157,525.00
02/05/38	157,525.00
03/05/38	157,525.00
04/05/38	157,525.00
05/05/38	157,525.00
06/05/38	157,525.00
07/05/38	157,504.17
08/05/38	157,504.17
09/05/38	157,504.17
10/05/38	157,504.17

North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
11/05/38	157,504.17
12/05/38	157,504.17
01/05/39	157,504.17
02/05/39	157,504.17
03/05/39	157,504.17
04/05/39	157,504.17
05/05/39	157,504.17
06/05/39	157,504.17
07/05/39	157,733.33
08/05/39	157,733.33
09/05/39	157,733.33
10/05/39	157,733.33
11/05/39	157,733.33
12/05/39	157,733.33
01/05/40	157,733.33
02/05/40	157,733.33
03/05/40	157,733.33
04/05/40	157,733.33
05/05/40	157,733.33
06/05/40	157,733.33
07/05/40	157,775.00
08/05/40	157,775.00
09/05/40	157,775.00
10/05/40	157,775.00
11/05/40	157,775.00
12/05/40	157,775.00
01/05/41	157,775.00
02/05/41	157,775.00
03/05/41	157,775.00
04/05/41	157,775.00
05/05/41	157,775.00
06/05/41	157,775.00
07/05/41	157,629.17
08/05/41	157,629.17
09/05/41	157,629.17
10/05/41	157,629.17
11/05/41	157,629.17
12/05/41	157,629.17
01/05/42	157,629.17
02/05/42	157,629.17
03/05/42	157,629.17
04/05/42	157,629.17
05/05/42	157,629.17

North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
06/05/42	157,629.17
07/05/42	157,712.50
08/05/42	157,712.50
09/05/42	157,712.50
10/05/42	157,712.50
11/05/42	157,712.50
12/05/42	157,712.50
01/05/43	157,712.50
02/05/43	157,712.50
03/05/43	157,712.50
04/05/43	157,712.50
05/05/43	157,712.50
06/05/43	157,712.50
07/05/43	157,587.50
08/05/43	157,587.50
09/05/43	157,587.50
10/05/43	157,587.50
11/05/43	157,587.50
12/05/43	157,587.50
01/05/44	157,587.50
02/05/44	157,587.50
03/05/44	157,587.50
04/05/44	157,587.50
05/05/44	157,587.50
06/05/44	157,587.50
07/05/44	157,670.83
08/05/44	157,670.83
09/05/44	157,670.83
10/05/44	157,670.83
11/05/44	157,670.83
12/05/44	157,670.83
01/05/45	157,670.83
02/05/45	157,670.83
03/05/45	157,670.83
04/05/45	157,670.83
05/05/45	157,670.83
06/05/45	157,670.83
07/05/45	157,705.21
08/05/45	157,705.21
09/05/45	157,705.21
10/05/45	157,705.21
11/05/45	157,705.21
12/05/45	157,705.21

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North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
01/05/46	157,705.21
02/05/46	157,705.21
03/05/46	157,705.21
04/05/46	157,705.21
05/05/46	157,705.21
06/05/46	157,705.21
07/05/46	157,477.08
08/05/46	157,477.08
09/05/46	157,477.08
10/05/46	157,477.08
11/05/46	157,477.08
12/05/46	157,477.08
01/05/47	157,477.08
02/05/47	157,477.08
03/05/47	157,477.08
04/05/47	157,477.08
05/05/47	157,477.08
06/05/47	157,477.08
07/05/47	157,403.13
08/05/47	157,403.13
09/05/47	157,403.13
10/05/47	157,403.13
11/05/47	157,403.13
12/05/47	157,403.13
01/05/48	157,403.13
02/05/48	157,403.13
03/05/48	157,403.13
04/05/48	157,403.13
05/05/48	157,403.13
06/05/48	157,403.13
07/05/48	157,461.46
08/05/48	157,461.46
09/05/48	157,461.46
10/05/48	157,461.46
11/05/48	157,461.46
12/05/48	157,461.46
01/05/49	157,461.46
02/05/49	157,461.46
03/05/49	157,461.46
04/05/49	157,461.46
05/05/49	157,461.46
06/05/49	157,461.46
07/05/49	157,630.21

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North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
08/05/49	157,630.21
09/05/49	157,630.21
10/05/49	157,630.21
11/05/49	157,630.21
12/05/49	157,630.21
01/05/50	157,630.21
02/05/50	157,630.21
03/05/50	157,630.21
04/05/50	157,630.21
05/05/50	157,630.21
06/05/50	157,630.21
07/05/50	157,470.83
08/05/50	157,470.83
09/05/50	157,470.83
10/05/50	157,470.83
11/05/50	157,470.83
12/05/50	157,470.83
01/05/51	157,470.83
02/05/51	157,470.83
03/05/51	157,470.83
04/05/51	157,470.83
05/05/51	157,470.83
06/05/51	157,470.83
07/05/51	157,400.00
08/05/51	157,400.00
09/05/51	157,400.00
10/05/51	157,400.00
11/05/51	157,400.00
12/05/51	157,400.00
01/05/52	157,400.00
02/05/52	157,400.00
03/05/52	157,400.00
04/05/52	157,400.00
05/05/52	157,400.00
06/05/52	157,400.00
07/05/52	157,395.83
08/05/52	157,395.83
09/05/52	157,395.83
10/05/52	157,395.83
11/05/52	157,395.83
12/05/52	157,395.83
01/05/53	157,395.83
02/05/53	157,395.83

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North East Carolina Preparatory School

Schedule of Monthly Payments

Monthly Payment Date	Monthly Payments
03/05/53	157,395.83
04/05/53	157,395.83
05/05/53	157,395.83
06/05/53	157,395.83
07/05/53	157,436.46
08/05/53	157,436.46
09/05/53	157,436.46
10/05/53	157,436.46
11/05/53	157,436.46
12/05/53	157,436.46
01/05/54	157,436.46
02/05/54	157,436.46
03/05/54	157,436.46
04/05/54	157,436.46
05/05/54	157,436.46
06/05/54	157,436.46
TOTALS	56,733,797.91

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EXHIBIT B

REAL PROPERTY DESCRIPTION

That real property situated in Edgecombe County, North Carolina and described as follows:

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EXHIBIT C

FORM OF DISCLOSURE REPRESENTATIVE CERTIFICATE

Date: _____

RE: PUBLIC FINANCE AUTHORITY CHARTER SCHOOL REVENUE AND REFUNDING BONDS (NORTH EAST CAROLINA PREPARATORY SCHOOL, INC. PROJECT) SERIES 2024A AND PUBLIC FINANCE AUTHORITY TAXABLE CHARTER SCHOOL REVENUE AND REFUNDING BONDS (NORTH EAST CAROLINA PREPARATORY SCHOOL, INC. PROJECT) SERIES 2024B

The undersigned hereby certifies that a review of the activities of North East Carolina Preparatory School, Inc. (the "Lessee") with respect to the charter school known as " North East Carolina Preparatory School, Inc." (the "School") during the preceding Fiscal Year of the Lessee and the Lessee with respect to the School's performance under the Lessee Documents has been made under his or her supervision.

The undersigned is familiar with the provisions of the Lease Agreement and the Tax Agreement and, to the best of his or her knowledge, based upon such review and familiarity, [the Lessee has fulfilled all of its obligations thereunder throughout the Fiscal Year, and there have been no defaults under the Lease Agreement or the Tax Agreement] **[Or, if there has been a default in the fulfillment of any such obligation in such Fiscal Year, specify each such default known to the undersigned and the nature and the status thereof and the actions taken or being taken to correct such default].**

**NORTH EAST CAROLINA PREPARATORY
SCHOOL, INC.**

By: _____
Authorized Representative

EXHIBIT D

FORM OF DAYS CASH ON HAND CERTIFICATE

Date: _____

LESSEE CERTIFICATE

TO: UMB BANK, N.A., as Trustee (the "Trustee") under the Indenture of Trust dated as of _____, 2024, between the Public Finance Authority and the Trustee

ROBERT W. BAIRD & CO., INCORPORATED, as underwriter for the Series 2024 Bonds (the "Underwriter")

NECP HOLDINGS, LLC, as the lessor (the "Lessor").

RE: Public Finance Authority \$27,610,000 Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School, Inc. Project) Series 2024A and \$1,050,000 Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School, Inc. Project) Series 2024B (collectively, the "Series 2024 Bonds")

The undersigned Authorized Representative of the Lessee hereby certifies that the Days Cash on Hand for the period ending June 30, 20__ was _____.

**NORTH EAST CAROLINA PREPARATORY
SCHOOL, INC.**

By: _____
Authorized Representative

EXHIBIT E

FORM OF COVERAGE RATIO CERTIFICATE

Date: _____

LESSEE CERTIFICATE

TO: UMB BANK, N.A., as Trustee (the "Trustee") under the Indenture of Trust dated as of _____, 2024, between the Public Finance Authority and the Trustee

ROBERT W. BAIRD & CO., INCORPORATED, as underwriter for the Series 2024 Bonds (the "Underwriter")

NECP HOLDINGS, LLC, as the lessor (the "Lessor").

RE: Public Finance Authority \$27,610,000 Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School, Inc. Project) Series 2024A and \$1,050,000 Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School, Inc. Project) Series 2024B (collectively, the "Series 2024 Bonds").

The undersigned Authorized Representative of the Lessee hereby certifies that the Coverage Ratio for the period ending [DATE] was _____.

**NORTH EAST CAROLINA PREPARATORY
SCHOOL, INC.**

By: _____
Authorized Representative

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EXHIBIT F

**NOTICE OF SELECTION OF MANAGEMENT CONSULTANT
TO THE HOLDER OF
THE PUBLIC FINANCE AUTHORITY**

**[TAXABLE] CHARTER SCHOOL REVENUE AND REFUNDING BONDS
(NORTH EAST CAROLINA PREPARATORY SCHOOL, INC. PROJECT)
SERIES 2024[A][B]**

NOTICE IS HEREBY GIVEN, pursuant to the Indenture of Trust, dated as of _____, 2024 (the "Indenture"), and the Lease Agreement, dated as of _____, 2024, in connection with the above referenced bonds (the "Bonds"), that a Management Consultant has been selected in accordance with the Lease Agreement. Each Beneficial Owner is deemed to have consented to the selection of the below described Management Consultant unless such Beneficial Owner provides a written objection ("Objection Notice") in substantially the form attached hereto as Exhibit I to the Trustee within thirty (30) days of the date of this Notice.

Management Consultant: [_____]
Reason for Management Consultant: [_____]
Description of Management Consultant: [_____]

Dated: _____, 20__

[Trustee]

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EXHIBIT I

**FORM OF NOTICE OF OBJECTION
OF THE HOLDER OF
THE PUBLIC FINANCE AUTHORITY
[TAXABLE] CHARTER SCHOOL REVENUE AND REFUNDING BONDS
(NORTH EAST CAROLINA PREPARATORY SCHOOL, INC. PROJECT)
SERIES 2024[A][B]**

[DATE]

UMB Bank, N.A.
St. Louis, Missouri

The undersigned ("Beneficial Owner") hereby certifies that s/he is the owner of an aggregate principal amount of [\$ _____] of the above-captioned bonds (the "Bonds") and that (i) s/he has reviewed the Notice Of Selection Of Management Consultant To The Holder Of The Public Finance Authority [Taxable] Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School, Inc. Project) Series 2024[A][B] (the "Management Consultant Notice") dated as of [_____, 20__] and posted to EMMA on [_____, 20__] and (ii) s/he hereby objects to the selection of the Management Consultant set forth in the Management Consultant Notice pursuant to the Lease Agreement dated as of _____, 2024 and the Indenture of Trust dated as of _____, 2024.

The Beneficial Owner acknowledges that for this Notice of Objection to be valid, it must be received by the Trustee at the above address within thirty (30) days of the posting of the Management Consultant Notice to EMMA.

Name of Beneficial Owner

By: _____

Name: _____

Title: _____

Date: _____

Bonds Beneficially Owned: \$ _____

CUSIP: _____

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**DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING
(FEE AND LEASEHOLD)**

(COLLATERAL IS OR INCLUDES FIXTURES)

(THIS DOCUMENT SERVES AS A FIXTURE FILING UNDER SECTION 9-502
OF THE NORTH CAROLINA UNIFORM COMMERCIAL CODE AND IS TO
BE FILED IN THE REAL PROPERTY RECORDS.)

NECP HOLDINGS, LLC

and

**NORTH EAST CAROLINA PREPARATORY SCHOOL, INC.
together, as Grantor**

to

**CHICAGO TITLE INSURANCE COMPANY,
as Trustee**

for the benefit of

**UMB BANK, n.a.,
as Beneficiary**

\$27,610,000

\$1,050,000

Public Finance Authority	Public Finance Authority
Charter School Revenue and Refunding Bonds	Taxable Charter School Revenue and Refunding Bonds
(North East Carolina Preparatory School Project)	(North East Carolina Preparatory School Project)
Series 2024A	Series 2024B

Dated as of May 1, 2024

Drawn by and mail after recording to:

176079708_7

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DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING

(FEE AND LEASEHOLD)

THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING (this "Deed of Trust") is made as of May 1, 2024, by and among **NECP HOLDINGS, LLC**, a North Carolina limited liability company (the "Borrower"), whose mailing address is _____, and **NORTH EAST CAROLINA PREPARATORY SCHOOL, INC.**, a North Carolina nonprofit corporation (the "Lessee" and, together with the Borrower, the "Grantor"), whose mailing address is _____; to **CHICAGO TITLE INSURANCE COMPANY**, as Trustee (the "Trustee"), whose mailing address is _____, for the benefit of **UMB BANK, n.a.**, duly organized and existing under the laws of the United States of America, in its capacity as trustee for the below-defined Series 2024 Bonds, as Beneficiary (the "Beneficiary"), whose mailing address is _____. All capitalized terms not defined herein shall have the meanings given to such terms in Exhibit G to the Loan Agreement (defined below).

PRELIMINARY STATEMENTS

A. Pursuant to an Indenture of Trust, dated as of May 1, 2024 (the "Indenture"), between Public Finance Authority (the "Authority"), a joint powers commission duly organized and validly existing under the laws of the State of Wisconsin, particularly in Sections 66.0301, 66.0303 and 66.0304 of the Wisconsin Statutes, as amended (the "Act"), and Beneficiary, the Authority is issuing its Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A (the "Series 2024A Bonds"), and its Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B (the "Series 2024B Bonds" and, together with the Series 2024A Bonds, the "Series 2024 Bonds"), in the aggregate principal amount of \$28,660,000, and loaned the proceeds thereof to the Borrower for the purpose of (a) refinancing the outstanding principal amount of the Authority's Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019A and Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019B (Subordinate), the proceeds of which (i) financed the acquisition of an educational facility located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the "Campus") used by the Corporation for the operation of a charter school known as North East Carolina Preparatory School (the "School"), (ii) funded a debt service reserve fund and (iii) paid for costs of issuance, (b) financing certain capital improvements, including, but not limited to, the acquisition of approximately 40 acres of land adjacent to the Campus, the installation of athletic fields, the construction and equipping of athletic field houses, and certain other capital improvements on the Campus, (c) funding one or more debt service reserve funds, and (d) paying all or a portion of the costs of issuance of the Bonds (collectively, the "Series 2024 Project").

B. The Campus, including the School Facility and the New Money Improvements, will be leased by the Lessee from the Borrower pursuant to the Lease Agreement, dated as of May 1, 2024 (as from time to time amended, modified, renewed, extended, supplemented, replaced and/or restated, the "Lease Agreement"), between the Borrower, as lessor, and the Lessee, for the operation of the School.

C. The proceeds of the Series 2024 Bonds will be loaned to Borrower pursuant to a Loan Agreement, dated as of May 1, 2024 (the "Loan Agreement"), between the Borrower and the Authority, and any amendments and supplements thereto made in conformity with the requirements thereof and of the Indenture, and evidenced by a promissory note executed by the Borrower in the aggregate principal amount of \$27,610,000 related to the Series 2024A Bonds (the "Series 2024A Promissory Note") and a promissory

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note executed by the Borrower in the aggregate principal amount of \$1,050,000 related to the Series 2024B Bonds (the "Series 2024B Promissory Note," and together with the Series 2024A Promissory Note, the "Series 2024 Promissory Notes"). The Series 2024 Promissory Notes, together with the Loan Agreement, the Lease Agreement, and this Deed of Trust, are hereinafter collectively referred to as the "Financing Documents." Pursuant to the Indenture, the Financing Documents (excluding the Authority's Unassigned Rights) have been pledged and assigned by the Authority to the Beneficiary. The last scheduled maturity date of the indebtedness evidenced by the Series 2024 Promissory Notes is June 15, 2054.

D. The Series 2024 Bonds are payable from payments to be made by Borrower under the Financing Documents. The Series 2024 Bonds are secured by the Revenues, the Loan Agreement, the Series 2024 Promissory Notes, this Deed of Trust and the Lease Agreement.

GRANTING CLAUSES

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Grantor hereby irrevocably creates a security interest in, warrants, grants, bargains, sells, transfers, conveys and assigns to Trustee and to its successors and assigns forever, IN TRUST, WITH POWER OF SALE AND RIGHT OF ENTRY, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, all of Grantor's estate, right, title and interests in, to and under any and all of the following property whether now owned or hereafter acquired, together with all cash and noncash proceeds thereof, which may be referred to herein as the "Mortgaged Estate:"

LAND

The real property located in Edgecombe County, State of North Carolina, described in Exhibit A attached hereto and by this reference incorporated herein (the "Land");

LEASE

The Lessee's leasehold interest in the Real Property (as hereinafter defined) and all other right, title and interest of the Lessee, as Lessee, under the Lease Agreement, a memorandum of which is recorded in the Edgecombe County Register of Deeds;

IMPROVEMENTS

Any and all buildings, structures, fixtures and improvements now or hereafter located on the Land, including, but not limited to, the fixtures, attachments and other articles now or hereafter attached to such buildings, structures and improvements (collectively, the "Improvements" and, together with the Land, the "Real Property");

EQUIPMENT

All furniture, furnishings, equipment, supplies and other tangible personal property, wherever located, whether in the possession of Grantor, warehousemen, bailees or any other person, used in connection with the Real Property ("Equipment");

RENTS, REVENUES AND DERIVATIVE INTERESTS

All rents, issues, profits, revenues, royalties, income and other benefits derived from the Real Property, Intangibles (as defined below) and Equipment and the operation thereof, including the rents from

the Lease Agreement, including but not limited to, any and all pledged revenues, and any and all entitlements, warrants, gifts, donations, grants, and bequests, to the extent allowed by the terms thereof, regardless of the source (collectively, the "Income"); all estate, right, title and interest of Grantor in and to all leases and subleases covering the Real Property (including the Lease Agreement) or any portion thereof now or hereafter existing or entered into, including, without limitation, all cash and security deposits, advance rentals and deposits or payments of similar nature; all right, title and interest of Grantor in and to all options to purchase or lease the Real Property or any portion thereof or interest therein, and any greater estate therein now owned or hereafter acquired; all interests, estate or other claims, both in law and in equity, which Grantor now has or may hereafter acquire in the Real Property or any portion thereof or interest therein; all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, all right, title and interest of Grantor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Real Property and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Real Property (all of the foregoing in this paragraph being, collectively, the "Derivative Interests");

INTANGIBLES

All of Grantor's interest in all existing and future accounts, contract rights, general intangibles, files, books of account, plans, specifications, agreements, permits, licenses and certificates necessary or desirable in connection with the acquisition, ownership, leasing, construction, operation, furnishing, equipping, servicing or management of the Real Property, all existing and future names under or by which the Real Property or any portion thereof may at any time be operated or known, all rights to carry on business under any such names or any variant thereof, and all existing and future telephone numbers and listings, advertising and marketing materials, trademarks, tradenames, licenses, patents, copyrights and good will in any way relating to the Real Property or any portion thereof (the "Intangibles");

CLAIMS AND AWARDS

All the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Grantor now has or may hereafter acquire in the Real Property, Equipment, Derivative Interests, or Intangibles and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Real Property, Equipment, Derivative Interests, or Intangibles including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages (collectively, the "Claims and Awards"); and

PROCEEDS

All of the rents, revenues, issues, profits, products and proceeds of any and all of the foregoing.

A security interest is granted by this Deed of Trust in any portion of the Mortgaged Estate which constitutes personal property, fixtures or other property governed by the UCC (the "Personality") pursuant to and as set forth in Article IV hereof.

TO HAVE AND TO HOLD the Mortgaged Estate hereby granted or mortgaged or intended to be granted or mortgaged, unto Trustee, and its successors and assigns in trust, upon the terms, provisions and conditions set forth herein in fee simple forever.

PROVIDED, HOWEVER, that these presents are upon the condition that, if the Secured Obligations (as hereinafter defined) shall be paid when due, and if Grantor shall keep, perform and observe

all and singular the obligations, covenants, agreements and provisions in this Deed of Trust expressed to be kept, performed by and observed by or on the part of Grantor, then this Deed of Trust and the estate and rights hereby granted shall cease, determine and be void, but otherwise shall be and remain in full force and effect.

THIS DEED OF TRUST SHALL SECURE THE FOLLOWING INDEBTEDNESS AND OBLIGATIONS:

(i) Payment of indebtedness evidenced by the Series 2024 Promissory Notes and all replacements, renewals, amendments, extensions, substitutions and modifications thereof bearing interest and being payable as provided therein;

(ii) Payment of all indebtedness and performance of all obligations and covenants of Grantor under the Loan Agreement, under the Indenture, and under the Lease Agreement (in each case including, without limitation, indemnification payments and payments in respect of the Authority's Unassigned Rights) and each agreement of Grantor incorporated by reference therein or herein, or contained therein or herein related to the Series 2024 Bonds;

(iii) Payment of all of the principal of, premium, if any, and interest on any future advances under the Loan Agreement, the Series 2024 Promissory Notes, the Indenture, this Deed of Trust, and any other instrument or other document given to evidence or further secure the payment and performance of any of the obligations thereunder;

(iv) Payment of all other indebtedness and performance of all other obligations and covenants of Grantor contained in any Financing Document or the Indenture, together with any other document or instrument given to evidence or further secure the payment and performance of any obligation secured hereby or thereby;

(v) Payment of all sums advanced by the Beneficiary to protect the Mortgaged Estate, with interest thereon at the highest rate permitted by any of the Financing Documents or the Indenture from the date of advance by Beneficiary to the date of payment by Grantor; and

(vi) Payment of all other sums, with interest thereon, which may hereafter be owed by the Grantor or its respective successors or assigns pursuant to the Financing Documents or the Indenture to the Beneficiary or its successors or assigns.

The indebtedness and the obligations secured by this Deed of Trust which are described in (i) through (vi) above may be referred to herein as the "Secured Obligations."

It is the intention of the parties hereto that the Mortgaged Estate shall secure all of the Secured Obligations presently or hereafter owed, and that the priority of the security interest created by this Deed of Trust for all such Secured Obligations shall be controlled by the time of proper recording of this Deed of Trust.

It is understood and agreed that this Deed of Trust shall also secure payment of not only the Secured Obligations but also any and all substitutions, replacements, renewals and extensions thereof, any and all indebtedness arising pursuant to the terms hereof and any and all indebtedness arising pursuant to the terms of any other agreement or instrument executed or delivered in connection with the Loan Agreement, the Lease Agreement or the Indenture, all of which indebtedness is equally secured with and has the same priority as any amounts advanced to Grantor as of the date hereof. It is the intention of the parties hereto that this Deed of Trust is made and executed to comply with the provisions of North Carolina General

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interest in the Land and Improvements pursuant to the Lease, and (iii) Grantor has good marketable title to the remaining property interests in the Mortgaged Estate; all of which Mortgaged Estate is free from any encumbrance superior to the encumbrance of this Deed of Trust other than the Permitted Encumbrances, and Grantor has full right, power and authority to execute and deliver this Deed of Trust and to make the conveyances and grant the interests and security contemplated hereby. This Deed of Trust constitutes a valid first lien upon and security interest in the Mortgaged Estate, subject only to the Permitted Encumbrances.

Section 1.03 Maintenance; Repair; Alterations. Grantor shall keep, maintain, operate, repair and alter the Mortgaged Estate pursuant to and to the extent set forth in the Loan Agreement or the Lease Agreement.

Section 1.04 Required Insurance. Grantor shall provide, maintain and keep at all times in force those policies of insurance required in the Loan Agreement and the Lease Agreement.

Section 1.05 Delivery of Insurance Policies; Payment of Premiums.

(a) All policies of insurance shall be issued by companies and in amounts as required by the Loan Agreement and the Lease Agreement.

(b) In the event Grantor fails to provide, maintain, keep in force or deliver and furnish to Beneficiary evidence of the policies of insurance required by the Loan Agreement or the Lease Agreement, Beneficiary may procure such insurance or single-interest insurance for such risks covering Beneficiary's interest, and Grantor will pay all premiums thereon promptly upon demand by Beneficiary, and until such payment is made by Grantor the amount of all such premiums, together with interest thereon at the highest rate permitted by any of the Financing Documents or the Indenture, shall be secured by this Deed of Trust.

(c) Upon occurrence and during the continuance of an Event of Default, Beneficiary shall apply any sums or amounts received pursuant hereto, or as Income of the Mortgaged Estate or otherwise, as required under Indenture. The receipt, use or application of any such sums by Beneficiary hereunder shall not be construed to affect the maturity of any Secured Obligation or any of the rights or powers of Beneficiary under the terms of the Financing Documents, or the Indenture, or any of the obligations of Grantor or any guarantor under the Financing Documents or the Indenture.

Section 1.06 Insurance Proceeds. After the occurrence of any casualty to the Mortgaged Estate or any part thereof, Grantor shall give prompt written notice thereof to Beneficiary and each insurer and promptly submit a claim to such insurer(s) for payment of insurance proceeds. Insurance Proceeds shall be held and disbursed as provided in the Loan Agreement and the Lease Agreement. Notwithstanding the application of Insurance Proceeds to the payment of a portion of the Secured Obligations, any unpaid portion of the Secured Obligations shall remain in full force and effect, and Grantor shall not be excused in the payment thereof. If any act or occurrence of any kind or nature shall result in damage to or loss or destruction of the Mortgaged Estate, Grantor shall give immediate notice thereof to Beneficiary.

Except as provided below, nothing contained in this Deed of Trust shall be deemed to excuse Grantor from repairing or maintaining the Mortgaged Estate as provided in Section 1.03 hereof. The application or release by Beneficiary of any Insurance Proceeds shall not cure or waive any Event of Default or notice of default under this Deed of Trust or invalidate any act done pursuant to such notice.

Section 1.07 Assignment of Policies Upon Foreclosure. In the event of the foreclosure of this Deed of Trust, or other transfer of title to the Mortgaged Estate, or any part thereof, by nonjudicial foreclosure sale or deed in lieu of foreclosure, the purchaser of the Mortgaged Estate, or such part thereof,

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Statutes § 45-67, et seq. This Deed of Trust shall secure both (i) existing obligations that are specifically or generally identified, described, or referenced in this Deed of Trust as being secured hereby and all advances made at or prior to the registration of this Deed of Trust, and (ii) future advances and/or future obligations that are specifically or generally identified, described, or referenced in this Deed of Trust as being secured hereby that may from time to time be made or incurred, to the fullest extent permitted by applicable law, including, without limitation: (a) principal, interest, late charges, fees and other amounts due under the Financing Documents or the Indenture; (b) all advances by Beneficiary or Authority to Grantor or any other person to pay costs of erection, construction, alteration, repair, restoration, maintenance and completion of any Improvements on the Land; (c) all advances made or costs incurred by Beneficiary or Authority for the payment of real estate taxes, assessments or other governmental charges, maintenance charges, insurance premiums, appraisal charges, environmental inspection, audit, testing or compliance costs, and costs incurred by Beneficiary or Authority for the enforcement and protection of the Real Property or the lien of this Deed of Trust; (d) all legal fees, costs and other expenses incurred by Beneficiary or Authority by reason of any default or otherwise in connection with the Secured Obligations; and (e) as otherwise permitted pursuant to Article 7 of Chapter 45 of the North Carolina General Statutes. The maximum principal amount that may be secured by this Deed of Trust at any one time is SIXTY MILLION DOLLARS (\$60,000,000). The time period within which such obligations may be incurred and such future advances may be made and secured by this Deed of Trust is the period between the date of this Deed of Trust and the date that is thirty (30) years beyond the date of this Deed of Trust. If the maximum amount secured by this Deed of Trust has not been advanced or if any obligation secured hereby is paid or is reduced by partial payment, further advances may be made and additional obligations may be incurred from time to time within the time limit fixed by this Deed of Trust as set forth above, and such further advances and obligations, together with interest thereon, shall be secured by this Deed of Trust to the same extent as original advances and indebtedness and Secured Obligations hereunder. If the aggregate outstanding principal balance of the Secured Obligations or indebtedness secured by this Deed of Trust exceeds the maximum principal amount that may be secured by this Deed of Trust at any one time as provided above, then such amount in excess and interest on the amount in excess shall be secured by this Deed of Trust but the priority of the lien of this Deed of Trust with respect to the amount in excess shall be determined in the manner provided in North Carolina General Statutes § 45-70. All payments made, sums advanced, and expenses incurred by the Beneficiary or Authority or a secured creditor for the purposes described in North Carolina General Statutes § 45-70 et seq. shall be secured by this Deed of Trust and shall have priority as described in § 45-70 et seq. The provisions of this Deed of Trust are intended to comply with Article 7 of Chapter 45 of the North Carolina General Statutes.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Financing Documents and the Indenture are to be executed, delivered and secured and that the Mortgaged Estate is to be held and disposed of by Trustee, upon and subject to the provisions of this Deed of Trust.

ARTICLE I

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF GRANTOR

Grantor hereby represents, warrants, covenants and agrees:

Section 1.01 Payment of Secured Obligations. Grantor hereby grants this Deed of Trust to secure the payment and performance as and when due of the Secured Obligations. The consideration received by Grantor to execute and deliver this Deed of Trust and the liens and security interests created herein are sufficient and will provide a direct economic benefit to Grantor.

Section 1.02 Title of Grantor. Subject to Permitted Encumbrances, (i) the Borrower has good, marketable and indefeasible title in fee simple to the Land and Improvements, (ii) the Lessee has a leasehold

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shall succeed to all of Grantor's rights, including any rights to unexpired insurance and unearned or returnable premiums, in and to all insurance policies required by Section 1.04 hereof, subject to limitations on assignment of blanket policies, and limited to such rights as relate to the Mortgaged Estate or such part thereof. If Beneficiary acquires title to the Mortgaged Estate, or any part thereof, in any manner, it shall thereupon (as between Grantor and Beneficiary) become the sole and absolute owner of the insurance policies, and all proceeds payable thereunder with respect to the Mortgaged Estate, or such part thereof, required by Section 1.04 hereof, with the sole right to collect and retain all unearned or returnable premiums thereon with respect to the Mortgaged Estate, or such part thereof, if any.

Section 1.08 Expenses; Indemnification; Waiver of Set-Off and Recoupment.

(a) Grantor shall pay or reimburse Beneficiary and Trustee for all reasonable expenses incurred by Beneficiary or Trustee before and after the date of this Deed of Trust with respect to any and all transactions contemplated by this Deed of Trust including without limitation, the preparation of any document reasonably required hereunder or any amendment, modification, restatement or supplement to this Deed of Trust, the delivery of any consent, non-disturbance agreement or similar document in connection with this Deed of Trust or the enforcement of any of Beneficiary's or Trustee's rights. Such expenses shall include, without limitation, all reasonable title and conveyancing charges, recording and filing fees and taxes, mortgage taxes, intangible personal property taxes, escrow fees, revenue and tax stamp expenses, privilege taxes, use taxes, insurance premiums (including title insurance premiums), title search and title rundown charges, brokerage commissions, finders' fees, placement fees, court costs, surveyors', photographers', appraisers', architects', engineers', consulting professionals', accountants', and attorneys' fees and disbursements.

(b) If (i) any sale (or prerequisite to a sale), action or proceeding shall be commenced by Beneficiary or Trustee (including but not limited to any sale of the Mortgaged Estate, or any action to foreclose this Deed of Trust or to collect the Secured Obligations), or any action or proceeding is commenced to which Beneficiary or Trustee is made a party, or in which it becomes necessary to defend or uphold the rights granted by this Deed of Trust (including, without limitation, any proceeding or other action relating to the bankruptcy, insolvency or reorganization of Grantor or any other person or entity obligated hereunder), or in which Beneficiary or Trustee is served with any legal process, action, proceeding, filing, discovery notice or request or subpoena, and (ii) in each of the foregoing instances such action or proceeding in any manner relates to or arises out of this Deed of Trust or Beneficiary's serving as trustee under the Indenture or acceptance of a guaranty from a guarantor of the Secured Obligations or any of the transactions contemplated by this Deed of Trust and such action or proceeding does not relate to or arise out of the gross negligence or willful misconduct of Beneficiary or Trustee as applicable, then Grantor will immediately reimburse or pay to Beneficiary and Trustee all of the fees and expenses which have been or may be incurred by Beneficiary and Trustee, respectively, with respect to the foregoing (including reasonable counsel fees and disbursements), together with interest thereon at the highest rate permitted by any of the Financing Documents or the Indenture, and any such sum and the interest thereon shall be included in the Secured Obligations and have the full benefit of this Deed of Trust, prior to any right, or title to, interest in or claim upon the Mortgaged Estate attaching or accruing to this Deed of Trust, and shall be deemed to be secured by this Deed of Trust. In any action or proceeding to sell the Mortgaged Estate, to foreclose this Deed of Trust, or to recover or collect the Secured Obligations, the provisions of law respecting the recovering of costs, disbursements and allowances shall prevail unaffected by this covenant.

(c) Grantor shall indemnify, subrogate (at the option of the Beneficiary and the Trustee) and hold harmless each of Beneficiary and Trustee and each of their respective affiliates, directors, officers, agents and employees, for, from and against all claims, damages, losses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) arising out of or based upon any matter related to this Deed of Trust, the Mortgaged Estate or the occupancy, ownership, maintenance or management of the

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Mortgaged Estate by Grantor, including, without limitation, any claims based on the alleged acts or omissions of any employee or agent of Grantor except for such damages arising from the successful allegation of the gross negligence or willful misconduct of Beneficiary or Trustee or their respective affiliates, directors, officers, agents or employees. This indemnification and subrogation shall be in addition to any other liability which Grantor may otherwise have to Beneficiary or Trustee.

(d) Grantor waives any and all right to claim or recover against Beneficiary, its officers, employees, agents and representatives, for loss of or damage to Grantor, the Mortgaged Estate, Grantor's property or the property of others under Grantor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust except for such damages arising from the successful allegation of the gross negligence or willful misconduct of Beneficiary or Trustee.

(e) All sums payable by Grantor under this Deed of Trust shall be paid without notice, demand, counterclaim, cross-claim, setoff, recoupment, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the Secured Obligations of Grantor hereunder shall in no way be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Mortgaged Estate or any part thereof; (ii) any restriction or prevention of or interference with any use of the Mortgaged Estate or any part thereof; (iii) any title defect or encumbrance or any eviction from the Mortgaged Estate or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Grantor, or any action taken with respect to this Deed of Trust by any trustee or receiver of Grantor, or by any court, in any such proceeding; or (v) any other occurrence whatsoever, whether similar or dissimilar to the foregoing; whether or not Grantor shall have actual or constructive notice or knowledge of any of the foregoing. To the extent permitted by law, Grantor waives all rights now or hereafter conferred by statute, law, or in equity, or otherwise to any abatement, suspension, deferment, diminution or reduction of any Secured Obligation. Notwithstanding the above, Grantor may maintain a separate suit regarding such matters.

Section 1.09 Taxes and Impositions.

(a) Subject to paragraphs (d) and (e) of this Section 1.09, Grantor agrees to pay, prior to delinquency, all Impositions; provided however, that if, by law, any such Imposition is payable, or may at the option of the taxpayer be paid, in installments, Grantor may pay the same together with any accrued interest and fees on the unpaid balance of such Imposition in installments as the same become due and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

(b) If at any time after the date hereof there shall be assessed or imposed (i) a tax or assessment on the Mortgaged Estate or any part thereof in lieu of or in addition to the Impositions payable by Grantor pursuant to subparagraph (a) hereof, or (ii) a license fee, tax or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding Secured Obligations, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in Exhibit G to the Loan Agreement, and Grantor shall pay and discharge the same as herein provided with respect to the payment of Impositions.

(c) Subject to the provisions of subparagraph (d) of this Section 1.09, Grantor covenants to furnish Beneficiary within 30 days after the date upon which any such Imposition is due and payable by Grantor, official receipts of the appropriate taxing authority, or other proof satisfactory to Beneficiary, evidencing the payment thereof.

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to pay for any such costs or expenses incurred by Beneficiary due to the gross negligence or willful misconduct of Beneficiary or its affiliates, directors, officers or employees.

Section 1.13 Survival of Warranties. Grantor shall fully and faithfully satisfy and perform the Secured Obligations. All representations, warranties and covenants of Grantor contained herein shall remain continuing obligations, warranties and representations of Grantor during any time when any portion of the obligations secured by this Deed of Trust remain outstanding.

Section 1.14 Eminent Domain. Should Condemnation of the Mortgaged Estate occur or should Grantor receive any notice or other information regarding such proceeding, Grantor shall give prompt written notice thereof to Beneficiary. Beneficiary may participate in any such Condemnation proceedings, and Grantor shall from time to time deliver to Beneficiary all instruments requested by Beneficiary to permit such participation. Grantor shall, at its sole cost and expense, diligently prosecute any such proceedings and shall consult with Beneficiary and its attorneys and experts, and cooperate with it in the carrying on or defense of any such proceedings. All proceeds of Condemnation awards or proceeds of sale in lieu of Condemnation with respect to the Mortgaged Estate and all judgments, decrees and awards for injury or damage to the Mortgaged Estate or any part thereof or interest therein shall be paid to Grantor or Beneficiary as provided in the Loan Agreement or the Lease Agreement, as applicable, and if to Beneficiary, shall be applied first to all reasonable costs and expenses incurred by Beneficiary in obtaining the proceeds. The Net Proceeds, if any, shall be applied as directed by Beneficiary or the Authority in accordance with the provisions of the Loan Agreement, the Lease Agreement and the Indenture.

Grantor hereby assigns and transfers to Beneficiary, and agrees to execute such further assignments of, all such proceeds, judgments, decrees and awards as Beneficiary may request. Beneficiary is hereby authorized, in the name of Grantor, to execute and deliver valid acquittances for, and to appeal from, any such judgment, decree or award. Grantor hereby authorizes, directs and empowers Beneficiary, at its option and with notice to Grantor, on Grantor's behalf, or on behalf of the successors or assigns of Grantor, to adjust, compromise, claim, collect and receive such proceeds and to give proper receipts and acquittances therefor. Beneficiary shall not be, in any event or circumstance, liable or responsible for failure to collect or exercise diligence in the collection of any proceeds, judgments, decrees or awards unless such failure is due to Beneficiary's gross negligence, willful misconduct or breach of trust.

Section 1.15 Additional Security. In the event Beneficiary at any time holds additional security for any of the Secured Obligations, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before, concurrently with or after any sale is made hereunder.

Section 1.16 Additional Indebtedness. Except for Permitted Encumbrances, Grantor shall not further encumber the Mortgaged Estate or any portion thereof (including, without limitation, secured transactions under the UCC).

Section 1.17 Successors and Assigns. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The covenants and agreements of Grantor contained herein shall apply to and be binding upon any successor owner of the Mortgaged Estate or any part thereof.

Section 1.18 Inspections. Beneficiary, or its agents, representatives or workmen, are authorized to enter upon notice of two Business Days to Grantor at any reasonable time upon or in any part of the Mortgaged Estate for the purpose of inspecting the same and all books, records and documents relating thereto, and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the Financing Documents.

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(d) Subject to the applicable state law provisions, Grantor shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition by appropriate legal proceedings, but this shall not be deemed or construed in any way as relieving, modifying, or extending Grantor's covenant to pay any such Imposition at the time and in the manner provided in this Section 1.09, unless Grantor has given prior written notice to Beneficiary of Grantor's intent to so contest or object to an Imposition, and unless, at the sole option of Beneficiary, (i) Grantor shall provide Beneficiary an opinion of counsel confirming that the legal proceedings shall conclusively operate to prevent the sale of the Mortgaged Estate, or any part thereof; (ii) Grantor shall diligently and in good faith pursue such contest; (iii) in the event that the unpaid Imposition exceeds \$50,000, then Grantor shall furnish to Beneficiary a good and sufficient bond equal to 125% of the unpaid amount; and (iv) Grantor shall have provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of such proceedings.

(e) Grantor covenants and agrees not to suffer, permit or initiate the joint assessment of the real and personal property, or any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the Mortgaged Estate as a single lien.

Section 1.10 Utilities. Grantor shall pay when due all utility charges which are incurred for the benefit of the Mortgaged Estate or any part thereof or which may become a charge or lien against the Mortgaged Estate for gas, electricity, water and sewer services furnished to the Mortgaged Estate and all other taxes, assessments or charges of a similar nature, whether public or private, affecting the Mortgaged Estate or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

Section 1.11 Actions Affecting Mortgaged Estate. Grantor shall appear in and contest any action or proceeding purporting to affect the title of Grantor in the Mortgaged Estate or any part thereof or security hereof or the rights or powers of Beneficiary or Trustee; and Grantor shall pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear.

Section 1.12 Actions by Beneficiary and/or Trustee to Preserve Mortgaged Estate. Should Grantor fail to make any payment or to do any act as and in the manner provided in this Deed of Trust, Beneficiary, in its sole discretion, and without notice to, or demand upon, Grantor and without releasing Grantor from any Secured Obligation, may make or do the same in such manner and to such extent as Beneficiary may deem necessary to protect the security hereof. In connection therewith (without limiting its general powers), Beneficiary shall have, and is hereby given the right, but not the obligation: (i) to enter upon and take possession of the Mortgaged Estate, provided such entry and taking of possession is executed in accordance with all laws, regulations, orders or policies regarding the operation of a charter school; (ii) to direct Grantor to terminate any management agent, if any, and to employ such management agent as Beneficiary may determine in its sole and absolute discretion; (iii) to make additions, alterations, repairs and improvements to the Mortgaged Estate which it may consider necessary or proper to keep the Mortgaged Estate in good condition and repair; (iv) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (v) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of Beneficiary may affect or appears to affect the security of this Deed of Trust or which may be or become prior or superior hereto; and (vi) in exercising such powers, to pay necessary expenses, including employment of counsel and/or other necessary or desirable consultants. Any such costs and expenses incurred by Beneficiary and any such amounts paid by Beneficiary shall be secured hereby with the same priority afforded this Deed of Trust as recorded. Grantor shall immediately upon demand therefor by Beneficiary pay all of the foregoing costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, including without limitation costs of evidence of title, court costs, appraisals, surveys and reasonable attorneys' fees provided, however, that Grantor shall not be liable

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Section 1.19 Liens. Grantor shall pay and promptly discharge, at Grantor's sole cost and expense, all liens, encumbrances and charges upon the Mortgaged Estate, and any part thereof or interest therein other than the Permitted Encumbrances. Grantor shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Grantor shall first either (i) satisfy any statutory requirements, such as posting a bond, that has the effect of discharging the lien as an encumbrance on the Mortgaged Estate, or (ii) deposit with Beneficiary a bond or other security satisfactory to Beneficiary in an amount equal to 125% of the amount of the claim plus costs (including attorneys' fees) and interest, provided that in any event Grantor shall thereafter diligently and in good faith proceed to cause such lien, encumbrance or charge to be removed and discharged. If Grantor shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, either, by paying the amount claimed to be due, or by procuring the discharge of such lien, either, by depositing in court a bond in the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law. Any cost incurred by Beneficiary in connection with any such payment or discharge shall be secured hereby and shall be immediately due and payable without notice or demand.

Section 1.20 Restrictions Affecting Title. Grantor shall perform when due all obligations required to be performed by Grantor by the provisions of any agreement affecting title to the Mortgaged Estate or any part thereof.

Section 1.21 Further Assurances. Grantor shall, upon the execution and delivery hereof and thereafter from time to time, take such actions as Beneficiary may request to cause the Recordable Documents to be filed, registered and recorded as may be required by law to publish notice and maintain the first lien or security interest, as applicable, hereof upon the Mortgaged Estate and to publish notice of and protect the validity of the Recordable Documents. Grantor shall take all action and do all things which it is authorized by law to take and do, and cooperate with Beneficiary as Beneficiary deems necessary or desirable, to ensure the release of all encumbrances against the Mortgaged Estate, except the Permitted Encumbrances, existing prior to the date hereof.

So long as any Secured Obligations shall remain unpaid, Grantor shall execute, acknowledge, where appropriate, and deliver from time to time promptly at the request of Beneficiary all such instruments and documents as in the opinion of Beneficiary are necessary or desirable to preserve the first priority lien created by this Deed of Trust. If Grantor shall fail or refuse to execute, acknowledge, where appropriate, and deliver such instruments and documents to preserve the first priority lien created by this Deed of Trust within 10 Business Days following a written request by Beneficiary, Grantor irrevocably constitutes and appoints Beneficiary as its attorney-in-fact to execute and deliver such instruments, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

Section 1.22 Performance of Covenants; Incorporation of Representations and Warranties. Grantor shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Financing Documents and in all of its proceedings pertaining to this Deed of Trust. The representations and warranties of Grantor set forth in the Loan Agreement and the other Financing Documents are incorporated by reference into this Deed of Trust as if stated in full in this Deed of Trust and such representations and warranties as incorporated herein shall be deemed to have been made as of the date of this Deed of Trust and shall survive the execution and delivery of this Deed of Trust.

Section 1.23 Notification of Event of Default Under Deed of Trust. Grantor agrees to notify Beneficiary immediately in writing of any default by Grantor in the performance or observance of any covenant, agreement, representation, warranty or obligation of Grantor set forth in this Deed of Trust. Grantor shall also notify Beneficiary in writing of any event or condition which with the lapse of time or the giving of notice, or, both, would constitute an Event of Default hereunder.

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Section 1.24 Rules; Regulations; Environmental Laws. Grantor hereby incorporates those covenants and representations contained in Sections 6.2 and 6.6 of the Loan Agreement as an integral part of this Deed of Trust.

Section 1.25 Organization; Due Authorization. Borrower is a limited liability company duly organized and validly existing under the laws of the State of North Carolina. The Lessee is a nonprofit corporation duly incorporated and validly existing under the laws of the State of North Carolina. Grantor has the requisite power, authority and legal right to carry on the business conducted by it and to engage in the transactions contemplated by the Financing Documents. The execution and delivery of the Financing Documents to which it is a party and the performance and observance of the provisions thereof have been authorized by all necessary actions of Grantor.

Section 1.26 Liabilities; Compliance with Other Instruments. Grantor has no liabilities regarding the Mortgaged Estate except those hereunder and those otherwise contemplated or permitted by this Deed of Trust and the other Financing Documents, none of which are delinquent. Grantor is not in default (i) in the payment of any taxes levied or assessed against it or its assets, (ii) under any applicable statute, rule, order or regulation of any governmental authority, (iii) under this Deed of Trust or any of the other Financing Documents, or (iv) under any other agreement to which it is a party or by which it or any of its properties are bound.

Neither the execution and delivery of this Deed of Trust, the Indenture, the Loan Agreement, the Lease Agreement or any of the other Financing Documents to which Grantor is a party, nor the consummation of the transactions herein or therein contemplated nor compliance with the terms and provisions hereof or thereof, conflicts with or results or will result in a breach of any of the terms, conditions or provisions of the articles of incorporation or articles of organization, as applicable, of Grantor, any law, order, rule, regulation, writ, injunction, judgment, or decree of any court or governmental authority, or any agreement or instrument to which Grantor is a party or by which it or any of its properties are bound, or constitutes or will constitute a default thereunder, or result or will result in the creation or imposition of any lien of any nature whatsoever upon any of its property or assets pursuant to the terms of any such agreement or instrument except the liens created or permitted by the Financing Documents to which it is a party.

Section 1.27 Enforceability. This Deed of Trust and each of the other Financing Documents to which Grantor is a party have been duly executed and delivered by Grantor and constitute legal, valid and binding obligations of Grantor enforceable in accordance with their respective terms, except as the enforceability (but not the validity thereof) may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

Section 1.28 Pending Litigation. Except as has been disclosed in the offering documents produced in connection with the issuance of the Bonds, there are no proceedings pending or, to the knowledge of Grantor, threatened, against or affecting Grantor or any part of the Mortgaged Estate in any court or before any governmental authority or arbitration board or tribunal which if adversely determined would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of Grantor or the right or ability of Grantor to enter into the Financing Documents, and if any such proceedings are subsequently initiated or threatened then Grantor will promptly provide written notice to Beneficiary. Grantor is not in default with respect to any order of any court or governmental authority or arbitration board or tribunal.

Section 1.29 Compliance With Law. Grantor is in substantial compliance with all laws, ordinances, governmental rules or regulations to which it is subject, including, without limitation, the Occupational Safety and Health Act of 1970, the Employee Retirement Income Security Act of 1974 and all laws, ordinances, governmental rules or regulations relating to environmental protection the violation of

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ARTICLE III

ASSIGNMENT OF RENTS AND LEASES

Section 3.01 Assignment of Revenues. Grantor hereby absolutely assigns and transfers to Beneficiary all the Income of the Mortgaged Estate and hereby gives to and confers upon Beneficiary the right, power and authority to collect such Income. Grantor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary, at any time and from time to time, to take possession and control of the Mortgaged Estate and to demand, receive and enforce payment, to give receipts, releases and satisfaction, and to sue, in the name of Grantor or Beneficiary, for all such Income and apply the same to the Secured Obligations; provided, however, that Grantor shall have a license to possess and control the Mortgaged Estate and to collect such Income (but not more than one month in advance) which is revocable at any time upon an Event of Default by Grantor under any of the Financing Documents or the Indenture. The assignment of the Income of the Mortgaged Estate in this Article III is intended to be an absolute assignment from Grantor to Beneficiary and not merely the passing of a security interest.

While the assignment made in this Deed of Trust is present, direct and continuing, the execution and delivery hereof shall not in any way impair or diminish the obligations of Grantor under the provisions of any lease nor shall any of the obligations contained in any lease be imposed upon Beneficiary.

Section 3.02 Collection Upon Default. Upon any Event of Default under any of the Financing Documents, Beneficiary may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Secured Obligations (i) enter upon and take possession of the Mortgaged Estate, or any part thereof, and in its own name sue for or otherwise collect such Income, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any Secured Obligations, and in such order as Beneficiary may determine, and (ii) prepare and submit any applications or other documentation as necessary in order to permit Beneficiary to collect the Income of the Mortgaged Estate. The collection of such Income, or the entering upon and taking possession of the Mortgaged Estate, or the application thereof as aforesaid or the preparation and submission of applications or other documentation, as necessary, pursuant to the Act, or other laws of the State of North Carolina, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default.

Beneficiary shall not be liable to Grantor, anyone claiming under or through Grantor or anyone having an interest in the Mortgaged Estate by reason of anything done or left undone by Beneficiary hereunder, except to the extent of Beneficiary's gross negligence or willful actions or omissions.

Section 3.03 Statutory Rights. Beneficiary, in addition to and not in limitation of any of the foregoing or any other remedies provided in this Deed of Trust or otherwise available under applicable law, shall have all of the rights provided under the laws of the State of North Carolina, including but not limited to all of the rights set forth under any applicable state law regarding enforcement of the assignment of Income and leases contained herein.

ARTICLE IV

SECURITY AGREEMENT

Section 4.01 Creation of Security Interest. With respect to Personalty, this Deed of Trust shall constitute a security agreement between Grantor as the debtor and Beneficiary as the secured party, and Grantor hereby grants to Beneficiary a security interest in such Personalty. Cumulative of all other rights

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which would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of Grantor.

Section 1.30 After-Acquired Property. All right, title and interest of Grantor in and to all improvements, alterations, substitutions, restorations and replacements of, and all additions and appurtenances to, the Mortgaged Estate, hereafter acquired by or released to Grantor, immediately upon such acquisition or release and without any further granting by Grantor, shall become part of the Mortgaged Estate and shall be subject to the lien hereof fully, completely and with the same effect as though now owned by Grantor and specifically described in the Granting Clauses hereof. Grantor shall execute and deliver to Trustee and/or Beneficiary any further assurances, mortgages, grants, conveyances and assignments thereof as Beneficiary may reasonably require to subject the same to the lien hereof.

Section 1.31 Transfer of Interests in Grantor or Mortgaged Estate. Except in accordance with the terms and restrictions of the Loan Agreement and the Indenture, and except for the Permitted Encumbrances, Grantor shall not, by operation of law or otherwise, sell, convey, alienate, transfer, grant, bargain, mortgage, encumber or assign ownership or control of all or any interest in Grantor or any part of the Mortgaged Estate or any interest therein.

Section 1.32 Lease Provisions. Any lease of all or any part of the Mortgaged Estate by Grantor permitted under this Deed of Trust and/or the Loan Agreement shall contain a provision obligating such lessee to enter into a subordination, attornment and nondisturbance agreement with Beneficiary.

Section 1.33 Defeasance Terminates Lien. Upon payment and performance in full of all of the Secured Obligations and defeasance of all Bonds Outstanding in accordance with the Indenture, the lien of this Deed of Trust upon the Mortgaged Estate shall cease, and the Beneficiary (or the Trustee at the direction of the Beneficiary) shall execute and deliver to the Grantor at the Grantor's sole cost and expense all documents necessary to effect such a release.

Section 1.34 Joint and Several Responsibility for All Covenants of Grantor. The Borrower and the Lessee are jointly and severally liable for covenants of the Grantor contained in this Deed of Trust.

Section 1.35 Beneficiary Acting Under Indenture. The Beneficiary's actions under this Deed of Trust, if any, are undertaken in its role as trustee under the Indenture. All rights and protections of the Beneficiary pursuant to the Indenture and other Financing Documents shall apply equally to this Deed of Trust as if expressly set forth herein. Any consents or other discretionary actions of the Beneficiary hereunder may be conditioned upon receipt by the Beneficiary of written direction from the owners of a majority in aggregate principal amount of the Bonds then outstanding.

ARTICLE II

ENVIRONMENTAL MATTERS

Section 2.01 Environmental Matters. Grantor hereby incorporates and reaffirms those covenants and representations contained in Sections 6.6, 6.7 and 6.8 of each of the Loan Agreement and Lease Agreement (in each case including its covenant to provide certain environmental indemnifications) as an integral part of this Deed of Trust; provided, however, it is the intent of the parties that the environmental indemnifications contained therein are separate and independent obligations of Grantor which shall survive any release, foreclosure or other satisfaction of this Deed of Trust, and such indemnifications shall not be subject to any anti-deficiency defense.

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of Beneficiary hereunder, Beneficiary shall have all of the rights conferred upon secured parties by the UCC. Grantor will execute and file or record and deliver a copy to Beneficiary all filed financing statements that may from time to time be required by law and as reasonably requested by Beneficiary to establish and maintain the validity and priority of the security interest of Beneficiary, or any modification thereof, and all costs and expenses of any searches required by Beneficiary. Beneficiary may exercise any or all of the remedies of a secured party available to it under the UCC with respect to such property, and it is expressly agreed that if upon an Event of Default Beneficiary should proceed to dispose of such property in accordance with the provisions of the UCC, 10 days' written notice by Beneficiary to Grantor shall be deemed to be reasonable notice under any provision of the UCC requiring such notice; provided, however, that Beneficiary may at its option dispose of such property in accordance with Beneficiary's rights and remedies with respect to the real property pursuant to the provisions of this Deed of Trust, in lieu of proceeding under the UCC.

Grantor shall give advance notice in writing to Beneficiary of any proposed change in Grantor's name, identity, or business form or structure and will execute and deliver to Beneficiary, prior to or concurrently with the occurrence of any such change, all additional financing statements that Beneficiary may reasonably require to establish and maintain the validity and priority of Beneficiary's security interest with respect to any of the Mortgaged Estate described or referred to herein.

This Deed of Trust covers property, goods and equipment which are or are to become fixtures related to the Real Property, and it is intended that as to those goods, this Deed of Trust shall be effective as a financing statement filed as a fixture filing from the date of its filing for record in the real estate records of the county in which the Mortgaged Estate is situated. Information concerning the security interest created by this instrument may be obtained from Beneficiary, as secured party, at the mailing address of Beneficiary stated in Section 6.05 of this Deed of Trust. The mailing address of Grantor, as debtor, is as stated in Section 6.05 of this Deed of Trust. The record owner of the Real Property is the Borrower.

Section 4.02 Warranties; Representations and Covenants of Grantor. Grantor hereby warrants, represents and covenants, with respect to the Personalty, as follows:

(a) except for the security interest granted hereby, the Grantor is, and as to any of the Personalty to be acquired after the date hereof will be, the sole owner of the Personalty, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever except for the Permitted Encumbrances (including, without limitation, purchase money liens as permitted by the Indenture). The Grantor will notify the Beneficiary of, and will defend the Personalty against, all prohibited claims and demands of all persons at any time claiming the same or any interest therein;

(b) Grantor will not lease, sell, convey or in any manner transfer the Personalty (except Personalty transferred in the ordinary course of business and replaced by Personalty of a similar nature and having at least the same value as the Personalty replaced, except Personalty that is disposed of because it is obsolete or worn-out and by its nature no longer needed for the operations of Grantor, and except for Permitted Encumbrances) without the prior written consent of Beneficiary;

(c) the Personalty is not used or bought for personal, family or household purposes;

(d) the Personalty will be kept on or at the Real Property and Grantor will not remove the Personalty from the Real Property without the prior written consent of Beneficiary, except such portions or items of personal property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Grantor with new items of equal or greater quality if needed for the ongoing operations of Grantor; and

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(c) all covenants and obligations of Grantor contained herein relating to the Mortgaged Estate shall be deemed to apply to the Personality whether or not expressly referred to herein.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES UPON DEFAULT

Section 5.01 Events of Default. Any one or more of the following events shall be deemed an Event of Default:

(a) failure by the Grantor to pay the amounts required to be paid under the Loan Agreement, the Lease Agreement or under the Series 2024 Promissory Notes when due, subject to any applicable notice or cure periods provided therein;

(b) failure by the Grantor to perform or observe any covenant, condition or agreement contained in this Deed of Trust (other than the monetary obligations described in paragraph (a) above) and such failure shall continue for 30 days after written notice from the Beneficiary of such failure provided, with respect to any such failure covered by this subsection (b), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Beneficiary to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently pursued to completion and the failure shall be remedied within 90 days of such notification, unless said remedy cannot be performed within 90 days and Grantor is actively working toward a remedy;

(c) the occurrence of a default or an Event of Default by Grantor under any Financing Document or under the Indenture, subject to any applicable notice or cure periods provided therein;

(d) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Grantor in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequester (or other similar official) of the Grantor or for any substantial part of the Mortgaged Estate, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 days (whether or not consecutive);

(e) the commencement by the Grantor of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequester (or other similar official) of the Grantor or for any substantial part of the Mortgaged Estate, or the making by it of any assignment for the benefit of creditors, or the failure of the Grantor generally to pay its debts as such debts become due, or the taking of corporate action by the Grantor in furtherance of any of the foregoing;

(f) if a writ or warrant of attachment or any similar process shall be issued or levied against all or any part of or interest in the Mortgaged Estate, or any judgment involving monetary damages, attachment or execution shall be entered against Grantor or otherwise which shall become a lien on the Mortgaged Estate or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within 60 days after its entry or levy;

(g) if, during the term of the Series 2024 Promissory Notes, Grantor shall without the prior written approval of Beneficiary (unless permitted as provided herein) sell, convey, alienate, mortgage or

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(i) Either personally or by means of a court appointed receiver, commissioner or other officer, take possession of all or any of the Personality and exclude therefrom Grantor and all others claiming under Grantor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Grantor in respect of the Personality or any part thereof. In the event Beneficiary demands or attempts to take possession of the Personality in the exercise of any rights under any of the Financing Documents, Grantor promises and agrees to promptly turn over and deliver complete possession thereof to Beneficiary;

(ii) Without notice to or demand upon Grantor, make such payments and do such acts as Beneficiary may deem necessary to protect its security interest in the Personality, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder and, in exercising any such powers or authority, to pay all expenses incurred in connection therewith;

(iii) Require Grantor to assemble the Personality or any portion thereof, at a place designated by Beneficiary and reasonably convenient to both parties, and promptly to deliver such Personality to Beneficiary, or an agent or representative designated by it. Beneficiary, and its agents and representatives, shall have the right to enter upon any or all of Grantor's premises and property to exercise Beneficiary's rights hereunder;

(iv) Sell, lease or otherwise dispose of the Personality at public sale, with or without having the Personality at the place of sale, and upon such terms and in such manner as Beneficiary may determine. Beneficiary may be a purchaser at any such sale. Pursuant to Section 25-9-604 of the North Carolina General Statutes (or any amendment thereto), Trustee is expressly authorized and empowered to sell, together with the Land, Improvements and fixtures, any portion of the Mortgaged Estate that constitutes personal property, including the Personality;

(v) Unless the Personality is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Grantor at least 10 days' prior written notice of the time and place of any public sale of the Personality or other intended disposition thereof. Such notice may be mailed to Grantor at the address set forth at the beginning of this Deed of Trust and shall be deemed to be given on the date of mailing thereof;

(vi) Any sale made pursuant to the provisions of this subsection shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with the sale of all or a portion of the remainder of the Mortgaged Estate under power of sale as provided herein upon giving the same notice with respect to the sale of the Personality hereunder as is required for such sale of the remainder of the Mortgaged Estate under power of sale, and such sale shall be deemed to be pursuant to a security agreement covering both real and personal property under the UCC;

(e) Exercise any other rights or remedies which may now or hereafter be available to Beneficiary under this Deed of Trust or the other Financing Documents or the Indenture or pursuant to applicable law or in equity; or

(f) If held by Beneficiary, surrender the insurance policies maintained pursuant to Section 1.04, collect the unearned insurance premiums and apply such sums as a credit on the Secured Obligations in such priority and proportion as set forth in the Indenture, and in connection therewith, Grantor hereby appoints Beneficiary as agent and attorney-in-fact (which is coupled with an interest and is therefore irrevocable) for Beneficiary to collect such insurance premiums.

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encumber the Mortgaged Estate or any material part thereof or any material interest therein, or shall be divested of its title or any interest therein, in any manner, whether voluntarily or involuntarily, or if there is any merger, consolidation, sale of all or substantially all of assets, or dissolution affecting Grantor, or if there is a transfer of a majority interest in Grantor in a series of transactions or as a single transaction;

(b) any assignment by Grantor of the whole or any part of the Income, issues or profits arising from the Mortgaged Estate (including, without limitation, the Revenues, Intangibles and Claims and Awards) to any person without the consent of Beneficiary (unless permitted as provided herein) or if, without such consent, Grantor shall otherwise further encumber the Mortgaged Estate or any portion thereof (including, without limitation, secured transactions under the UCC); or

(i) if at any time any representation, warranty or statement made by Grantor in any Financing Document, other document, instrument, or certificate delivered by Grantor shall be incorrect or misleading in any material respect, or any material misrepresentation shall at any time be made to Beneficiary by Grantor.

Section 5.02 Acceleration Upon Default; Additional Remedies. Subject to the cure provisions of this Section 5.02, upon the occurrence of an Event of Default (which default is not cured within any applicable cure period) Beneficiary may, at Beneficiary's sole option exercised in Beneficiary's sole discretion, pursue any one or more of the following remedies:

(a) Declare all or any portion of the Secured Obligations to be due and payable, and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind except as otherwise provided herein;

(b) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon and take possession of the Mortgaged Estate or any part thereof and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Mortgaged Estate, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Mortgaged Estate, take any action described in Article II, III or IV hereof, sue for or otherwise collect the Income, Claims and Awards, Intangibles or Equipment, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including reasonable attorneys' fees, upon any Secured Obligations, all in such order as required by the Indenture. The entering upon and taking possession of the Mortgaged Estate, the taking of any action described in Article II, III or IV hereof, the collection of such Income, Claims and Awards, Intangibles or Equipment and the application thereof as aforesaid, shall not cure or waive any default or notice of default or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Mortgaged Estate or the collection, receipt and application of Income, issues or profits, Claims and Awards, Intangibles or Equipment, Beneficiary shall be entitled to exercise every right provided for in any of the Financing Documents or the Indenture or by law upon occurrence of any Event of Default, including the right to exercise the power of sale herein conferred;

(c) Commence an action to foreclose this Deed of Trust (either judicially or otherwise), appoint a receiver, specifically enforce any of the covenants hereof, or sell the Mortgaged Estate or any portion thereof pursuant to the power of sale herein conferred;

(d) Exercise any or all of the remedies available to a secured party under the UCC, including, but not limited to:

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Section 5.03 Exercise of Power of Sale. If Beneficiary elects to sell Grantor's interest in the Mortgaged Estate by exercise of the power of sale herein contained, Beneficiary shall notify Trustee in the manner then required by law.

(a) Upon receipt of such notice from Beneficiary and at the direction of Beneficiary, Trustee shall cause to be given, recorded, published and delivered such notices of default and/or notices of sale as may then be required by law and/or by this Deed of Trust. Trustee shall, only at the direction of Beneficiary and without demand on Grantor, after such time as may then be required by law after such notice of default and/or notice of sale having been given as required by law, sell the Mortgaged Estate at the time and place of sale fixed by it in such notice of sale, either as a whole, or in separate lots or parcels or items as Beneficiary shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale, or as otherwise may then be required by law. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Grantor or Beneficiary, may purchase at such sale. Beneficiary may "credit bid" all or any portion of the Secured Obligations at such sale.

(b) As may be permitted by law, after deducting all costs, fees and expenses of Trustee and of this Deed of Trust, including without limitation costs of evidence of title in connection with sale and any reasonable attorneys' fees and expenses incurred by Trustee, Trustee shall apply the proceeds of sale (i) first, to payment of all actual out-of-pocket costs, fees and expenses, including reasonable attorneys' fees and expenses incurred by Beneficiary in exercising the power of sale or foreclosing this Deed of Trust, and (ii) second, in accordance with the provisions of the Indenture to the extent of the indebtedness outstanding under the Loan Agreement, and (iii) third, to payment of all other sums secured hereby, and (iv) fourth, the balance, if any, to those persons legally entitled thereto.

(c) Trustee may in the manner provided by law postpone sale of all or any portion of the Mortgaged Estate.

Section 5.04 Appointment of Receiver. If an Event of Default (which is not cured within any applicable cure period) shall have occurred, Beneficiary, as a matter of right and without notice to Grantor or anyone claiming under Grantor, and without regard to the value of the Mortgaged Estate or the interest of Grantor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers for the Mortgaged Estate and Grantor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in Section 5.02(b) and shall continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Estate unless such receivership is sooner terminated. Beneficiary shall, in addition to and not in limitation of any of the foregoing or any other remedies provided in this Deed of Trust or otherwise available under applicable law, have all of the rights provided under the laws of the State of North Carolina.

Section 5.05 Remedies Not Exclusive. Beneficiary shall be entitled to enforce payment and performance of any Secured Obligation and to exercise all rights and powers under this Deed of Trust or under any Financing Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the Secured Obligations which may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Beneficiary's right to realize upon or enforce any other security now or hereafter held by Beneficiary, it being agreed that Beneficiary shall be entitled to enforce

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this Deed of Trust and any other security now or hereafter held by Beneficiary in such order and manner as it may in its absolute discretion determine. No remedy herein conferred upon or reserved to Beneficiary is intended to be exclusive of any other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Financing Documents to Beneficiary, or to which Beneficiary may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Beneficiary. Beneficiary may pursue inconsistent remedies and pursue remedies in the alternative.

The acceptance by Beneficiary of any sum after the same is due shall not constitute a waiver of the right either to require prompt payment, when due, of all other sums hereby secured or to declare a default as herein provided. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall be deemed an acceptance on account only and upon condition that it shall not constitute a waiver of the obligation of Grantor to pay the entire sum then due, and failure of Grantor to pay such entire sum then due shall be and continue to be an Event of Default notwithstanding such acceptance of such amount on account, as aforesaid. Beneficiary or Trustee shall be, at all times thereafter and until the entire sum then due shall have been paid, and notwithstanding the acceptance by Beneficiary thereafter of further sums on account, or otherwise, entitled to exercise all rights in this instrument conferred upon them or either of them, and the right to proceed with a sale under any notice of default, or an election to sell, or the right to exercise any other rights or remedies hereunder, shall in no way be impaired, whether any of such amounts are received prior or subsequent to such proceeding, election or exercise. Consent by Beneficiary to any action or inaction of Grantor which is subject to consent or approval of Beneficiary hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions or inactions.

Section 5.06 Possession of Mortgaged Estate. In the event of a trustee's sale or foreclosure sale hereunder and after the time of such sale, and Grantor occupies the portion of the Mortgaged Estate so sold, or any part thereof, Grantor shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either tenant or landlord, at a reasonable rental per day based upon the value of the portion of the Mortgaged Estate so occupied, such rental to be due and payable daily to the purchaser. An action of unlawful detainer shall lie if the tenant holds over after a demand in writing for possession of such Mortgaged Estate and premises; and this Deed of Trust and a trustee's deed shall constitute a lease and agreement under which the tenant's possession arose and continued. Nothing contained in this Deed of Trust shall be construed to constitute Beneficiary as a "mortgagee in possession" in the absence of its taking actual possession of the Mortgaged Estate pursuant to the powers granted herein.

Section 5.07 Relief from Stay. In the event that Grantor commences a case under the Bankruptcy Code or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code, subject to court approval, Beneficiary shall thereupon be entitled and Grantor irrevocably consents to relief from any stay imposed by Section 362 of the Bankruptcy Code on or against the exercise of the rights and remedies otherwise available to Beneficiary as provided in the Financing Documents or the Indenture and Grantor hereby irrevocably waives its rights to object to such relief. In the event Grantor shall commence a case under the Bankruptcy Code or any successor provision thereof or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code, Grantor hereby agrees that no injunctive relief against Beneficiary shall be sought under Section 105 or other provisions of the Bankruptcy Code by Grantor or other person or entity claiming through Grantor, nor shall any extension be sought of the stay provided by Section 362 of the Bankruptcy Code.

Section 5.08 Cash Collateral. To the fullest extent allowed by applicable law, Grantor hereby acknowledges and agrees that in the event that Grantor commences a case under the Bankruptcy Code or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code: (i) that all of the Revenues are, and shall for purposes be deemed to be, "proceeds, product, offspring, rents, or profits"

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terms of the Financing Documents and the Indenture, to limit the liability of Grantor with respect to the Secured Obligations, and hereby expressly agrees that no such provision of law shall be applicable to such obligations. To that end and to the fullest extent permitted under the laws of the State of North Carolina, Grantor expressly:

(A) agrees that the Deficiency shall be determined solely by the purchase price (whether cash, credit bid, or otherwise, and net of all costs and expenses of and relating to the sale) actually received for such collateral, and, as a material inducement to making the loan evidenced (or to be evidenced) by the Loan Agreement and the Series 2024 Promissory Notes, waives all provisions of any applicable state law which might otherwise determine the "fair market value" of the collateral sold or by any other valuation in excess of such actual net purchase price;

(B) waives all provisions of any applicable state law which purport to limit the time within which an action upon a Deficiency may be commenced, or to eliminate any Deficiency if such an action is not commenced within such time limits, and agrees that such provisions shall not apply to any Deficiency following a trustee's sale under this Deed of Trust;

(C) to the fullest extent permitted under the laws of the State of North Carolina, waives all equitable rights of redemption;

(D) waives all rights of reinstatement following acceleration of the obligations secured by this Deed of Trust, including any which might otherwise be available under any applicable state law, it being agreed that Grantor has bargained for the notice and cure rights given to Grantor pursuant to Section 5.01 hereof and under the other Financing Documents and the Indenture; that such rights provide Grantor with sufficient opportunity to prevent acceleration following a breach or default which could become an Event of Default; and that Grantor has agreed in return to waive any further right of reinstatement following acceleration should no cure be timely made;

(E) waives all rights of redemption Grantor might otherwise have under any applicable state law with respect to the Mortgaged Estate or any other collateral, whether by statute, by subrogation or otherwise; and

(F) agrees to be and remain liable for the Secured Obligations, and agrees that this Deed of Trust may be enforced (and sale had hereunder or judgment given hereon) at any time and independent of any other action or judgment, all regardless of whether, or when, a trustee's or foreclosure sale of any collateral given by Grantor or any other person is held or any other nonjudicial or judicial action to realize upon collateral, or against Grantor or any other person obligated with respect to the Secured Obligations, is commenced, maintained, concluded, continued or discontinued.

The statutes referred to above in this section shall include any further statutes amending, supplementing or supplanting same. The waivers and agreements contained in this section and elsewhere in this Deed of Trust are given by Grantor knowingly and voluntarily and upon advice of counsel.

Section 6.03 Limitation of Interest. All agreements between Grantor and Beneficiary, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever shall the amount paid as interest, or agreed to be paid, to Beneficiary for the use, forbearance, or detention of the money to be loaned pursuant to the Series 2024 Promissory Notes or

of the Real Property covered by the lien of this Deed of Trust, as such quoted terms are used in Section 552(b) of the Bankruptcy Code; (ii) that in no event shall Grantor assert, claim or contend that any portion of the Revenues are, or should be deemed to be, "accounts" or "accounts receivable" within the meaning of the Bankruptcy Code and/or applicable state law; (iii) that the Revenues are and shall be deemed to be in any such bankruptcy proceeding "cash collateral" of Beneficiary as that term is defined in Section 363 of the Bankruptcy Code; and (iv) that Beneficiary has valid, effective, perfected, enforceable and "choate" rights in and to the Revenues without any further action required on the part of Beneficiary to enforce or perfect its rights in and to such cash collateral, including, without limitation, providing notice to Grantor under Section 546(b) of the Bankruptcy Code.

ARTICLE VI

MISCELLANEOUS

Section 6.01 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the internal law of the State of North Carolina.

Section 6.02 Waiver of Rights.

(a) **General Waivers.** To the extent permitted by law, Grantor waives the benefit of all laws now existing or that hereafter may be enacted (i) providing for any appraisal before sale of any portion of the Mortgaged Estate, or (ii) in any way extending the time for the enforcement of the collection of the Secured Obligations or creating or extending a period of redemption from any sale made in collecting the Secured Obligations. To the full extent Grantor may do so under the laws of the State of North Carolina, Grantor agrees that Grantor will not at any time insist upon, plea, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension, redemption or homestead exemption, and Grantor, for Grantor's representatives, successors and assigns, and for any and all persons ever claiming any interest in the Mortgaged Estate, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution, homestead exemption, notice of election to mature or declare due the whole of the Secured Obligations and marshaling in the event of foreclosure of the liens hereby created. If any law referred to in this Section and now in force, of which Grantor, Grantor's heirs, devisees, representatives, successors and assigns or other person might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Section. Grantor expressly waives and relinquishes any and all rights, remedies and defenses that Grantor may have or be able to assert by reason of the laws of the State of North Carolina pertaining to the rights, remedies and defenses of sureties. Beneficiary may, at its option in its sole discretion, elect to foreclose this Deed of Trust judicially.

(b) Specific State Waivers.

(i) Grantor waives any and all rights under Sections 26-7 through 26-9 of the North Carolina General Statutes and any and all rights under N.C.G.S. §45-21.16(b)(2) and N.C.G.S. §45-21.36.

(ii) It is Grantor's intention that the obligations of Grantor to pay and perform each and all of the Secured Obligations secured by this Deed of Trust be governed according to the express, bargained-for-terms hereof and of the other Financing Documents and the Indenture. The interest rate and terms applicable to the Financing Documents and the Indenture have been negotiated and agreed to by Beneficiary upon that basis. Therefore, to the fullest extent allowable under applicable law, Grantor hereby expressly waives all provisions of the applicable state law (including without limitation those specifically referenced below) which might otherwise be construed, contrary to the

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otherwise, or for the performance or payment of any covenant or obligation contained herein, exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof at the time performance of such provision shall be due shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance Beneficiary or holder of the Series 2024 Promissory Notes shall ever receive as interest under the Series 2024 Promissory Notes or this Deed of Trust or otherwise anything of value which would exceed interest at the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing under the Series 2024 Promissory Notes or on account of other Secured Obligations and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the Series 2024 Promissory Notes and such other Secured Obligations, such excess shall be refunded to Grantor, or other evidence of Secured Obligations, if other than Grantor. All sums paid or agreed to be paid to Beneficiary for the use, forbearance, or detention of the Secured Obligations shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such obligations until payment in full so that the rate of interest on account of Secured Obligations is uniform throughout the term thereof. The terms and provisions of this paragraph shall control all agreements between Grantor, or the maker of the Series 2024 Promissory Notes, or other evidence of Secured Obligations, if other than Grantor, and Beneficiary.

Section 6.04 No State of North Carolina Obligation. No indebtedness of any kind incurred or created by the Grantor shall constitute an indebtedness of the State of North Carolina or its political subdivisions, and no indebtedness of the Grantor shall involve or be secured by the faith, credit, or taxing power of the State of North Carolina or its political subdivisions.

Section 6.05 Notices. Unless otherwise required by law, whenever Beneficiary or Grantor shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication shall be in writing and shall be deemed to have been given if sent by hand delivery, overnight courier, certified mail, postage prepaid, facsimile (confirmed by certified mail), or email (confirmed by certified mail), addressed to the following mailing addresses:

If to the Authority:

If to the Grantor:

If to the Beneficiary:

If to the Trustee:

Any party may at any time change its address for such notices by delivering to the other parties hereto, as aforesaid, a notice of such change.

Section 6.06 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 6.07 Invalidity of Certain Provisions; Conflicting Provisions. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the Secured Obligations, or if the lien is invalid or unenforceable as to any part of the Mortgaged Estate, the unsecured or partially secured portion of the

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Secured Obligations shall be completely paid prior to the payment of the remaining and secured portion of the Secured Obligations, and all payments made on such obligations, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the Secured Obligations which is not secured or fully secured by the lien of this Deed of Trust.

Section 6.08 Subrogation. To the extent that proceeds of the Secured Obligations or advances under this Deed of Trust are used to pay any outstanding lien, charge or prior encumbrance against the Mortgaged Estate, such proceeds or advances have been or will be advanced by Beneficiary at Grantor's request, and Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether said liens, charges or encumbrances are released of record.

Section 6.09 Change in Ownership. If the ownership of the Mortgaged Estate or any part thereof or interest therein becomes vested in a person other than Grantor owning the same on the date hereof, Beneficiary may, without notice to Grantor, deal with such successor or successors in interest with reference to this Deed of Trust and the Secured Obligations in the same manner as with Grantor without in any way violating or discharging Grantor's liability hereunder or upon the Secured Obligations. No sale of the Mortgaged Estate, and no forbearance on the part of Beneficiary, and no extension of the time for the payment of the Secured Obligations, given by Beneficiary, shall operate to release, discharge, modify, change or affect the original liability, if any, of Grantor or the liability of any guarantors or sureties of Grantor, either in whole or in part; provided that Grantor may be released from its original liability under this Deed of Trust upon transfer of the entire Mortgaged Estate with the written consent of Beneficiary and as permitted under the Financing Documents.

Section 6.10 Assignment of Beneficiary's Interest. It is expressly agreed that any and all terms of this Deed of Trust, the other Financing Documents and all other agreements, documents, instrument or certificates made or executed by Grantor or others in favor of Beneficiary, and all rights, powers, privileges, options and remedies conferred upon Beneficiary herein and therein, shall inure to and be for the benefit of, and may be exercised by, Beneficiary and its successors and assigns, and the words "Beneficiary" shall also mean and include the successor or successors and the assign or assigns of Beneficiary. Grantor hereby specifically grants unto Beneficiary the right and privilege, at Beneficiary's option, to transfer and assign to any third person all or any part of Beneficiary's rights to receive funds or payments hereunder.

Section 6.11 Time Is of the Essence. Time is of the essence under this Deed of Trust and the other Financing Documents.

Section 6.12 Obligations of Grantor. The obligations of Grantor to make payments hereunder and under the Financing Documents and to perform and observe all agreements on its part contained herein and therein shall be absolute and unconditional. Until this Deed of Trust is terminated or payment in full of all Series 2024 Bonds is made or is provided for in accordance with the Indenture, Grantor (i) will not suspend or discontinue any payments under the Loan Agreement or neglect to perform any of its duties required thereunder or hereunder; (ii) will perform and observe all of its obligations set forth in the other Financing Documents and this Deed of Trust; and (iii) except as provided herein will not terminate the other Financing Documents or this Deed of Trust for any cause.

Section 6.13 Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Series 2024 Bonds or for any claim based thereon or under the Financing Documents or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of Grantor, whether directly or indirectly

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conveyance, shall become vested with all the estate, properties, rights, powers, duties and trusts of its predecessor in the trusts hereunder with like effect as if originally named as trustee herein; provided, however, that on the written request of Grantor, the Beneficiary or the successor trustee, such predecessor shall execute and deliver an instrument transferring to such successor, upon the trusts expressed in this Deed of Trust, such estate, properties, rights, powers and trusts and shall duly assign, transfer, deliver and pay over to such successor any property and moneys subject to the lien hereof and held by such predecessor.

As used in this Section 7.02, Grantor shall mean and include any subsequent owner of Grantor's interest in the Mortgaged Estate.

Section 7.03 Separate and Co-Trustees.

(a) If it deems such to be necessary or prudent, Trustee shall have the power to appoint one or more persons to act as separate trustees or co trustees, jointly with Trustee, of any of the property subject to the lien hereof, and any such person shall be such separate trustee or co-trustee, with such powers and duties as shall be specified in such instrument.

(b) Such separate trustee or co-trustee, upon acceptance of such trust, shall be vested with the estates or property specified in such instrument, either jointly with Trustee, or separately as may be provided therein, subject to all the trusts, conditions and provisions of this Deed of Trust; and every such instrument shall be filed with Trustee.

Section 7.04 Liability of Trustee. No Trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

Section 7.05 Payment of Trustee's Compensation. Grantor shall pay or cause to be paid the compensation to which Trustee is entitled hereunder, if any, and all proper disbursements and expenses incurred by Trustee hereunder, if any.

[Remainder of page intentionally left blank]

and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the Series 2024 Bonds.

Section 6.14 Attorneys' Fees. Notwithstanding anything to the contrary contained in this Deed of Trust, any other agreement or instrument executed or delivered in connection with the Real Property, or the language of N.C.G.S. Sec. 6-21.2, "legal fees," "legal expenses," "attorneys' fees," "reasonable attorney fees" and similar expressions used in this Deed of Trust and any other agreement or instrument executed or delivered in connection with the Real Property shall mean the amount actually charged by the attorneys (based on time actually spent and customary hourly rates) retained by Beneficiary in exercising its rights under this Deed of Trust and any other agreement or instrument executed or delivered in connection with the Real Property.

Section 6.15 No Merger. Grantor covenants and agrees that, unless Beneficiary shall otherwise expressly consent in writing or as otherwise permitted by the Loan Agreement, neither Grantor nor its successors or assigns shall suffer or permit the fee title to the property demised by the Lease and the leasehold estate thereunder to merge, it being understood and agreed that said estates shall always remain separate and distinct, notwithstanding the union of said estates in any person whomever by purchase or otherwise; and in case the Grantor acquires the fee title or any other estate, title or interest in the property demised by the Lease, this Deed of Trust shall attach to and cover and be a lien upon the fee title or such other estate so acquired, and such fee title or other estate shall, without further assignment, mortgage or conveyance, become and be subject to the lien of and covered by this Deed of Trust.

Section 6.16 Application of Proceeds. Notwithstanding any provision herein to the contrary, including, but not limited to, Sections 1.06 and 1.14, upon the occurrence and continuation of an Event of Default under the Indenture, the Loan Agreement or the Lease Agreement, any and all moneys received pursuant to the terms of this Deed of Trust shall be applied pursuant to Section 8.05 of the Indenture.

ARTICLE VII

TRUSTEE

Section 7.01 Resignation of Trustee. Trustee may resign and be discharged of the trusts created hereby by giving notice of its resignation to the Beneficiary and Grantor (or any subsequent owner of Grantor's interest in the Mortgaged Estate) specifying the date (not less than ninety (90) days after such notice) when such resignation shall take effect. Such resignation shall take effect on the earlier of the date so specified or the appointment and acceptance of a successor trustee pursuant to Section 7.02.

Section 7.02 Successor Trustee.

(a) Trustee may be removed at any time by notice from the Beneficiary. If Trustee shall have given notice of its intention to resign, shall resign, be removed or otherwise be incapable of acting, or if Trustee shall be taken under the control of any public officer or a receiver appointed by a court, or be adjudged a bankrupt or insolvent, then a successor may be appointed by the Beneficiary, provided that Grantor may appoint a successor trustee to act until such successor shall be so appointed. Grantor shall notify the Beneficiary of any such appointment by Grantor, but any successor trustee so appointed by Grantor shall immediately and without further act be superseded by a successor trustee appointed by the Beneficiary as above provided.

(b) Any successor to Trustee shall execute, acknowledge and deliver to its predecessor, Beneficiary and Grantor (or any subsequent owner of Grantor's interest in the Mortgaged Estate) an instrument accepting such appointment, and thereupon such successor, without any further act, deed or

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IN WITNESS WHEREOF, Grantor has caused this Deed of Trust to be duly executed on the day and year set forth in the acknowledgment attached hereto and effective on the date first written above.

NECP HOLDINGS, LLC

By: North East Carolina Preparatory School, Inc., as sole member

By: _____
Name: Mark Lee Cockrell
Title: Executive Director

ACKNOWLEDGMENT

STATE OF NORTH CAROLINA)
) ss:
EDGECOMBE COUNTY)

This instrument was acknowledged before me on the ____ day of May 2024, by Mark Lee Cockrell, Executive Director of North East Carolina Preparatory School, Inc., as sole member of NECP Holdings, LLC, a North Carolina limited liability company, who personally appeared before me this day and acknowledged that he signed the foregoing instrument.

My Commission Expires: _____
[SEAL OR STAMP]

Notary Public

Printed Name

EXHIBIT A

LEGAL DESCRIPTION

By: _____
Name: Anne Yancey Mann
Title: Chair

[illegible]

My Commission Expires: _____

[SEAL OR STAMP]

Notary Public

Printed Name

A-1

APPENDIX E
SUBSTANTIALLY FINAL FORM OF BOND COUNSEL OPINION

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May 30, 2024

Public Finance Authority
Madison, Wisconsin

\$27,610,000

**Public Finance Authority
Charter School Revenue and Refunding Bonds
(North East Carolina Preparatory School Project)
Series 2024A**

\$1,050,000

**Public Finance Authority
Taxable Charter School Revenue and Refunding Bonds
(North East Carolina Preparatory School Project)
Series 2024B**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by the Public Finance Authority (the "Authority") of its \$27,610,000 Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A (the "2024A Bonds") and \$1,050,000 Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project), Series 2024B (the "2024B Bonds" and, together with the 2024A Bonds, the "Bonds"), dated the date of their delivery. The Bonds have been issued pursuant to Sections 66.0301, 66.0303 and 66.0304 of the Wisconsin Statutes, as amended (the "Act"), and the terms of an Indenture of Trust dated as of May 1, 2024 (the "Indenture"), between the Authority and UMB Bank, n.a., as bond trustee (the "Trustee"). The proceeds of the Bonds shall be loaned to NECP Holdings, LLC (the "Borrower"), a North Carolina limited liability company, pursuant to a Loan Agreement dated as of May 1, 2024 (the "Loan Agreement"), between the Authority and the Borrower, and used, together with other available moneys, to: (a) refinance the outstanding principal amount of the Authority's Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019A and Charter School Revenue Bonds (North East Carolina Preparatory School Project), Series 2019B (Subordinate), the proceeds of which (i) financed the acquisition of an educational facility located at 274 Husky Trail in the Town of Tarboro, Edgecombe County, North Carolina (the "Campus") used by the North East Carolina Preparatory School, Inc. (the "Lessee") for the operation of a charter school known as North East Carolina Preparatory School (the "School"), (ii) funded a debt service reserve fund and (iii) paid for costs of issuance, (b) finance certain capital improvements, including, but not limited to, the acquisition of approximately 40 acres of land adjacent to the Campus, the installation of athletic fields, the construction and equipping of athletic field houses, and certain other capital improvements on the Campus, (c) fund one or more debt service reserve funds, and (d) pay all or a portion of the costs of issuance of the Bonds.

The Borrower will execute and deliver to the Authority a promissory note with respect to the 2024A Bonds and a promissory note with respect to the 2024B Bonds (collectively, the "Notes") to evidence its obligations under the Loan Agreement with respect to the respective series of Bonds.

The Borrower will lease the Campus to the Lessee, a North Carolina nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") pursuant to the terms of a Lease Agreement dated as May 1, 2024 (the "Lease Agreement"), between the Borrower and the Lessee. The Lessee is the sole member of the Borrower.

The Bonds are payable solely from the revenues, receipts and payments pledged pursuant to the Indenture, including in particular payments under the Loan Agreement and the Lease Agreement. We refer you to the Bonds, the Indenture, the Loan Agreement and the Lease Agreement for a description of the purposes for which the Bonds are issued and the security for them. Reference is made to the Bonds for information regarding their details, dates, payment and redemption provisions and the proceedings pursuant to which they are issued.

Unless otherwise defined, each capitalized term used in this opinion shall have the meaning given it in the Indenture or the Loan Agreement.

In connection with our opinion, we have examined the Act, the laws of the United States, including, without limitation, the Code, the transcript of the proceedings with respect to the Bonds, certified copies of documents relating to the organization of the Authority and certified copies of proceedings and other documents relating to the issuance and sale by the Authority of the Bonds, including the resolution adopted by the Authority on March 20, 2024, authorizing the issuance of the Bonds.

With respect to the organization of the Borrower and the Lessee, the status of the Lessee as an organization described in Section 501(c)(3) of the Code, the status of the Borrower as a disregarded entity for federal tax purposes, the power of the Borrower to enter into and perform its obligations under the Borrower Documents, the power of the Lessee to enter into and perform its obligations under the Lessee Documents, the due authorization, execution and delivery of the Borrower Documents and the Lessee Documents and the validity and enforceability of such Borrower Documents against the Borrower and the Lessee Documents against the Lessee, we have relied upon certifications of representatives of the Borrower, the Lessee, and other persons as to facts material to our opinion, that the Lessee is an organization described in Section 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code and that the Borrower and the Lessee have not engaged in conduct inconsistent with the Lessee's status as an exempt organization. We refer you to our opinion letter as counsel to the Borrower and the Lessee, dated the same date as this opinion letter and addressed to you.

As to questions of fact material to our opinion, we have relied upon: (a) representations of and compliance with covenants by the Borrower, the Lessee and the Authority contained in certificates and other documents delivered at closing; (b) certificates of public officials furnished to us; and (c) certificates of representatives of the Borrower, the Lessee, the Authority and other parties, including, without limitation, representations, covenants and certifications as to the use of the proceeds of the Bonds, compliance with the arbitrage reporting and rebate requirements, the average reasonably expected economic life of the property being financed and refinanced with the proceeds of the Bonds and other factual matters which are relevant to the opinions expressed in paragraphs 7 and 8, in each case without undertaking any independent verification. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this financing have been duly authorized, executed and delivered by all of their parties other than the Authority, and we have further assumed the due organization, existence and powers of such other parties other than the Authority.

Based on the foregoing, we are of the opinion that:

1. The Authority is a validly existing bond issuing commission duly created by the Act and is vested with the rights and powers conferred by the Act.

2. The Authority has all requisite authority and power under the Act to issue the Bonds and to enter into and perform its obligations under the Indenture and the Loan Agreement and to apply the proceeds from the issuance of the Bonds as contemplated by the Loan Agreement.

3. The Bonds have been duly authorized and issued in accordance with the Act and the Indenture and, subject to paragraph 6 below, constitute valid, binding and enforceable special limited obligations of the Authority, payable in accordance with their terms. The principal of and interest on the Bonds are payable from payments to be made by the Borrower under and pursuant to the Notes, the Loan Agreement and other property specifically pledged to such purpose under the Indenture. The Bonds are special limited obligations of the Authority and are not a debt or liability of any Member of the Authority, the State of Wisconsin, or any political subdivision or agency thereof other than the Authority. The Bonds do not, directly, indirectly or contingently, obligate, in any manner, any Member of the Authority, the State of Wisconsin or any political subdivision thereof to levy any tax or to make any appropriation for payment of the Bonds. The Bonds are payable solely from the funds pledged for their payment in accordance with the Indenture. Neither the faith and credit nor the taxing power of any Member of the Authority or any political subdivision or agency approving the issuance of the Bonds, nor the faith and credit of the Authority, shall be pledged to the payment of the principal of, premium, if any, or interest on, the Bonds. The Authority has no taxing power.

4. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and, subject to paragraph 6 below, constitute valid and binding agreements of the Authority, enforceable against the Authority in accordance with their terms.

5. The Authority's right, title and interest in the Notes have been assigned to the Trustee and, subject to paragraph 6 below, such assignments constitute valid and binding assignments by the Authority, enforceable against the Authority in accordance with their terms.

6. The enforceability of the obligations of the parties under the Bonds, the Indenture, the Borrower Documents and the Lessee Documents is subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights and remedies. The enforceability of such obligations is also subject to usual equitable principles, which may limit the specific enforcement of certain rights and remedies but which do not affect the validity of such documents. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy.

7. Interest on the 2024A Bonds is excludable from gross income for purposes of federal income taxation under Section 103 of the Code, and is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals (a "Specific Tax Preference Item"). However, for taxable years beginning after December 31, 2022, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code.

We express no opinion regarding other federal tax consequences arising with respect to the 2024A Bonds.

In delivering this opinion, we are relying upon certifications of representatives of the Authority, the Lessee, the Borrower, and other parties as to facts material to the opinion, which we have not independently verified and that the Loan Agreement and the Lease Agreement are enforceable against the Lessee and the Borrower in accordance with their terms. We are also assuming continuing compliance with the Covenants (as hereinafter defined) by the Authority, the Borrower and the Lessee. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the

issuance of the 2024A Bonds in order for interest on the 2024A Bonds to be and remain excludable from gross income for purposes of federal income taxation and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, the requirement that the Lessee, as the sole member of the Borrower, maintain its status as an organization described in Section 501(c)(3) of the Code, restrictions on the use, expenditure and investment of the proceeds of the 2024A Bonds and the use of the property financed or refinanced by the 2024A Bonds, limitations on the source of the payment of and the security for the 2024A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2024A Bonds to the United States Treasury. The Indenture, the Loan Agreement, the Lease Agreement and the Tax Agreement contain covenants (the "Covenants") under which the Authority, the Borrower and the Lessee have agreed to comply with such requirements. Failure by the Authority, the Borrower or the Lessee to comply with their respective Covenants could cause interest on the 2024A Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2024A Bonds from becoming includable in gross income for federal income tax purposes. Compliance by the Authority with its Covenants does not require the Authority to make any financial contribution for which it does not receive funds from the Borrower. We have no responsibility to monitor compliance with the Covenants after the date of issue of the 2024A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Indenture, the Loan Agreement, the Lease Agreement and the Tax Agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion concerning any effect on the excludability of interest on the 2024A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

8. Interest on the 2024B Bonds is includable in gross income of the owners thereof for federal income tax purposes.

This opinion letter speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents our judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. This opinion letter does not contain or provide any opinion or assurance regarding the future activities of the Authority, the Lessee or the Borrower or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. The Authority, the Borrower and the Lessee have covenanted, however, to comply with the requirements of the Code.

Our services as Bond Counsel to the Authority have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to make the statements contained in this letter and to approve the validity of the Bonds and the tax status of the interest thereon, as described above. We express no opinion as to the accuracy, completeness or sufficiency of any information that may have been relied upon by anyone in making the decision to purchase Bonds, including the Preliminary Official Statement dated May 2, 2024 and the Official Statement dated May 9, 2024, each relating to the offering of the Bonds. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX F
SUBSTANTIALLY FINAL FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) dated as of May 1, 2024, is executed and delivered by and among NECP HOLDINGS, LLC (the “Borrower”), a North Carolina limited liability company, NORTH EAST CAROLINA PREPARATORY SCHOOL, INC. (the “Lessee”), a North Carolina nonprofit corporation and sole member of the Borrower, and DIGITAL ASSURANCE CERTIFICATION, LLC, as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the Public Finance Authority (the “Authority”) of its \$27,610,000 Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A and its \$1,050,000 Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B (together, the “Series 2024 Bonds”). The Series 2024 Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2024 (the “Indenture”), between the Authority and UMB Bank, n.a., as trustee (the “Trustee”). The proceeds of the Series 2024 Bonds are being loaned to the Borrower pursuant to a Loan Agreement, dated as of May 1, 2024 (the “Loan Agreement”), by and between the Authority and the Borrower.

The Dissemination Agent, the Borrower and the Lessee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower, the Lessee and the Dissemination Agent for the benefit of the Registered Owners and Beneficial Owners of the Series 2024 Bonds and in order to assist Robert W. Baird & Co. Incorporated (the “Underwriter”) in complying with the Rule (as defined below), as it may be applicable from time to time. The Borrower, the Lessee and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any Person, including any Registered Owner or Beneficial Owner of the Series 2024 Bonds, with respect to the Rule (as defined below).

SECTION 2. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Loan Agreement. In addition, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means annual financial information as such term is used in paragraph (i) of the Rule and specified in Section 4(b) of this Disclosure Agreement.

“Annual Report” means any Annual Report provided by the Borrower and the Lessee pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Audited Financial Statements” means the audited financial statements and other financial information of the Lessee with respect to the School for the prior Fiscal Year, certified by an independent auditor as prepared in accordance with accounting principles generally accepted in the United States or otherwise, as such term is used in paragraph (i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2024 Bonds (including any Person holding Series 2024 Bonds through nominees, depositories or other intermediaries).

“Business Day” means any day other than a Saturday or Sunday or a day on which the Federal Reserve System or the Trustee is closed.

“Construction Report” means the report on the construction of the Construction Project required to be transferred by the Borrower to the Dissemination Agent pursuant to Section 3(h) of this Disclosure Agreement.

“Disclosure Representative” means the Executive Director of the Corporation, or his or her designee, or such other person as the Lessee shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means Digital Assurance Certification, LLC, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee, the Borrower and the Lessee a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org/> or at such other information depository as may be designated by the SEC from time to time to receive final official statements, material event notices, and annual financial information under the Rule.

“Fiscal Year” means each fiscal year of the Borrower and the Lessee ending on or after June 30, beginning with the Fiscal Year ending June 30, 2024.

“Lease Agreement” means the Lease Agreement, dated as of May 1, 2024, by and between the Borrower and the Lessee.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the United States Municipal Securities Rulemaking Board or any successor to its functions, or any successor to its functions as a nationally recognized municipal securities information repository.

“Official Statement” means the Official Statement, dated May 9, 2024, relating to the Series 2024 Bonds.

“Quarterly Report” means any Quarterly Report provided by the Borrower and the Lessee pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“School” means the charter school operated by the Lessee, known as North East Carolina Preparatory School.

“State Compliance Office” means the North Carolina State Board of Education, the State of North Carolina Department of Public Instruction, the State of North Carolina Office of Charter Schools, or any other body subsequently authorized by the State of North Carolina to grant, revoke, or suspend charters.

“Underwriter” means Robert W. Baird & Co. Incorporated.

SECTION 3. Provision of Annual Reports, Quarterly Reports, Operations Reports, and Construction Reports.

(a) The Borrower and the Lessee shall or, upon delivery to the Dissemination Agent pursuant to paragraph (b) below, the Dissemination Agent shall, not later than December 31 following the end of the Borrower’s and the Lessee’s Fiscal Years, commencing with the report for the fiscal year ended June 30, 2024, provide to EMMA, in a PDF or other electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement and in substantially the form attached hereto as Exhibit A. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Audited Financial Statements may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Borrower’s or the Lessee’s Fiscal Year changes, the Borrower or the Lessee, as applicable, shall give notice of such change in the same manner as for a Listed Event under Section 5(g).

(b) Not later than five (5) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the Borrower and the Lessee shall provide the Annual Report to the Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower and the Lessee pursuant to this Disclosure Agreement, and shall have no duty or obligation to review any notice or report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit B.

(d) The Borrower and the Lessee, or upon delivery to the Dissemination Agent pursuant to paragraph (e) below, the Dissemination Agent, shall provide to EMMA not later than May 15, August 15, November 15, and February 15 following the end of each fiscal quarter ended March 31, June 30, September 30, and December 31, respectively, for the Borrower and the Lessee, commencing with the report for the fiscal quarter ending June 30, 2024, a Quarterly Report which is consistent with the requirements of Section 4 of this Disclosure Agreement in substantially the form attached hereto as Exhibit C.

(e) Not later than five (5) Business Days prior to the date specified in subsection (d) for providing the Quarterly Report to EMMA, the Borrower and the Lessee shall provide the Quarterly Report to the Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower and the Lessee

pursuant to this Disclosure Agreement, and shall have no duty or obligation to review any notice or report.

(f) If the Dissemination Agent is unable to verify that a Quarterly Report has been provided to EMMA by the date required in subsection (d), the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit B.

(g) As soon as practicable or otherwise as stated herein, the Borrower and the Lessee, or upon delivery to the Dissemination Agent, the Dissemination Agent shall provide to EMMA:

(1) A copy of the School's annual budget, certified by the Lessee, on or before July 15 of each Fiscal Year, commencing July 15, 2024;

(2) The School's Average Daily Membership, as reported to the State Compliance Office on its "Twenty-Day ADM Report," commencing with the report for the 2024-25 school year;

(3) Copies of written complaint notifications from the State Compliance Office, along with the School's and the Lessee's responses thereto, within ten (10) days of receiving such complaint notifications and responding thereto;

(4) Within ten (10) days of receipt thereof, notices of any meetings in which the School or the Lessee with respect to the School is before the State Compliance Office for issues of non-compliance with respect to the School along with the minutes of such meetings (to the extent publicly available) and any responses provided by the School or the Lessee;

(5) As soon as discovered, information related to any litigation, potential material charter violation or potential charter revocation issues; and

(6) Within three Business Days of the occurrence of any Event of Default under Section 8.01(c) or (d) of the Indenture, a certificate initially in the form of Appendix II to Exhibit C attached hereto.

If the Dissemination Agent shall not receive any such information required to be provided by Section 3(g) above, the Dissemination Agent shall not be required to send a notice to EMMA regarding such failure and the absence of such information or failure to post such information on EMMA shall not be a failure under this Disclosure Agreement.

(h) On or before the first calendar day of each month, commencing July 1, 2024, with the report for June 2024 through and including the month in which the Construction Project (as defined in the Official Statement) is completed, the Borrower and the Lessee, or upon delivery to the Dissemination Agent, the Dissemination Agent, shall provide to EMMA a report, as set forth in substantially the form attached hereto as Exhibit D, indicating: (i) the percentage of the Construction Project completed to such date; (ii) the then-contemplated timeline for completion of the Construction Project; and (iii) a description of any changes in anticipated timing or cost from the construction report for the prior month (the "Construction Reports").

In each case, the Construction Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section 3(h) of this Disclosure Agreement. At the request of the Majority Bondholder, the Borrower and the Lessee shall make the Construction Monitor available for a public call to discuss such reports. The Dissemination Agent has no duty or obligation to confirm that any information provided to it for filing with EMMA under this Section 3(h) meets the requirements herein or is complete. If the Dissemination Agent shall not receive any such information required to be provided by this Section 3(h) by the required dates, the Dissemination Agent shall not be required to send a notice to EMMA regarding such failure or to inquire as to whether or not such information is required to be filed.

(i) Within thirty (30) days of its receipt or completion, the Lessee, or upon delivery to the Dissemination Agent, the Dissemination Agent, shall provide to EMMA copies of any Environmental Report or written reports or recommendations of any Management Consultant delivered pursuant to the Loan Agreement or the Lease Agreement.

(j) If the Borrower and the Lessee have provided the Annual Report or Quarterly Report, as applicable, to the Dissemination Agent, the Dissemination Agent shall provide notice to the Trustee and certify that the Annual Report or Quarterly Report, as applicable, has been provided to EMMA pursuant to this Disclosure Agreement and set forth the date it was provided; *provided, however*, that this subsection (i) shall only apply if the Dissemination Agent is not the Trustee.

(k) If the Dissemination Agent has been instructed by the Borrower or Lessee to post a document or report to EMMA, the Dissemination Agent shall post the document or report to EMMA upon it being provided by such party.

SECTION 4. Content of Annual and Quarterly Reports.

(a) *Audited Financial Statements:* Each Annual Report shall contain Audited Financial Statements, as provided pursuant to Section 3(a). If Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the Borrower's and Lessee's audited financial statements with respect to the School, and the Audited Financial Statements shall be filed in the same manner as the Annual Report when they become available. Audited or unaudited financial statements of the Borrower shall be delivered as provided herein only if otherwise prepared.

(b) *Additional Annual Report Information:* Each Annual Report shall also contain (i) a copy of the audit report certified by independent public accountants; (ii) a certification of the Days Cash on Hand for such Fiscal Year; (iii) a certification that the Lessee has fulfilled all of its obligations under the Lease Agreement and the Tax Agreement; and (iv) commencing with the Annual Report for the Fiscal Year ending June 30, 2025, a certification of the Coverage Ratio for the prior Fiscal Year.

(c) *Quarterly Information:* Each Quarterly Report shall contain quarterly information ("Quarterly Information") with respect to the Borrower and the Lessee, including (i) unaudited financial statements and other financial information of the Borrower and the Lessee

with respect to the School, including a statement of revenues and expenses for the Lessee and a statement of revenues and expenses and a balance sheet for the Borrower, each in comparative form, to the extent practicable, with the financial figures from the corresponding period in the preceding Fiscal Year; (ii) commencing with the Quarterly Report for the fiscal quarter ending September 30, 2024, and for each Quarterly Report for the fiscal quarters ending September 30 thereafter, actual enrollment and waitlist data, if maintained for such school year, as of the 20th Day ADM count to be provided in a format similar to that set forth in APPENDIX A – “THE LESSEE, THE BORROWER AND THE SCHOOL” under the heading “THE SCHOOL – Historical and Projected Enrollment;” (iii) written notice of any changes in key personnel identified in APPENDIX A – “THE LESSEE, THE BORROWER AND THE SCHOOL” under the heading “THE SCHOOL – School Administration;” (iv) a certificate of a Disclosure Representative listing (A) any plans to expand the School or the Facilities (other than construction of the Series 2024 Facilities), (B) plans to change the Lessee’s or the School’s organizational structure, (C) any existing and/or pending litigation that has arisen since the last such certificate, (D) any activities that may constitute noncompliance with the Lessee’s charter for the School or any formal notices received regarding violations of that charter, and (E) any significant decrease in the level of funding received by the Lessee with respect to the School from the State Compliance Office; (v) any significant changes in marketplace competition faced by the School; (vi) a description of (A) any changes to the charter, including material revisions to or decisions of the Lessee’s charter authorizer to terminate, non-renew, extend, or renew the charter, if any, and (B) any charter renewal application submitted and expected timeline for a decision on such application, if any, during such quarter; and (vii) for each Quarterly Report for the fiscal quarters ended June 30, commencing with the Quarterly Report for the fiscal quarter ending June 30, 2024, a copy of the Borrower’s certificate required pursuant to the Loan Agreement initially in the form of Appendix II to Exhibit C attached hereto. Quarterly financial, operating and other information of the Borrower shall be delivered as provided herein only if otherwise prepared.

(d) *Notice of Charter Non-Compliance:* Unless previously disseminated, the next Quarterly Report to be disseminated shall contain a copy or complete description of any notice, report or communication with respect to charter non-compliance that would allow the Lessee’s charter authorizer to begin any process or proceedings toward charter revocation or which indicate an intent not to renew any such charter.

(e) *Inclusion by Reference:* The items listed above may be included by specific reference to other documents, including materials which have been submitted to EMMA or the SEC. The Borrower and the Lessee shall clearly identify each such other document so included by reference.

(f) *Modification.* In the event that the information necessary to prepare the Annual Reports and Quarterly Reports described in Section 4 above becomes unavailable due to changes in accounting practices, legislative changes, State or the Lessee’s charter authorizer changes or organizational changes, the Borrower or the Lessee shall state in the next Annual Report or Quarterly Report, as applicable, that such table will be modified or will no longer be included in the Annual Report or Quarterly Report, as applicable, and the reason therefore and the Borrower or the Lessee shall provide comparable information if available.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Borrower and the Lessee shall give, or upon delivery of the information to the Dissemination Agent, the Dissemination Agent shall give, notice of the occurrence of any of the following events with respect to the Series 2024 Bonds, under applicable federal securities laws 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) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) (i) Adverse tax opinions, (ii) the issuance by the Internal Revenue Service of proposed or final determinations of taxability of the Series 2024A Bonds, (iii) Notices of Proposed Issue (IRS Form 5701-TEB), (iv) other material notices or determinations with respect to the tax status of the Series 2024A Bonds, or (v) other material events affecting the tax-exempt status of the Series 2024A Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) (i) Bond calls, if material, and (ii) tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Series 2024 Bonds, if material;
- (11) Rating changes;
- (12) Failure to provide Annual Financial Information or Quarterly Information as required;
- (13) Bankruptcy, insolvency, receivership or similar event of the Borrower or the Lessee, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Borrower or the Lessee in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower or the Lessee, 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 or a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental entity having supervision or jurisdiction over substantially all of the assets or business of the Borrower or the Lessee;

(14) The consummation of a merger, consolidation, or acquisition involving the Borrower or the Lessee or the sale of all or substantially all of the assets of the Borrower or the Lessee, 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;

(15) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(16) Incurrence by the Borrower or the Lessee of a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii), excluding municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule (each, a “Financial Obligation”), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower or the Lessee, any of which affect security holders, if material; and

(17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower or the Lessee, any of which reflect financial difficulties.

(b) The Borrower and the Lessee agree that their determination of whether any event listed in subsection (a) above is material shall be made in accordance with federal securities law.

(c) The Borrower and the Lessee shall promptly notify the Dissemination Agent in writing of the occurrence of any of the Listed Events.

(d) If the Listed Event must be reported without regard to whether or not it is material under applicable federal securities laws, such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g).

(e) If materiality is a condition precedent to the requirement that the Listed Event be reported, and the Borrower and the Lessee determine that knowledge of the occurrence of the Listed Event is material under applicable federal securities laws, such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g).

(f) If materiality is a condition precedent to the requirement that the Listed Event be reported, and the Borrower and the Lessee determine that knowledge of the occurrence

of the Listed Event is not material under applicable federal securities laws, such notice shall instruct the Dissemination Agent not to report the occurrence pursuant to subsection (g).

(g) If the Dissemination Agent has been instructed by the Borrower and the Lessee to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA.

SECTION 6. Termination of Reporting Obligation. The Borrower's, the Lessee's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2024 Bonds. If such termination occurs prior to the final maturity of the Series 2024 Bonds, the Borrower and the Lessee shall give notice of such termination in the same manner as for a Listed Event under Section 5(g). If the Borrower's and the Lessee's obligations under the Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Agreement relating thereto in the same manner as if it were the Borrower and the Lessee, and the Borrower and the Lessee shall have no further responsibility hereunder with respect thereto.

The Dissemination Agent shall be fully discharged at the time any such termination is effective. Also, this Disclosure Agreement shall terminate automatically upon payment or provisions for payment of the Series 2024 Bonds. This Disclosure Agreement shall terminate when all of the Series 2024 Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at final maturity.

SECTION 7. Dissemination Agent. The Borrower and the Lessee may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, LLC. The Dissemination Agent shall have no obligation to disclose information about the Series 2024 Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower or the Lessee, apart from the relationship created by the Rule, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Borrower or the Lessee. The Dissemination Agent may resign at any time by providing at least thirty (30) days written notice to the Borrower, the Lessee and the Trustee.

SECTION 8. Investor Calls. On or about each January 15, commencing on or about January 15, 2025, the Borrower and the Lessee shall arrange a conference call with Registered Owners, Beneficial Owners, and potential purchasers of the Series 2024 Bonds, regarding performance of the Lessee and the School for the period ending with the preceding June 30. The Borrower and the Lessee shall provide at least 7 days' notice of such calls to EMMA.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower, the Lessee and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Borrower and the Lessee, provided that the Dissemination Agent shall not be obligated to

enter into any amendment increasing or affecting its duties or obligations) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(d), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an “obligated person” (as defined in the Rule) with respect to the Series 2024 Bonds, or the type of business conducted or (2) with the approval set forth in (c)(i) below;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Series 2024 Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Registered Owners of the Series 2024 Bonds in the same manner as provided in the Indenture for amendments to such Indenture with the consent of Registered Owners, or (ii) does not, in the opinion of Bond Counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Series 2024 Bonds.

Notwithstanding the foregoing, this Disclosure Agreement may be amended by mutual agreement of the Borrower, the Lessee, and the Dissemination Agent without the conditions of this Section 9 (a), (b), and (c) having been met if the sole purpose of the amendment is to require that the Borrower and/or the Lessee provide disclosure in addition to the disclosure the Borrower and/or the Lessee are required to provide pursuant to this Disclosure Agreement prior to the effectiveness of any such amendment.

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

SECTION 10. Additional Information.

(a) Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower and the Lessee from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower and the Lessee choose to include any information in any Annual Report or Quarterly Report or notice of

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

(b) If the due date for any notice or deliverable required to be provided to the Dissemination Agent or posted to EMMA is not a Business Day, such notice or deliverable may be provided or posted on the next succeeding Business Day unless otherwise provided herein, with the same force and effect as if done on the nominal date provided in this Continuing Disclosure Agreement.

SECTION 11. Default. In the event of a failure of the Borrower and the Lessee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the right of any Registered Owner to challenge the timely filing, failure to file or the adequacy of the information furnished pursuant to this Disclosure Agreement shall be limited to an action by or on behalf of Registered Owners representing at least 25% of the aggregate outstanding principal amount of the Series 2024 Bonds. This Disclosure Agreement is also enforceable on behalf of the Registered Owners of the Series 2024 Bonds by the Trustee, and the Trustee may, and upon the written direction of the Registered Owners of not less than 25% of the aggregate outstanding principal amount of the Series 2024 Bonds or the Underwriter shall, proceed to protect and enforce the rights of the Registered Owners of the Series 2024 Bonds pursuant to this Disclosure Agreement; provided that in all cases the Trustee shall be entitled to the indemnification and other provisions of the Indenture with regard to any actions, and prior to proceeding at the request or direction of the Underwriter the Trustee may require the same types of indemnification and related protections from the Underwriter to which the Trustee would otherwise be entitled under the Indenture if so requested or directed by the Registered Owners. Any failure by the Borrower and the Lessee to comply with the provisions of this Disclosure Agreement shall not be an Event of Default under the Lease Agreement, the Loan Agreement or the Indenture. In no event shall any violation of this Disclosure Agreement, by itself, constitute a violation of any other laws, including other applicable securities laws.

The Registered Owners' and the Trustee's rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel the Borrower and the Lessee to perform under this Disclosure Agreement, and their directors, officers and employees shall incur no liability under this Disclosure Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this Section shall entitle the Trustee or any other person to attorneys' fees, financial damages of any sort or any other relief other than an order or injunction compelling performance; provided that the Trustee shall nevertheless be entitled to attorneys' fees and such other rights and amounts as provided in the Indenture.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no further duties or responsibilities shall be implied. The Borrower and the Lessee agree to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in

the exercise or performance of their powers and duties hereunder, including the costs and expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Borrower and the Lessee for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Borrower and the Lessee from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Borrower and the Lessee hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Lessee, the Registered Owners, Beneficial Owners or any other party. The obligations of the Borrower and the Lessee under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2024 Bonds.

The Dissemination Agent shall not have any liability to any Registered Owner or Beneficial Owner in connection with any failure to timely file any such information or report with the MSRB and the sole remedy available shall be an action by any Registered Owner or Beneficial Owner in mandamus for specific performance or similar remedy to compel performance. The only remedy for failure to file is to file. Each of the Borrower and the Lessee acknowledges that it, and not the Dissemination Agent, is solely responsible for the accuracy, completeness and timeliness of any information or report provided to the Dissemination Agent.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower or
the Lessee:

To the Trustee:

To the Dissemination Agent:

To the Underwriter:

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Trustee, the Dissemination Agent, the Underwriter, Registered Owners and Beneficial Owners from time to time of the Series 2024 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The transactions described herein may be conducted and related documents may be sent and stored by electronic means.

SECTION 16. Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

SECTION 17. Delivery to the MSRB. Any filings required to be made with the MSRB shall be made utilizing EMMA.

SECTION 18. Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

SECTION 19. No Obligation of the State of North Carolina. No indebtedness of any kind incurred or created by the Borrower or the Lessee shall constitute an indebtedness of the State of North Carolina or its political subdivisions, and no indebtedness of the Borrower or the Lessee shall involve or be secured by the faith, credit, or taxing power of the State of North Carolina or its political subdivisions.

[Remainder of page intentionally left blank; signature page follow]

Dated as of the date first written above.

NECP HOLDINGS, LLC, as Borrower

By: North East Carolina Preparatory School, Inc., as
its sole member

By: _____
Mark Lee Cockrell, Executive Director

**NORTH EAST CAROLINA PREPARATORY
SCHOOL, INC.**, as Lessee

By: _____
Anne Yancey Mann, Chair

**DIGITAL ASSURANCE CERTIFICATION,
LLC**, as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A
FORM OF CERTIFICATE FOR ANNUAL FILING
OF CERTAIN SCHOOL OPERATING COVENANTS

Name of Issuer: Public Finance Authority

Name of Issue: Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A and Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B

Name of Borrower: NECP Holdings, LLC

Name of Lessee: North East Carolina Preparatory School, Inc.

CUSIP Number(s): _____

Date of Issuance: May 30, 2024

NOTICE IS HEREBY GIVEN that Borrower and the School are providing to the Dissemination Agent the following operational information as required under Section 4 of the Continuing Disclosure Agreement, dated as of May 1, 2024 (the “Disclosure Agreement”), among the Dissemination Agent, the Borrower, and the Lessee. The Disclosure Agreement requires that the Borrower and the School shall or, upon delivery to the Dissemination Agent, the Dissemination Agent shall, provide such Annual Report to EMMA not later than December 31 following the end of the preceding Fiscal Year. Defined terms used in this certificate and not defined herein shall have the meanings granted to such terms in the Indenture, the Loan Agreement, the Lease Agreement, or the Official Statement, as applicable. The information contained below in #1 and #2 is unaudited but is derived from the Audited Financial Statements prepared in accordance with Generally Accepted Accounting Principles.

The undersigned, as disclosure representatives of the Borrower and the School, respectively, hereby certifies the following as of the date below:

1. This certificate is being provided to EMMA [**prior to**] [**after**] December 31, 20[___] following the Fiscal Year ending June 30, 20[___].
2. [**For the Annual Report for the Fiscal Year ending June 30, 2025 and each Fiscal Year thereafter:** Coverage Ratio pursuant to the Lease Agreement for the Fiscal Year ended June 30, 20__ was __x, which [**does/does not**] comply with the Coverage Ratio covenant of the Lease Agreement.]
3. Days Cash on Hand pursuant to the Lease Agreement for the Fiscal Year ended June 30, 20__ was __, which [**does/does not**] comply with the Days Cash on Hand covenant of the Lease Agreement.

4. The [**Choose One:** Audited Financial Statements/financial statements prepared in accordance with Generally Accepted Accounting Principles], attached as Appendix I, and this certificate comply with the requirements of Section 3(a) of the Disclosure Agreement.
5. The undersigned is familiar with the provisions of the Lease Agreement and the Tax Agreement and, to the best of his or her knowledge, based upon such review and familiarity, [**Choose one:** the Lessee has fulfilled all of its obligations thereunder throughout the Fiscal Year, and there have been no defaults under the Lease Agreement or the Tax Agreement ☐ / Description of any default in the fulfillment of any such obligation in such Fiscal Year known to the undersigned, including the nature and the status thereof and the actions taken or being taken to correct such default: _____.]

Dated: _____

NECP HOLDINGS, LLC

By: _____
Disclosure Representative

**NORTH EAST CAROLINA PREPARATORY
SCHOOL, INC.**

By: _____
Disclosure Representative

Appendix I

EXHIBIT B
NOTICE TO THE MSRB OF FAILURE TO FILE [ANNUAL/QUARTERLY] REPORT

Name of Issuer: Public Finance Authority

Name of Issue: Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A and Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B

Name of Borrower: NECP Holdings, LLC

Name of Lessee: North East Carolina Preparatory School, Inc.

CUSIP Number(s): _____

Date of Issuance: May 30, 2024

NOTICE IS HEREBY GIVEN that the Borrower and the Lessee have not provided an [Annual/Quarterly] Report with respect to the above-named Series 2024 Bonds as required by the Continuing Disclosure Agreement, dated as of May 1, 2024, among the Borrower, the Lessee and the undersigned, with respect to the Series 2024 Bonds. The Borrower and the Lessee have notified the Dissemination Agent that they anticipate that the [Annual/Quarterly] Report will be filed by _____.

Dated: _____

DIGITAL ASSURANCE CERTIFICATION, LLC,
as Dissemination Agent

By: _____
Authorized Signatory

cc: Borrower and Lessee

EXHIBIT C
FORM OF QUARTERLY REPORT CERTIFICATE

Name of Issuer: Public Finance Authority

Name of Issue: Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A and Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B

Name of Borrower: NECP Holdings, LLC

Name of Lessee: North East Carolina Preparatory School, Inc.

CUSIP Number(s): _____

Date of Issuance: _____, 2024

NOTICE IS HEREBY GIVEN that the Borrower and the School are providing to the Dissemination Agent the following operational information as required under Section 4 of the Continuing Disclosure Agreement, dated as of May 1, 2024 (the “Disclosure Agreement”), among the Dissemination Agent, the Borrower, and the Lessee. Defined terms used in this certificate and not defined herein shall have the meanings granted to such terms in the Indenture, the Loan Agreement, the Lease Agreement, or the Official Statement, as applicable. The information contained below in #2 below is unaudited but is derived from the Audited Financial Statements prepared in accordance with Generally Accepted Accounting Principles.

The undersigned, as disclosure representatives of the Borrower and the School, respectively, hereby certifies the following as of the date below:

1. This certificate is being provided to EMMA on or before [**Choose One:** May / August / November / February] 15, 20[___] following the end of each fiscal quarter for the Borrower and the School ended [**Choose One:** March 31 / June 30 / September 30 / December 31], 20[___].
2. Unaudited financial statements and other financial information of the School and the Borrower, including, but not limited to, its balance sheet and its actual income and expenses as compared to the annual budget, attached hereto as Appendix I.

[Remainder of page intentionally left blank]

3. **[Commencing with the Quarterly Report for the fiscal quarter ending September 30, 2024, and for each Quarterly Report for the fiscal quarters ending September 30 thereafter:** Student enrollment and waitlist, if maintained for such school year, by grade at the School as of the 20th Day ADM count:]

Grade	Enrollment	Waitlist
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
TOTAL		

4. **[Choose one:** No changes in key personnel and/or staff of the Lessee or the School ☐ / Management's discussion and analysis of changes in key personnel and/or staff of the Lessee or the School: _____.]
5. **[Choose one:** No expansion plans of the School or the Project Facilities ☐ / Expansion plans of the School or the Project Facilities: _____.]
6. **[Choose one:** No plans of the Borrower or the School to change its organizational structure ☐ / Description of plans of the Borrower or the School to change its organizational structure: _____.]
7. **[Choose one:** No existing or pending litigation affecting the Borrower or the School since the last Quarterly Report ☐ / Description of any existing or pending litigation affecting the Borrower or the School: _____.]
8. **[Choose one:** No significant decrease in the level of funding received by the Lessee with respect to the School from the State Compliance Office has occurred ☐ / Description of any significant decrease in the level of funding received by the Lessee with respect to the School from the State Compliance Office: [_____].]

9. [Choose one: No significant changes in marketplace competition faced by the School [] / Description of significant changes in marketplace competition faced by the School [].]
10. [Choose one: No changes to the charter, including material revisions to or decisions of the Lessee's charter authorizer to terminate, non-renew, extend, or renew the charter and no charter renewal application submitted []/ Description of any changes to the charter, including material revisions to or decisions of the Lessee's charter authorizer to terminate, non-renew, extend, or renew the charter, if any, and (B) any charter renewal application submitted and expected timeline for a decision on such application [].]
11. [For the Quarterly Report for the quarter ending June 30 or as required pursuant to Section 3(g)(6) of the Disclosure Agreement: The Borrower's Certificate initially in the form of Appendix II attached hereto.]

Dated: _____

NECP HOLDINGS, LLC

By: _____
Disclosure Representative

**NORTH EAST CAROLINA PREPARATORY
SCHOOL, INC.**

By: _____
Disclosure Representative

Appendix I

Appendix II

FORM OF BORROWER CERTIFICATE

This Borrower Certificate (this “Certificate”) is furnished to UMB Bank, n.a. (the “Trustee”), as trustee under the Indenture of Trust dated as of _____, 2024 (the “Indenture”), between the Public Finance Authority (the “Authority”) and the Trustee, pursuant to the Loan Agreement dated as of _____, 2024 (the “Loan Agreement”), between the Authority and NECP HOLDINGS, LLC (the “Borrower”). Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in Exhibit G to the Loan Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the _____ of the Borrower;
2. I am familiar with the terms of the Loan Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower during the _____ period ended _____, 20__;
3. [I am familiar with the provisions of the Loan Agreement and the Tax Agreement, and to the best of my knowledge, based on such review and familiarity, the Borrower has fulfilled all of its obligations thereunder throughout the fiscal year][For annual reports only];
4. [The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the period described in paragraph 2 or as of the date of this Certificate][Use if no default];
5. [The examinations described in paragraph 2 disclosed an event or events which constitute an Event of Default during or at the end of the period described in paragraph 2 or as of the date of this Certificate. On Schedule I hereto are listed, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event][Use upon a default].

The foregoing certifications and the financial statements delivered with this Certificate in support hereof are made this ____ day of _____, 20__.

NECP HOLDINGS, LLC

By: _____
Name: _____
Title: _____

EXHIBIT D
FORM OF CONSTRUCTION REPORT

Name of Issuer: Public Finance Authority

Name of Issue: Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024A and Taxable Charter School Revenue and Refunding Bonds (North East Carolina Preparatory School Project) Series 2024B

Name of Borrower: NECP Holdings, LLC

Name of Lessee: North East Carolina Preparatory School, Inc.

CUSIP Number(s): _____

Date of Issuance: _____, 2024

NOTICE IS HEREBY GIVEN that the Disclosure Representative is providing to the Dissemination Agent the following operational information as required under Section 3(h) of the Continuing Disclosure Agreement, dated as of May 1, 2024 (the “Disclosure Agreement”), among the Dissemination Agent, the Borrower, and the Lessee. The Disclosure Agreement requires that the Borrower and the Lessee provide this information to the Dissemination Agent on or before the first (1st) day of every month while the Construction Project is under construction, commencing July 1, 2024 with the report for June 2024. Defined terms used in this certificate and not defined herein shall have the meanings granted to such terms in the Indenture, the Loan Agreement, the Lease Agreement, or the Official Statement, as applicable.

As of the date below:

- (a) the Construction Project is _____ percent completed;
- (b) the anticipated completion date of the Construction Project is _____, 20__; and
- (c) [**Choose one:** No changes in the anticipated completion date and/or cost of the Construction Project from the report for the prior month [] / Description of changes to the anticipated completion date and/or cost of the Construction Project from the report for the prior month: _____.]

Dated _____, 20__.

NECP HOLDINGS, LLC

By: _____
Disclosure Representative

**NORTH EAST CAROLINA PREPARATORY
SCHOOL, INC.**

By: _____
Disclosure Representative

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