

**SUPPLEMENT TO PRELIMINARY LIMITED OFFERING MEMORANDUM
DATED SEPTEMBER 19, 2017**

relating to

\$31,670,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(SUMMIT PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2017

This Supplement to Preliminary Limited Offering Memorandum Dated September 19, 2017 (the “Supplement”), is dated as of October 2, 2017, and supplements the Preliminary Limited Offering Memorandum dated September 19, 2017 (the “Preliminary Limited Offering Memorandum”), relating to the above-captioned charter school revenue bonds (the “Bonds”). All persons in possession of the Preliminary Limited Offering Memorandum are requested to permanently affix this Supplement to the front cover of, or otherwise attach this Supplement to, the Preliminary Limited Offering Memorandum. All terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Preliminary Limited Offering Memorandum. Except as expressly supplemented hereby, the Preliminary Limited Offering Memorandum has not been amended or supplemented.

1. The Optional Redemption provision of the Preliminary Limited Offering Memorandum under the heading “THE BONDS – Redemption” is replaced in its entirety with the following:

Optional Redemption. The Bonds maturing on or after June 1, 2028 are subject to redemption prior to their respective stated maturities, at the option of the Borrower from any amounts in the Redemption Fund, in whole or in part on any date on or after June 1, 2027, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

2. The Extraordinary Mandatory Redemption from Unspent Project Proceeds provision of the Preliminary Limited Offering Memorandum under the heading “THE BONDS – Redemption” is replaced in its entirety with the following:

Extraordinary Mandatory Redemption from Unspent Project Proceeds. The Bonds are subject to redemption, prior to their stated maturity, in whole or in part, from (i) unspent proceeds of the Bonds transferred to the Redemption Fund from the Denali Construction Sub-Account or the Home Office Construction Sub-Account, in accordance with the Bond Indenture, and (ii) amounts transferred to the Redemption Fund from the Reserve Account and the Capitalized Interest Subaccount in connection with transfers described in the preceding clause (i), at a redemption price equal to 100% of the principal amount of the Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, plus an amount equal to the unamortized portion of the net original issue premium thereon as set forth in the schedule below, on the earliest date for which notice of redemption can reasonably be given in accordance with the Bond Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Denali Construction Sub-Account,” “– Conditions to Release of Bond Proceeds from Home Office Construction Sub-Account” and “CERTAIN RISK FACTORS – Construction Risks” herein.

* Preliminary, subject to change.

Bond Maturing (June 1)	Unamortized Net Original Issue Premium as of Redemption Date ⁽¹⁾						
	October 17, <u>2017</u>	December 31, <u>2017</u>	June 30, <u>2018</u>	December 31, <u>2018</u>	June 30, <u>2019</u>	December 31, <u>2019</u> ⁽²⁾	June 30, <u>2020</u>

⁽¹⁾ The unamortized portion of the net original issue premium with respect to Bonds subject to redemption hereunder on any date other than the semi-annual dates set forth herein shall be interpolated on a straight-line basis.

⁽²⁾ Pursuant to the Bond Indenture, if the applicable draw requirements for each of the Denali Construction Sub-Account and the Home Office Construction Sub-Account have not been satisfied on or prior to December 31, 2019, then all moneys on deposit in the applicable sub-account will be transferred to the Redemption Fund and applied to redeem Bonds as described above on the earliest date for which notice of redemption can reasonably be given in accordance with the Bond Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Denali Construction Sub-Account,” “ – Conditions to Release of Bond Proceeds from Home Office Construction Sub-Account” and “CERTAIN RISK FACTORS – Construction Risks” herein.

⁽³⁾ Term bond.

3. The third paragraph under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Revenue Fund – Reserve Account” is replaced in its entirety with the following:

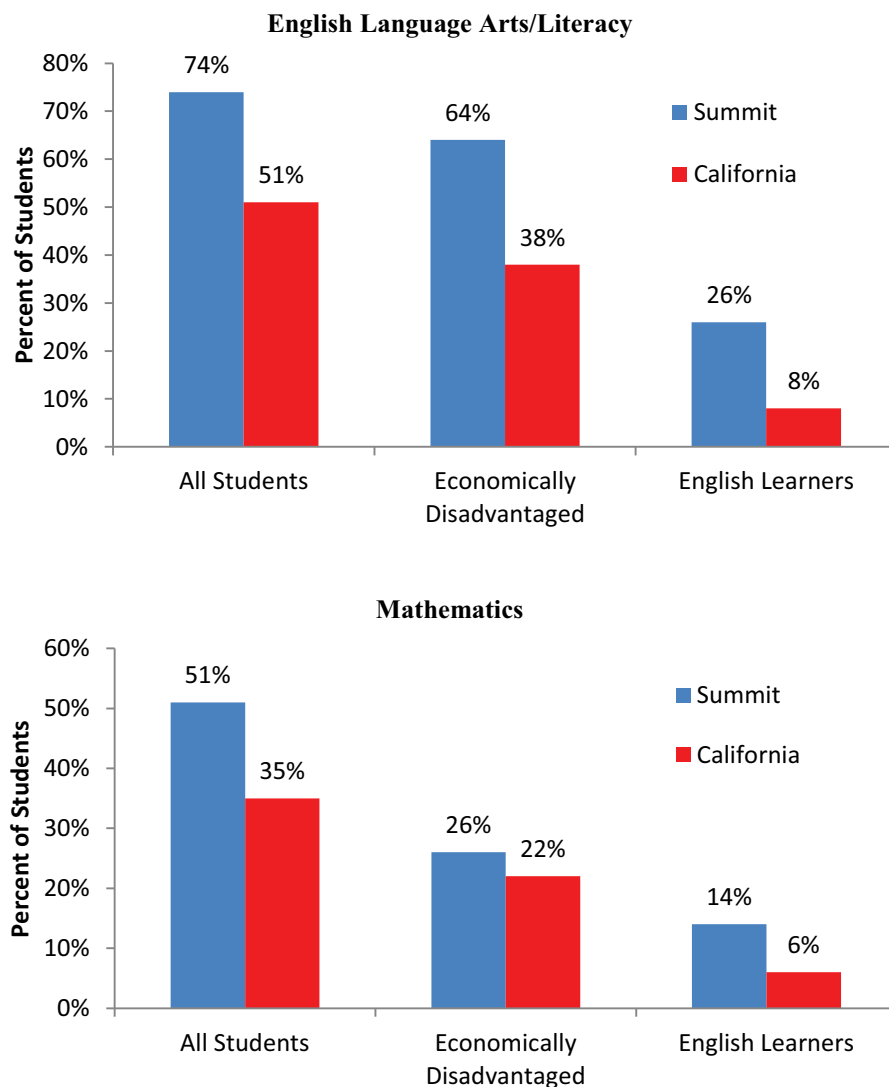
Amounts on deposit in the Reserve Account will be valued by the Trustee at their fair market value (i) each January 1 and July 1, and (ii) upon notice being given of the transfer of any moneys on deposit in any Construction Sub-Account to the Redemption Fund pursuant to the Bond Indenture taking into account the reduction in debt service resulting from such bond redemption, and the Trustee will notify the Borrower of the results of such valuation. If the amount on deposit in the Reserve Account on the first Business Day following such valuation is less than one-hundred percent (100%) of the Reserve Account Requirement (as defined below), the Borrower has agreed in the Loan Agreement to make the deposits to the Reserve Account required by the Bond Indenture. If the amount on deposit in the Reserve Account on the first Business Day following such valuation is greater than the Reserve Account Requirement, the excess will be withdrawn from the Bond Reserve Subaccount of the Reserve Account and transferred to, with respect to valuations completed pursuant to (i) above, the Revenue Fund, and with respect to valuations completed pursuant to (ii) above, the Redemption Fund on the date fixed for redemption. See “CERTAIN RISK FACTORS” herein.

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4. The information contained on pages A-39 through A-43 of the Preliminary Limited Offering Memorandum under the headings “SUMMIT PUBLIC SCHOOLS – Academic Outcomes for Summit Schools” and “— Campus Service Areas and Competitive Schools,” beginning after Figure 2, is replaced in its entirety with the following:

The following figure summarizes the performance of Summit’s California charter schools on CAASPP Smarter Balanced Assessments for ELA and mathematics in 2015-16, compared against statewide averages in California. See “THE SCHOOLS – Academic Outcomes for the Schools – CAASPP” herein for more information on the CAASPP Smarter Balanced Assessments.

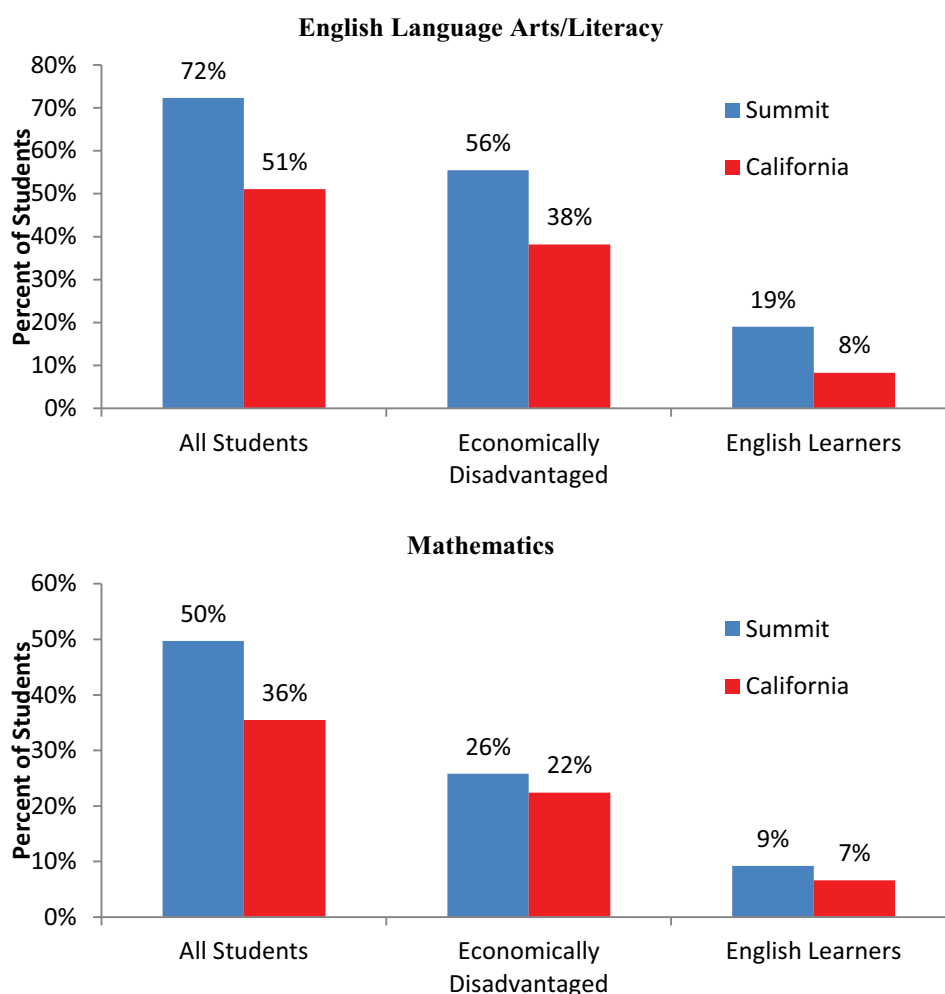
FIGURE 3
SUMMIT CALIFORNIA SCHOOLS
2015-16 Smarter Balanced Assessment Consortium (SBAC) Results⁽¹⁾
Percent of Students Met or Exceeded Standard



⁽¹⁾ Percentages shown are percentages of 6th, 7th, 8th and 11th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year.
Source: Summit.

The following figure summarizes the performance of Summit's California charter schools on CAASPP Smarter Balanced Assessments for ELA and mathematics in 2016-17, compared against statewide averages in California. See "THE SCHOOLS – Academic Outcomes for the Schools – CAASPP" herein for more information on the CAASPP Smarter Balanced Assessments. The mathematics results for 2016-17 do not include students at Summit Prep, as 11th grade students did not complete and receive credit for the 2016-17 mathematics CAASPP assessments due to errors in the implementation of the testing. Summit has reviewed its processes to ensure this error does not occur again in the future. Many schools throughout California experienced this error in implementing the 2016-17 CAASPP Smarter Balanced Assessments.

FIGURE 4
SUMMIT CALIFORNIA SCHOOLS
 2016-17 Smarter Balanced Assessment Consortium (SBAC) Results⁽¹⁾
 Percent of Students Met or Exceeded Standard



⁽¹⁾ Percentages shown are percentages of 6th, 7th, 8th and 11th grade students indicated as "Standards Met" and "Standards Exceeded" in Smarter Balanced Assessment results for the 2016-17 school year.

Source: Summit.

Campus Service Areas and Competitive Schools

Competing Schools. The following table presents a summary of the certain demographics and test results for schools located in the vicinities of all Summit schools in California that the management of Summit

regards as possible competing schools, as well as such data for the school district in which each school is located and Statewide, indicating for each school the enrollment, the percentages of English Learners (“EL”), recipients of Free and Reduced Price Meals (“FRPM”) and the percentages of students meeting or exceeding standards for English language arts and literacy (“ELA/L”) and mathematics on the State’s Smarter Balanced Assessment tests.

TABLE 14
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2016-17

Summit Shasta						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽³⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽³⁾
Shasta	87%	51%	--	425	23%	5%
Westmoor High School	76%	46%	1.4	1,598	37%	16%
Jefferson High School	52%	24%	2.2	1,107	53%	23%
Oceana High School	80%	60%	3.8	597	31%	10%
Terra Nova High School	67%	38%	7.5	982	19%	4%
Jefferson Union High School District	66%	39%	--	4,862	37%	14%
California	60%	32%	--	1,939,323	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2016-17.

⁽²⁾ Indicates distance from Summit Shasta in miles.

⁽³⁾ Represents students in grades 9-12.

Source: California Department of Education.

Summit Denali						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽⁴⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽⁴⁾
Denali^{(Su)(SC)}	72%	65%	--	411	27%	9%
Columbia Middle School ^(Su)	35%	27%	1.2	756	54%	28%
Marian A. Peterson Middle School ^(S)	68%	59%	4.1	907	23%	15%
Don Callejon ^(S)	51%	43%	4.5	368	28%	23%
Juan Cabrillo Middle School ^(S)	46%	39%	5.3	952	51%	23%
Sunnyvale Middle School ^(Su)	71%	67%	7.4	1,176	8%	14%
Buchser Middle School ^(S)	55%	40%	7.6	1,025	42%	18%
Cupertino Middle School ^(C)	84%	82%	7.8	1,462	7%	9%
Sam H. Lawson Middle School ^(C)	88%	92%	10.2	1,335	3%	7%
Santa Clara Unified School District	55%	45%	--	3,275	42%	19%
Cupertino Union School District	87%	87%	--	6,604	4%	7%
Sunnyvale School District	57%	51%	--	1,933	31%	20%
California	48%	37%	--	1,421,723	60%	17%

⁽¹⁾ Represents percentages of test-taking students in grades 6-8 that met or exceeded testing standards for 2016-17.

⁽²⁾ Indicates distance from Summit Denali in miles.

⁽³⁾ Represents students in grades 6-8 for all schools except Summit Denali and Don Callejon. Represents students in grades 6-10 for Summit Denali and grades K-8 for Don Callejon.

⁽⁴⁾ Represents students in grades 6-8.

^(S) Indicates school is located within Santa Clara Unified School District boundaries.

^(Su) Indicates school is located within Sunnyvale School District boundaries.

^(C) Indicates school is located within Cupertino Union Middle School District boundaries.

^(SC) Summit Denali is authorized by the Santa Clara County of Education as a county-wide benefit charter.

Source: California Department of Education.

TABLE 14 (continued)
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2016-17

Summit Prep						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽³⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽³⁾
Prep	91%	--	--	428	49%	13%
Sequoia High School	67%	45%	1.6	2,182	38%	21%
Woodside High Schools	70%	44%	3.5	1,790	33%	14%
Menlo-Atherton High School	71%	53%	3.7	2,401	35%	15%
Carlmont High School	85%	68%	6.3	2,152	9%	4%
Sequoia Union High School District	71%	51%	--	9,911	40%	15%
California	60%	32%	--	1,939,323	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2016-17. The mathematics results for 2016-17 do not include students at Summit Prep, as 11th grade students did not complete and receive credit for the 2016-17 mathematics CAASPP assessments due to errors in the implementation of the testing. See "SUMMIT PUBLIC SCHOOLS – Academic Outcomes for Summit Schools" herein.

⁽²⁾ Indicates distance from Summit Prep in miles.

⁽³⁾ Represents students in grades 9-12.

Source: California Department of Education.

Summit Everest						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽³⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽³⁾
Everest	78%	35%	--	404	58%	18%
Menlo-Atherton High School	71%	53%	2.0	2,401	35%	15%
Sequoia High School	67%	45%	2.7	2,182	38%	21%
Woodside High Schools	70%	44%	3.4	1,790	33%	14%
Carlmont High School	85%	68%	7.7	2,152	9%	4%
Sequoia Union High School District	71%	51%	--	9,911	40%	15%
California	60%	32%	--	1,939,323	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2016-17.

⁽²⁾ Indicates distance from Summit Everest in miles.

⁽³⁾ Represents students in grades 9-12.

Source: California Department of Education.

Summit Rainier						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽³⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽³⁾
Rainier	67%	48%	--	370	44%	11%
Mt. Pleasant High School ⁽⁴⁾	58%	22%	--	1,401	67%	21%
James Lick High School	58%	22%	1.9	1,120	82%	20%
Independence High	68%	41%	5.4	2,944	49%	18%
East Side Union High School District	66%	41%	--	26,571	57%	19%
California	60%	32%	--	1,939,323	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2016-17.

⁽²⁾ Indicates distance from Summit Rainier in miles.

⁽³⁾ Represents students in grades 9-12.

⁽⁴⁾ Summit Rainier is co-located on the Mt. Pleasant High School Campus.

Source: California Department of Education.

TABLE 14 (continued)
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2016-17

Summit Tahoma						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽³⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽³⁾
Tahoma	82%	46%	--	301	42%	8%
Oak Grove High School ⁽⁴⁾	52%	27%	--	1,869	49%	18%
Independence High	68%	41%	10.4	2,944	49%	18%
James Lick High School	58%	22%	10.7	1,120	82%	20%
East Side Union High School District	66%	41%	--	26,571	57%	19%
California	60%	32%	--	1,939,323	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2016-17.

⁽²⁾ Indicates distance from Summit Tahoma in miles.

⁽³⁾ Represents students in grades 9-12.

⁽⁴⁾ Summit Tahoma is co-located on the Oak Grove High School Campus.

Source: California Department of Education.

Summit K2						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽⁴⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽⁴⁾
K2	64%	38%	--	321	51%	14%
Fred T. Korematsu Middle	57%	40%	0.7	643	50%	16%
Lovonya DeJean Middle	11%	4%	1.5	457	99%	42%
Helms Middle School	19%	10%	4.9	997	93%	46%
Crespi Junior High	31%	20%	6.5	513	78%	25%
West Contra Costa Unified School District	32%	20%	--	4,219	74%	26%
California	49%	37%	--	945,914	60%	15%

⁽¹⁾ Represents percentages of test-taking students in grades 7-8 that met or exceeded standards for 2016-17.

⁽²⁾ Indicates distance from Summit K2 in miles.

⁽³⁾ Represents students in grades 7-8 for all schools except Summit K2. Represents students in grades 7-10 for Summit K-2.

⁽⁴⁾ Represents students in grades 7-8.

Source: California Department of Education.

TABLE 14 (continued)
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2016-17

Summit Tamalpais						
	ELA %	Math %	Distance	Demographics		
School	2016-17 Met/Exceeded⁽¹⁾	2016-17 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2016-17 Enrollment⁽³⁾	2016-17 FRPM %⁽³⁾	2016-17 EL %⁽³⁾
Tamalpais⁽⁴⁾	50%	45%	--	117	65%	22%
Helms Middle School	19%	10%	2.2	997	93%	46%
Crespi Junior High	31%	20%	2.4	513	78%	25%
Pinole Middle School	33%	21%	2.6	538	68%	22%
Lovonya DeJean Middle	11%	4%	4.8	457	99%	42%
West Contra Costa Unified School District	32%	20%	--	4,219	74%	26%
California	49%	37%	--	945,914	60%	15%

(1) Represents percentages of test-taking students in grades 7-8 that met or exceeded standards for 2016-17.

(2) Indicates distance from Summit Tamalpais in miles.

(3) Represents students in grades 7-8.

(4) Summit Tamalpais' first year of operations was 2016-17.

Source: California Department of Education.

5. The information beginning on page A-46 of the Preliminary Limited Offering Memorandum under the heading “THE SCHOOLS – Academic Outcomes for the Schools – CAASPP” is replaced in its entirety with the following:

Academic Performance Index (“API”) scores have, in the past, been calculated using results of the State’s STAR program and, for high school students, the California High School Exit Examination (“CAHSEE”). Changes to the Education Code enacted in 2013 deleted certain provisions of State law establishing the STAR program and replaced them with the California Assessment of Student Performance and Progress program (“CAASPP”), effective July 1, 2014. As a means to assess certain elementary and secondary pupils, CAASPP comprises:

(a) the State’s Smarter Balanced Assessments, composed of (i) summative assessments in English language arts (“ELA”) and mathematics for grades 3 to 8 inclusive, and grade 11, (ii) interim assessments to monitor student progress toward mastery of the Common Core State Standards in ELA and mathematics, and (iii) a “Digital Library” consisting of tools and practices designed to help teachers utilize formative assessment processes for improved teaching and learning;

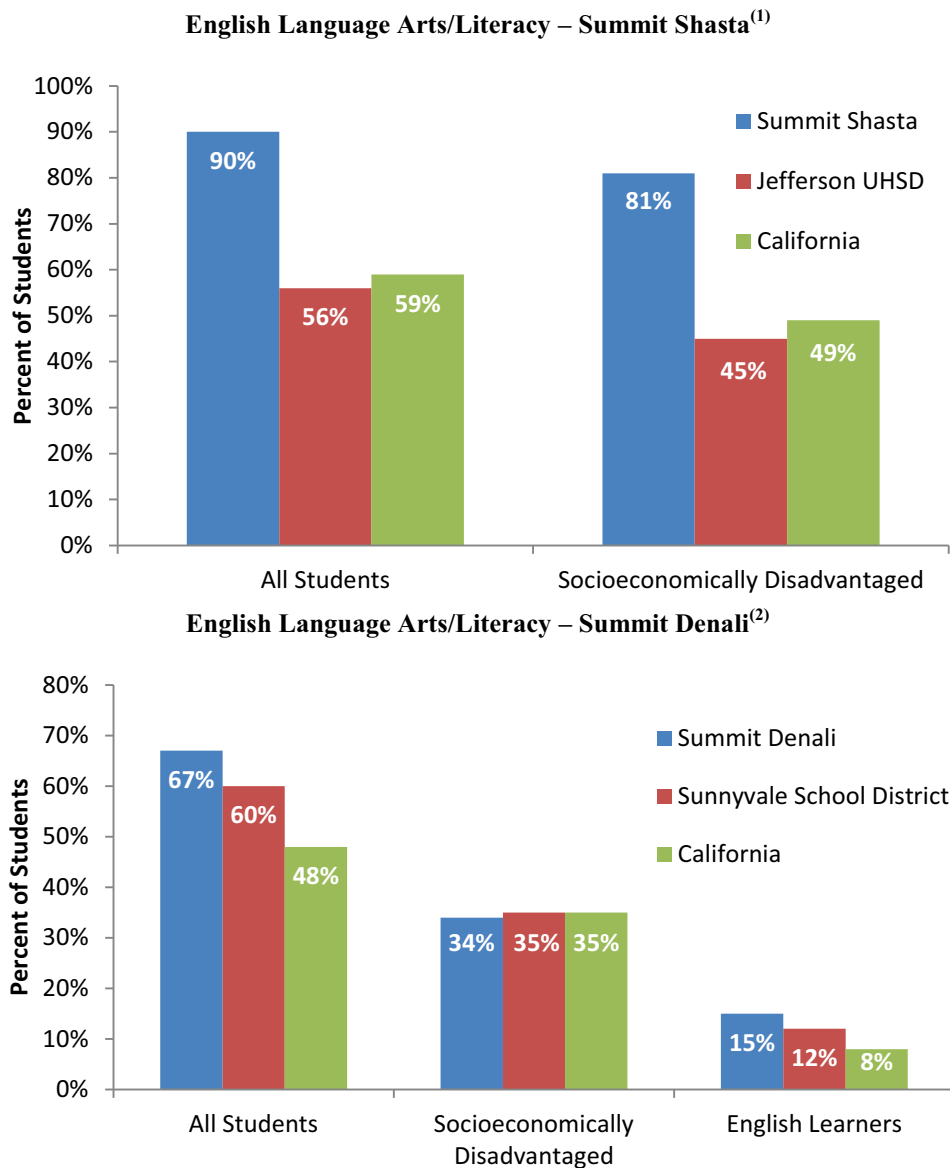
(b) alternate assessments for ELA and mathematics in grades 3 through 8 and 11, that are based on alternate achievement standards and aligned with the Common Core State Standards for students with significant cognitive disabilities;

(c) science assessments in grades 5, 8, and 10, measuring specified content standards, currently composed of (i) the California Standards Test (“CST”) for students in public schools, (ii) the California Modified Assessment (“CMA”) for students with an individualized education program, and the (iii) California Alternate Performance Assessment (“CAPA”) for students with significant cognitive disabilities; and

(d) the Standards-based Tests in Spanish (“STS”), which are multiple-choice tests that allow Spanish-speaking English learners in grades 2 through 11 to demonstrate their knowledge of California content standards by taking a reading/language arts (“RLA”) assessment in their primary language.

The following figures summarize the performance of the Schools on CAASPP Smarter Balanced Assessments for ELA and mathematics in 2015-16 and 2016-17, compared against averages for schools in the State, Jefferson UHSD and the Sunnyvale School District (“SSD”), the middle school district in which Summit Denali is physically located (note, although Summit Denali is expected to expand to serve grades 6-12, through the 2016-17 school year Summit currently serves grades 6-9), and Santa Clara County.

FIGURE 5
THE SCHOOLS
 2015-16 Smarter Balanced Assessment Consortium (SBAC) Results
 Percent of Students Met or Exceeded Standard

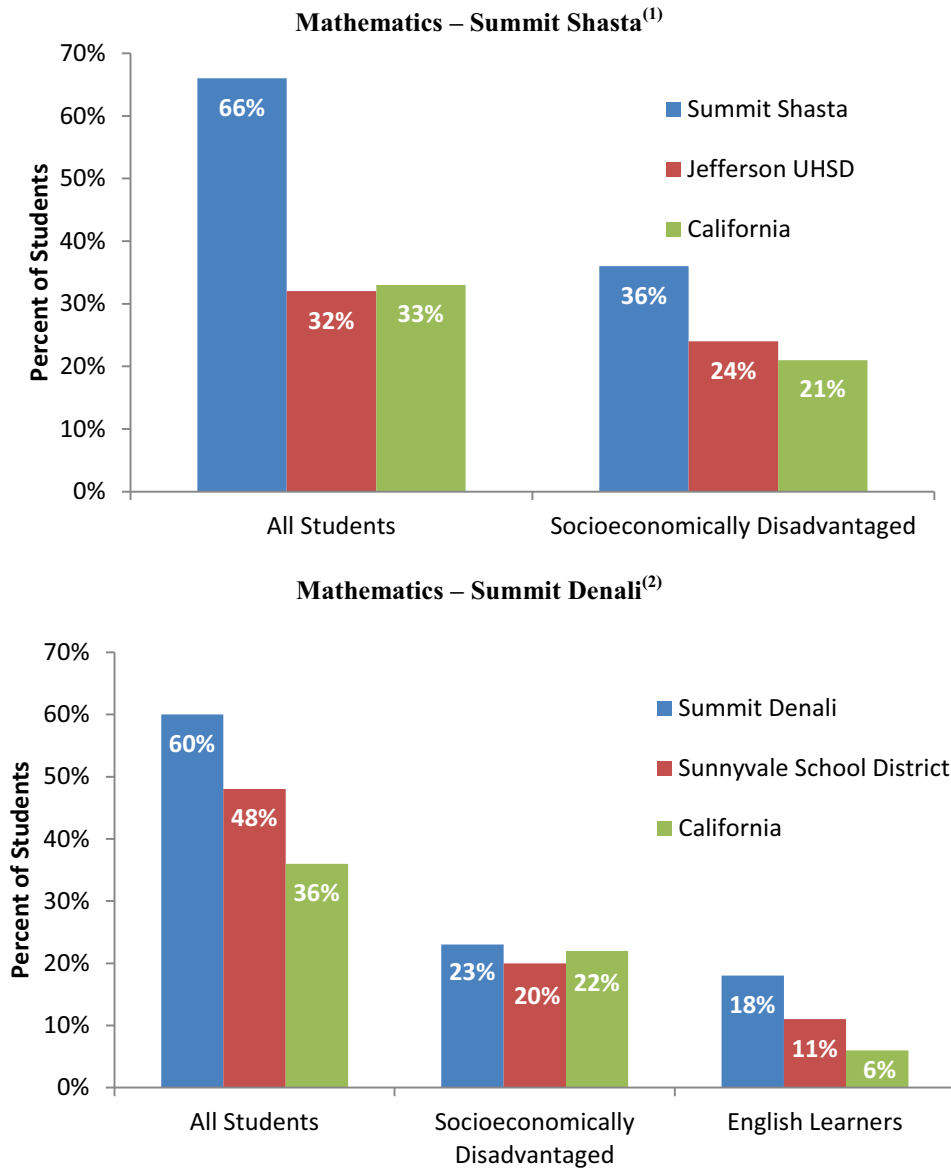


⁽¹⁾ Percentages shown are sums of percentages of 11th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year. No English Learners data are available, as there were ten or fewer students tested in that group.

⁽²⁾ Percentages shown are sums of percentages of 6th through 8th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year.

Source: California Department of Education.

FIGURE 5 (continued)
THE SCHOOLS
 2015-16 Smarter Balanced Assessment Consortium (SBAC) Results
 Percent of Students Met or Exceeded Standard

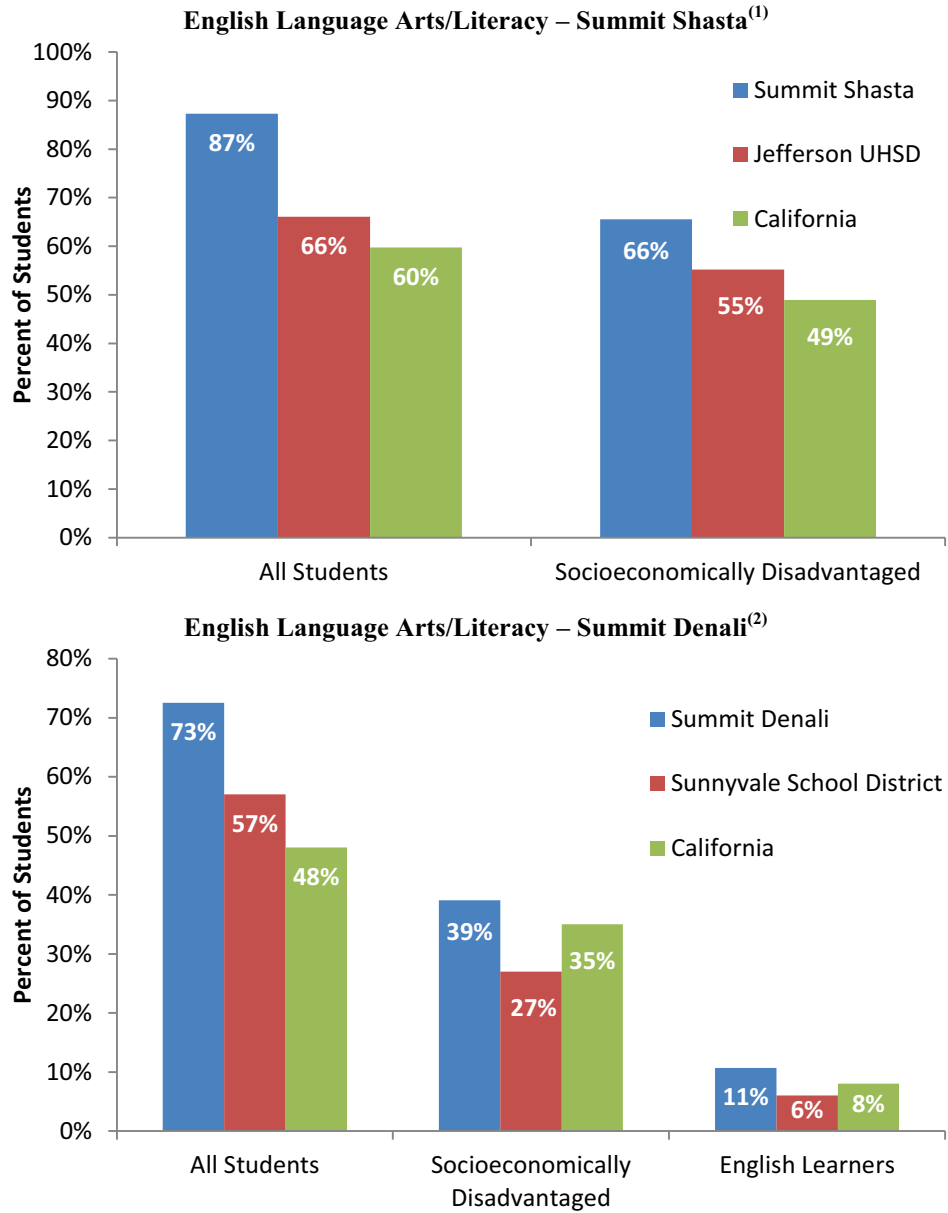


⁽¹⁾ Percentages shown are sums of percentages of 11th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year. No English Learners data are available, as there were ten or fewer students tested in that group.

⁽²⁾ Percentages shown are sums of percentages of 6th through 8th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year.

Source: California Department of Education.

FIGURE 6
THE SCHOOLS
 2016-17 Smarter Balanced Assessment Consortium (SBAC) Results
 Percent of Students Met or Exceeded Standard

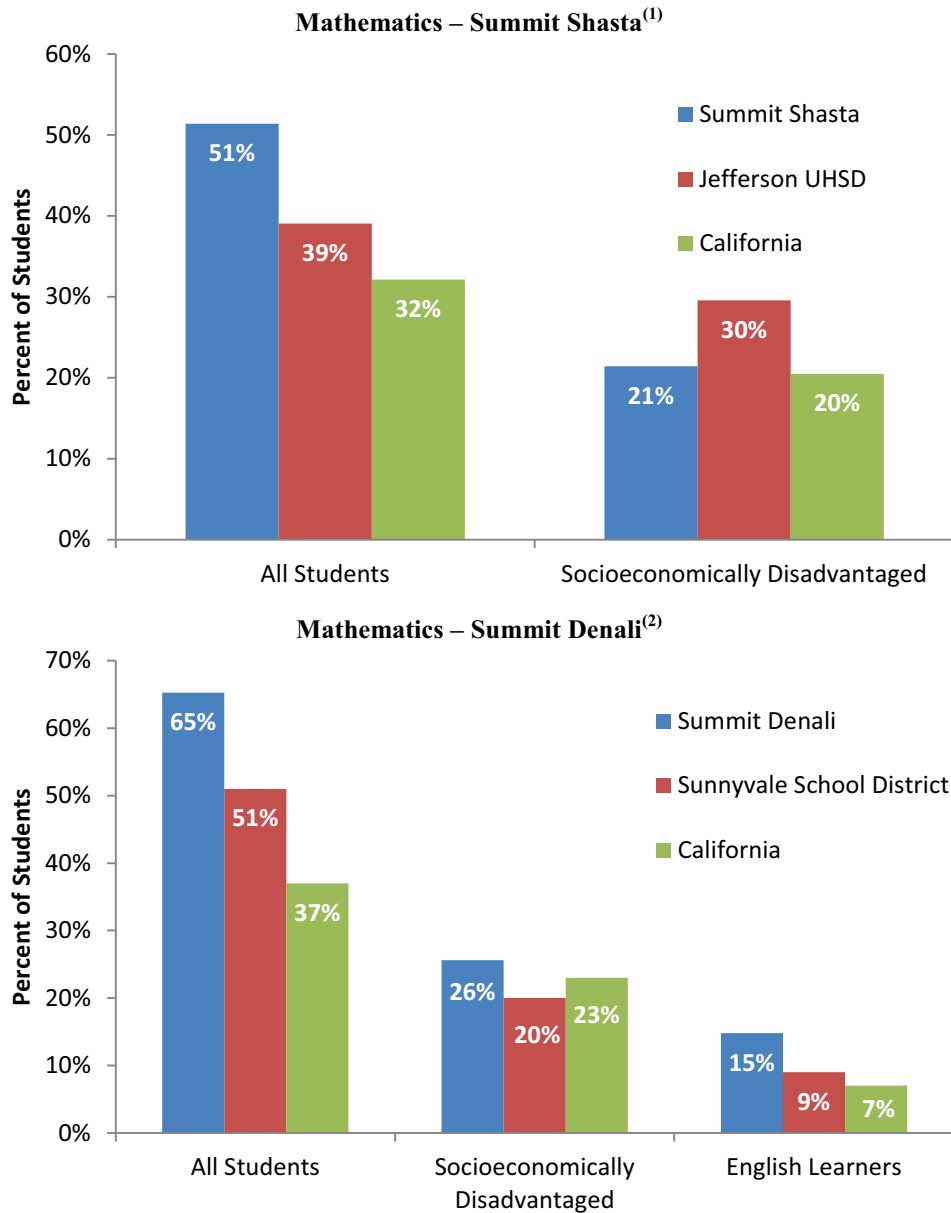


⁽¹⁾ Percentages shown are sums of percentages of 11th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2016-17 school year. No English Learners data are available, as there were ten or fewer students tested in that group.

⁽²⁾ Percentages shown are sums of percentages of 6th through 8th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2016-17 school year.

Source: California Department of Education.

FIGURE 6 (continued)
THE SCHOOLS
 2016-17 Smarter Balanced Assessment Consortium (SBAC) Results
 Percent of Students Met or Exceeded Standard



⁽¹⁾ Percentages shown are sums of percentages of 11th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2016-17 school year. No English Learners data are available, as there were ten or fewer students tested in that group.

⁽²⁾ Percentages shown are sums of percentages of 6th through 8th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2016-17 school year.

Source: California Department of Education.

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED SEPTEMBER 19, 2017

NEW ISSUES—FULL BOOK-ENTRY

Rating: Moody's: "Baa3"

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.



\$31,670,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(SUMMIT PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2017

Dated: Date of Delivery

Due: June 1 as shown on inside cover

This cover page contains information for general reference only. It is not intended as a summary of these issues. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision.

The California School Finance Authority Charter School Revenue Bonds (Summit Public Schools – Obligated Group) Series 2017, in the aggregate principal amount of \$31,670,000* (the "Bonds") will be issued by the California School Finance Authority (the "Authority") pursuant to an Indenture, dated as of October 1, 2017 (the "Bond Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). The Authority will loan the proceeds of the Bonds to Community High School Foundation, Inc. (the "Borrower"), a California nonprofit benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), pursuant to a Loan Agreement, dated as of October 1, 2017 (the "Loan Agreement"), by and between the Authority and the Borrower and accepted and acknowledged by certain California limited liability companies, the sole member of each of which is the Borrower (as described herein, the "Members" or the "Lessors"). The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 1 relating to the Bonds ("Obligation No. 1") issued by the Borrower in amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2017 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2017 (the "Supplemental Master Indenture"), by and among the Borrower, as representative of the Obligated Group, the Members, and Wilmington Trust, National Association, as master trustee thereunder (the "Master Trustee").

The proceeds of the Bonds will be used to (i) finance certain costs of the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities (as defined herein, the "Facilities"); (ii) fund a debt service reserve account; (iii) fund capitalized interest on a portion of the Bonds through June 1, 2019; and (iv) pay certain costs of issuance of the Bonds. The Facilities will be leased to Summit Public Schools ("Summit"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code, pursuant to certain leases by and between Summit and the Lessors (the "Leases"). Summit will make payments of Rent under the Leases from revenues derived solely from the charter school or other source identified in such Leases.

The Bonds are limited obligations of the Authority payable from Payments (as defined herein) required to be deposited with the Trustee pursuant to the Bond Indenture (including amounts payable under the Leases) and other amounts held in the funds established by the Bond Indenture (except the Rebate Fund) and payments to be made pursuant to Obligation No. 1. The obligations of the Borrower under the Loan Agreement are payable from the Gross Revenues of the Borrower.

Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2017. The Bonds are being issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form (without physical certificates) in initial minimum denominations of \$25,000 and any integral multiple of \$5,000 in excess thereof. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, (i) payments of the principal of and premium, if any, and interest on such Bonds will be made directly to Cede & Co. for payment to DTC participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption will be mailed only to Cede & Co. See "APPENDIX G – BOOK-ENTRY SYSTEM" attached hereto.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described under "THE BONDS – Redemption" herein.

THE PURCHASE AND HOLDING OF THE BONDS INVOLVE RISKS THAT MAY NOT BE APPROPRIATE FOR CERTAIN INVESTORS. THE BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" OR "ACCREDITED INVESTORS" (EACH AS DEFINED HEREIN). EACH INITIAL AND SUBSEQUENT PURCHASER OF THE BONDS WILL BE DEEMED TO HAVE ACKNOWLEDGED AND REPRESENTED TO THE AUTHORITY, THE BORROWER, THE UNDERWRITER AND THE TRUSTEE THE REPRESENTATIONS SET FORTH UNDER "NOTICE TO INVESTORS" HEREIN. See "NOTICE TO INVESTORS" and "TRANSFER RESTRICTIONS" herein.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA (THE "STATE") OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICE (DEFINED HEREIN) OR TO MAKE FUNDS AVAILABLE TO THE SCHOOLS OR SUMMIT HOME OFFICE IN ANY AMOUNT OR AT ANY TIME.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by the Honorable Xavier Becerra, Attorney General of the State of California, the approval of certain matters for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel and the approval of certain matters for the Borrower and relating to Summit by Kutak Rock LLP, Los Angeles, California. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about October __, 2017.

Honorable John Chiang
Treasurer of the State of California
as Agent for Sale

STIFEL

Dated: October __, 2017

* Preliminary, subject to change.

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time of formal award by the issuer. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE*

\$31,670,000*

**CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(SUMMIT PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2017**

\$ _____ % Term Bonds Priced to Yield _____%[†] due June 1, 20__ CUSIP _____⁽¹⁾

\$ _____ % Term Bonds Priced to Yield _____%[‡] due June 1, 2053 CUSIP _____⁽¹⁾

* Preliminary, subject to change.

† Yield to call at par on June 1, 20__.

‡ Term Bond subject to early call. See “THE BONDS – Redemption – Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund” herein.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the Authority, Summit or the Borrower are responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Limited Offering Memorandum does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the headings “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority” has been furnished by the Authority. All other information set forth herein has been obtained from the Borrower and other sources that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, The Depository Trust Company, Summit, or the Borrower since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of these transactions, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING
STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM**

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the headings “CERTAIN RISK FACTORS,” and “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP” in this Limited Offering Memorandum. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that 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 Summit plan 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.

NOTICE TO INVESTORS

The Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors (each as defined herein). The Bond Indenture under which the Bonds will be issued contains provisions limiting transfers of the Bonds and beneficial ownership interests in the Bonds only to Qualified Institutional Buyers or Accredited Investors. In addition, the face of each Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture and that each initial and subsequent purchaser of the Bonds will be deemed to have acknowledged and represented to the Authority, the Borrower, the Underwriter and the Trustee the representations set below.

Each purchaser of any Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the Authority, the Borrower, the Underwriter and the Trustee as follows:

1. That the Bonds are payable solely from certain revenues derived by the Authority under the Loan Agreement from amounts received by the Trustee pursuant to the Intercepts (as defined herein), and from certain funds and accounts established and maintained pursuant to the Bond Indenture;

2. That it is a Qualified Institutional Buyer or an Accredited Investor and that it is purchasing the Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act") or other applicable securities laws;

3. That the Bonds (a) have not been registered under the Securities Act and are not registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) may not be readily marketable;

4. That none of the Authority or any of its Board members, officers or employees takes any responsibility for, and the purchaser is not relying upon any such parties with respect to the information appearing anywhere in this Limited Offering Memorandum, other than the information under the headings "THE AUTHORITY," and "ABSENCE OF MATERIAL LITIGATION – The Authority" (collectively, the "Authority's Portion" of the Limited Offering Memorandum) and that none of such parties have participated in the preparation of this Limited Offering Memorandum;

5. That the Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers or Accredited Investors; and

6. That the Authority, the Borrower, Summit, the Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

See "TRANSFER RESTRICTIONS" herein.

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\$31,670,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(SUMMIT PUBLIC SCHOOLS – OBLIGATED GROUP)
SERIES 2017

INTRODUCTION

General

This Limited Offering Memorandum, including the cover page, the inside cover page, and Appendices hereto (the “Limited Offering Memorandum”), is provided to furnish information with respect to the sale and delivery of the California School Finance Authority Charter School Revenue Bonds (Summit Public Schools – Obligated Group), Series 2017, in the aggregate principal amount of \$31,670,000* (the “Bonds”) issued by the California School Finance Authority (the “Authority”).

The Bonds

The Bonds will be issued pursuant to Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the “Act”) and a Bond Indenture, dated as of October 1, 2017 (the “Bond Indenture”), by and between the Authority and Wilmington Trust, National Association, Los Angeles, California, as trustee (the “Trustee”). The Bonds will bear interest on June 1 and December 1 of each year, commencing December 1, 2017 (each such date, an “Interest Payment Date”) and will be subject to optional, mandatory and extraordinary redemption prior to maturity as set forth under “THE BONDS – Redemption” herein. The proceeds of the Bonds will be loaned to Community High School Foundation, Inc. (the “Borrower”), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”), pursuant to a Loan Agreement, dated as of October 1, 2017 (the “Loan Agreement”), by and between the Authority and the Borrower and accepted and acknowledged by 895 Campus Drive, LLC, 824 San Aleso, LLC, and EdFuture, LLC, each a California limited liability company, the sole member of which is the Borrower. 895 Campus Drive, LLC, 824 San Aleso, LLC, and EdFuture, LLC are referred to herein individually as “Lessor” or “Member,” and collectively as the “Lessors” or the “Members.”

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 1 relating to the Bonds (“Obligation No. 1”) issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of October 1, 2017 (the “Master Indenture”), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2017 (the “Supplemental Master Indenture”) by and among the Borrower, as representative of the Obligated Group, the Members, and Wilmington Trust, National Association, as master trustee thereunder (the “Master Trustee”). See “THE BONDS” herein.

The Bonds will be issued in initial minimum denominations of \$25,000 and any integral multiple of \$5,000 in excess thereof and in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and beneficial ownership interests in the Bonds are to be sold (including secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. Pursuant to the Bond Indenture, “Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act. Pursuant to the Bond Indenture, Accredited Investor means an “accredited investor” as defined in Regulation D promulgated under the Securities Act. The Bond Indenture and the Bonds contain provisions limiting transfers of the Bonds and beneficial ownership interests in the Bonds to Qualified Institutional Buyers or Accredited Investors. The face

* Preliminary, subject to change.

of each Bond will contain a legend indicating that such Bond is subject to the transfer restrictions set forth in the Bond Indenture. See “TRANSFER RESTRICTIONS” and “CERTAIN RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors” herein.

Authority for Issuance

The Bonds will be issued by the Authority pursuant to the Act, a resolution of the Authority, and the Bond Indenture. See “THE AUTHORITY” herein.

Use of Proceeds

The proceeds of the Bonds will be used to (i) finance certain costs of the acquisition, construction, improvement, equipping and furnishing of certain public charter school facilities (each, as more fully described herein, a “Facility” and, collectively, the “Facilities”); (ii) fund a debt service reserve account; (iii) fund capitalized interest on all or a portion of the Bonds through June 1, 2019; and (iv) pay certain costs of issuance of the Bonds.

The Facilities financed with proceeds of the Bonds will be leased to Summit Public Schools, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code (“Summit” or the “Lessee”), pursuant to those certain leases or subleases (each, a “Lease” and, collectively, the “Leases”) by and between Summit and (i) 895 Campus Drive, LLC, for the operation of Summit Public School: Shasta (“Summit Shasta”); (ii) 824 San Aleso, LLC, for the operation of grades 9-12 of Summit Public School: Denali (“Summit Denali” and, together with Summit Shasta, the “Schools”); and (iii) EdFuture, LLC, for the administrative activities of Summit, serving the Schools and all other charter schools operated or managed by Summit (“Summit Home Office”). The individual Leases are referred to herein as the “Shasta Lease,” the “Denali Lease,” and the “Home Office Lease,” respectively.

Summit Home Office’s main source of revenues is Gross Management Fee Revenue (as defined herein) received from the Schools, as well as other charter schools operated or managed by Summit in California and Washington. The other charter schools operated by Summit in California are (a) Summit Preparatory Charter High, (b) Everest Public High, (c) Summit Public School: Rainier, (d) Summit Public School: Tahoma, (e) Summit Public School K2, and (f) Summit Public School: Tamalpais (collectively, the “Non-Obligated California Schools” and, together with the Schools, the “California Schools”). The charter schools managed by Summit in Washington are (x) Summit Public School: Sierra, (y) Summit Public School: Olympus and (z) Summit Public School: Atlas (collectively, the “Washington Schools” and, together with the Non-Obligated California Schools, the “Non-Obligated Schools”). **The portion of Gross Management Fee Revenue owed by the Non-Obligated Schools to Summit Home Office are sources of payment for the Bonds, and such fees owed by the Non-Obligated California Schools (as well as the Schools) are subject to Intercept (as discussed herein); however, the Non-Obligated Schools are neither subject to a Lease (as defined in the Master Indenture) nor otherwise sources of revenue for payment of, or obligated to pay, the Bonds.**

For information regarding Summit generally, the Schools, and the Non-Obligated Schools, see “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP” attached hereto. For information regarding the facilities to be financed with proceeds of the Bonds, see “THE PROJECT” herein.

Security for the Bonds

The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement, the Intercepts (as defined below), and Obligation No. 1 issued by the Borrower in an amount equal to the aggregate principal amount of the Bonds pursuant to the Master Indenture, as supplemented by the Supplemental Master Indenture.

Pursuant to and to the extent described in the Bond Indenture, the Authority assigns to the Trustee certain of the Authority's rights under the Loan Agreement, including the right to receive payments thereunder, but excluding any deposits to the Rebate Fund. Pursuant to the Loan Agreement, the Borrower certifies that it will instruct or cause Summit to make payments of Rent under the Leases directly to the Master Trustee for deposit in the Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – the Leases" herein. In addition, pursuant to the Mortgages (as defined herein), the Lessors each grant to the Master Trustee a first priority lien on the Facilities. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Pursuant to the Bond Indenture, the Trustee will hold a portion of the proceeds of the Bonds, as well as other amounts deposited by the Borrower pursuant to the Loan Agreement, if any, in a Reserve Account for the payment of debt service on the Bonds to the extent payments of Rent under the Leases are insufficient. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Assignment of Payments and Other Amounts, Loan Agreement, Leases, and Mortgages – Reserve Account" herein.

Cross-Collateralization; Extraordinary Monthly Rent. Pursuant to each Lease, Summit will make payments of Rent thereunder from revenues derived solely from the charter school, management fee revenues, or other source identified in such Lease. A shortfall in payment of Base Rent when due from revenues of any such charter school or other source will result in additional Rent payments ("Extraordinary Monthly Rent") becoming due under the other Leases. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Cross-Collateralization; Extraordinary Monthly Rent" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Payment of Rent" herein.

California Intercept Program. As additional security for the Bonds, in connection with the issuance of the Bonds, Summit will provide instructions to the California State Controller's Office (the "State Controller") to make apportionments (the "Intercepts") to the Trustee with respect to the California Schools, in amounts and on dates provided in written notices (each, an "Intercept Notice") sufficient (i) with respect to the Schools, in the aggregate, to pay all Rent coming due under the Shasta Lease and Denali Lease, and pay ground rent payments under the Shasta Ground Lease (as defined herein), and (ii) with respect to the California Schools, in the aggregate (along with any portion of Gross Management Fee Revenue paid by the Washington Schools and deposited in the Blocked Account (discussed below)) to pay all Rent coming due under the Home Office Lease and pay ground rent payments under the Home Office Ground Lease (as defined herein).

Additionally, Summit will enter into the Blocked Account Agreement (as defined herein) whereby the portion of Gross Management Fee Revenue attributable to the Washington Schools will be deposited into a Blocked Account (as defined herein) and held for the payment of Base Rent, Additional Rent, Extraordinary Monthly Rent, and Expenses, including ground rent payments relating to the Home Office Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Direct Deposit of Gross Management Fee Revenue Through Blocked Account Agreement Made with Summit Washington" herein.

Together, the Intercepts, along with the portion of Gross Management Fee Revenue attributable to the Washington Schools deposited in the Blocked Account, will be in amounts and on dates sufficient to repay the Bonds and pay necessary and incidental costs and ground rent payments under the Ground Leases (as defined herein). **Although only revenues attributable to grades 9-12 of Summit Denali are a source of Gross School Revenues (as defined in the Denali Lease) for payment of debt service on the Bonds, the Intercept related to Summit Denali will intercept apportionments attributable to all grades served at Summit Denali.**

Funds received by the Trustee pursuant to such Intercepts will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture, including if necessary, the payment of debt service on the Bonds. Under the laws of the State of California (the "State"), no party, including Summit, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercepts. See

“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “CERTAIN RISK FACTORS – Bankruptcy” below.

Limited Obligations. The Bonds are limited obligations of the Authority. The Authority is not obligated to advance any moneys derived from any source other than Payments (as defined below) and other assets pledged under the Bond Indenture, whether for the payment of the principal or redemption price of or interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

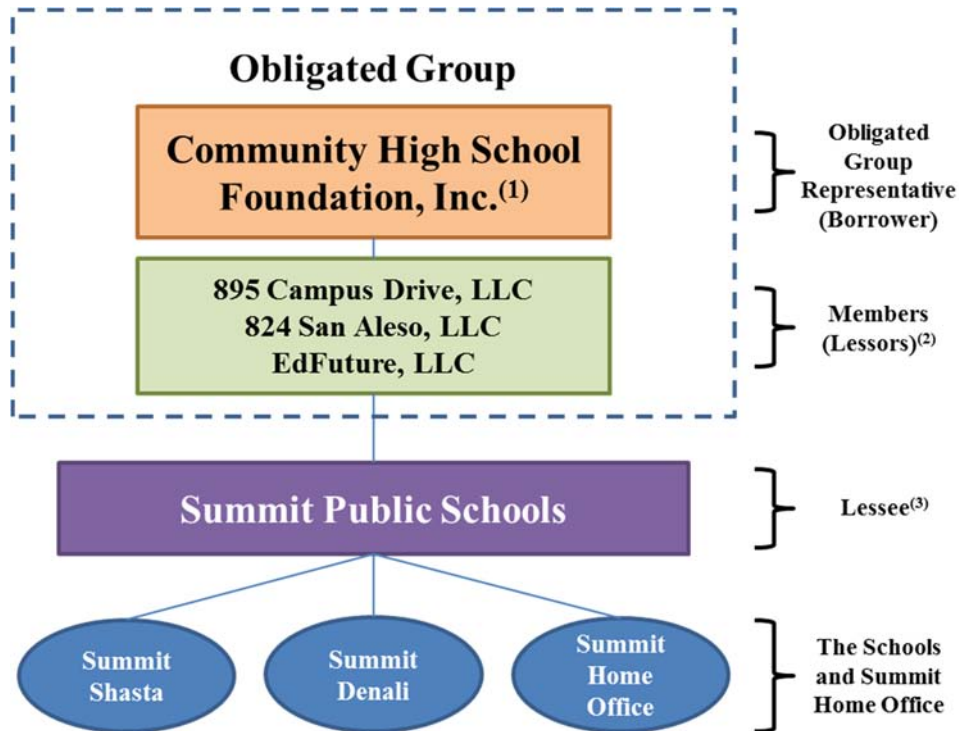
For information regarding the Borrower, see “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP” attached hereto.

Obligated Group and Related Parties. The Lessors were each formed in 2017 for the purpose of leasing certain properties for the operation of charter schools. Upon the issuance of the Bonds, (i) 895 Campus Drive, LLC will obtain and hold a leasehold interest in property located at 895 Campus Drive, Daly City, California (the “Summit Shasta Site”) for the purpose of operating Summit Shasta; (ii) 824 San Aleso, LLC will obtain and hold ownership in fee simple property located at 824 San Aleso Avenue, Sunnyvale, California (the “Summit Denali High School Site”) for the purpose of operating a portion of Summit Denali (consisting of grades 9 through 12); and (iii) EdFuture, LLC will obtain and hold a leasehold interest in property located at 780 Broadway Street, Redwood City, California (the “New Summit Home Office Site”) for the purpose of operating Summit Home Office. See “THE PROJECT” herein.

In connection with the issuance of the Bonds, the Borrower will enter into the Master Indenture, on its own behalf and as representative of the Obligated Group (as defined in the Master Indenture), with the Master Trustee. Under the Master Indenture, each member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all required payments at the place, on the dates and in the manner provided in the Master Indenture and related supplements and obligations and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture and related supplements and obligations. However, the liability of the Borrower for such payments is limited to the Gross School Revenues of the Schools and the Gross Management Fee Revenue of Summit Home Office.

The Lessors will initially be the sole members of the Obligated Group and the Borrower, as the sole member of each of the Lessors, is the Obligated Group Representative (as defined in the Master Indenture). Although additional members may be added to the Obligated Group in connection with future projects and financings, the Borrower and Summit make no assurances that additional members will be added to the Obligated Group. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture” herein.

The following diagram summarizes the relationships between the Borrower, the Lessors, Summit, the Schools and Summit Home Office.



⁽¹⁾ A 501(c)(3) organization whose mission is to support the activities of Summit.

⁽²⁾ Special purpose entities that were created to own the Facilities and serve as Lessor for each Facility. The sole member of each of these entities is the Borrower.

⁽³⁾ Summit holds the charters for the Schools, operates Summit Home Office, and serves as the tenant under the Leases. Rent under the Leases is payable solely from the revenues derived from the Schools and Summit Home Office, and any other Summit charter schools that may operate in the Facilities in the future. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases" herein. Except as specified herein, revenues generated from any other schools whose charters are held and/or that are operated and/or managed by Summit, or assets and revenues generated from sources other than the Related Projects (as defined in the Master Indenture), are not available for payment of Rent or otherwise available to the Authority, Master Trustee, Trustee, investors and/or Bondholders (as defined in the Bond Indenture).

Summit Home Office. Summit Home Office provides administrative services similar to those that might be provided by a school district's central office. These functions include: (1) charter authorization/renewal; (2) student data management; (3) enrollment/lottery/waitlist support; (4) testing & survey support; (5) special education program management; (6) finance & business operations including accounting, budgeting, auditing, payroll, treasury management, transactional support, benefits administration, insurance, and financial modeling/strategic analysis; (7) human resources including recruitment, HR training, compliance, and evaluation; (8) facilities development and maintenance; (9) fundraising; (10) federal/state/local educational agency reporting and compliance; (11) community and parental engagement; and (12) public relations programs and outreach.

In addition to these comprehensive services, the Summit Home Office provides all curriculum design and development provided by a dedicated research and development team of curriculum specialists and an engineering team dedicated toward the development of Summit's proprietary online learning software program known as Summit Learning (see "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Summit Learning Platform" attached hereto for more information on Summit Learning).

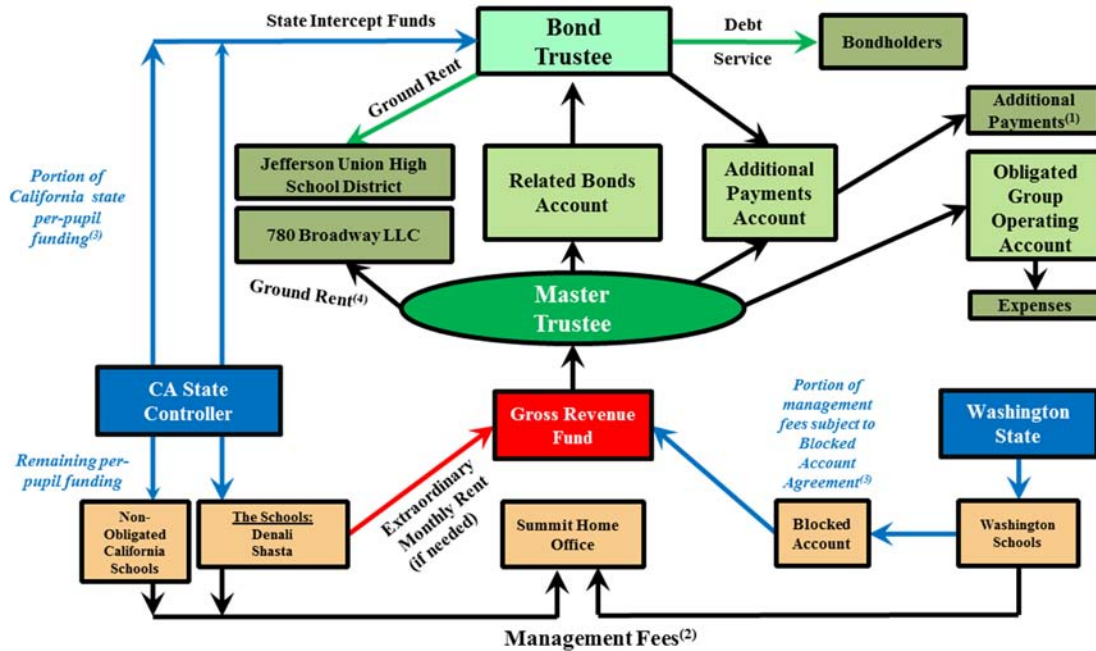
All charter schools operated by Summit, including the Schools and the Non-Obligated Schools (collectively, “Summit Schools”), receive these services from Summit Home Office pursuant to Master Services Agreements by and between each California School and Summit, and with regard to the Washington Schools, by and between Summit and Summit Public Schools Washington, a Washington nonprofit corporation and an organization described in Section 501(c)(3) of the Code (the “Summit Washington”). For a comprehensive list of services that Summit Home Office provides to each Summit School, see the form of the Master Services Agreement between Summit and the Summit Schools attached hereto as Appendix K. Pursuant to the Home Office Lease, Summit has covenanted to amend the Master Services Agreement with each school operated by Summit, by June 30, 2018, to allow Summit to increase fees paid pursuant to such Master Services Agreement due from each school to the extent necessary to pay Rent (as defined in the Home Office Lease) under the Home Office Lease (including Extraordinary Monthly Rent). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Covenant to Maintain Gross Management Fee Revenue” herein.

In return for such services, each Summit School pays fees under the Master Services Agreements. Such fees for each Summit School are currently equal to approximately 16% of each Summit School’s projected state education apportionment revenues prior to the beginning of each school year. See “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Management Services Provided to Summit’s Charter Schools” herein for more information on fees paid by the Summit Schools to Summit under the Master Services Agreements.

Rent under the Home Office Lease is payable from revenues attributable to Summit Home Office, including fees received from Summit Schools under the Master Services Agreements (as further defined herein, “Gross Management Fee Revenue”). The portion of Gross Management Fee Revenue payable by the California Schools equal to the California Schools’ ratable share of Rent under the Home Office Lease will be intercepted according to the Intercept Notice. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – California Intercept Program” herein. The portion of Gross Management Fee Revenue payable by the Washington Schools equal to their ratable share of Rent under the Home Office Lease will be deposited in a Blocked Account for the payment of Rent under the Home Office Lease (as defined and further discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Direct Deposit of Gross Management Fee Revenue Through Blocked Account Arrangements Made with Summit Washington” herein).

The diagram on the following page illustrates the flow of funds under the Leases, the Master Indenture and Indenture, and cross-collateralization through the mechanism of Extraordinary Monthly Rent.

FLOW OF FUNDS – OVERVIEW



(1) Includes trustee fees, issuer fees, rating agency fees, arbitrage rebate fees, Repair and Reserve Fund deposits and other fees related to the issuance of the Bonds.

(2) Payment of Educational Management Fees (as defined in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Financial Covenants” herein) are subordinated to the payment of Rent for the Schools under the applicable Leases.

(3) For each Summit School, a portion of the school’s state apportionment revenue used to pay management fees to Summit will be subject to Intercept (for the California Schools) or will be subject to the Blocked Account Agreement (for the Washington Schools) to satisfy its pro-rata share of Rent under the Home Office Lease. State appropriations related to Summit Shasta and Summit Denali will also be subject to Intercept for the payment of Rent under the Shasta Lease and the Denali Lease. Management fees subject to the Blocked Account Agreement will be deposited in the Blocked Account by Summit Washington.

(4) Ground rent under the Home Office Ground Lease will be paid both from funds held by the Master Trustee under the Master Indenture and from funds held by the Trustee under the Bond Indenture.

Source: Summit.

Redemption

The Bonds will be subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described below under “THE BONDS – Redemption.”

Certain Risk Factors

The Bonds may not be a suitable investment for all investors. Prospective purchasers of the Bonds should read this entire Limited Offering Memorandum, including the appendices and the information under the section “CERTAIN RISK FACTORS” before making an investment in the Bonds.

Miscellaneous

This Limited Offering Memorandum contains brief descriptions of, among other things, the Bonds, the Bond Indenture, the Loan Agreement, the Leases, the Master Indenture, the Supplemental Master Indenture, Obligation No. 1, the Borrower, Summit, Summit Home Office, the Schools, and the Non-Obligated

Schools. All references in this Limited Offering Memorandum to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Bond Indenture. Summit maintains a website providing additional information about itself and its operations. The information on such website is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum. Any capitalized terms in this Limited Offering Memorandum that are not defined herein will have such meaning as given to them in the Bond Indenture.

THE AUTHORITY

The Authority is a public instrumentality of the State of California created pursuant to provisions of the Act. The Authority is authorized to issue the Bonds under the Act and to make the loan contemplated by the Loan Agreement and to secure the Bonds by a pledge of the Payments and certain other funds and accounts as provided in the Bond Indenture.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference.

General

The Bonds are being issued pursuant to the Bond Indenture in the aggregate principal amount set forth on the cover of this Limited Offering Memorandum. The Bonds will initially be delivered as registered Bonds in minimum denominations of \$25,000 and any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”), and will be transferable and exchangeable only as set forth in the Bond Indenture and as described herein. See “TRANSFER RESTRICTIONS” herein. The Bonds will be dated the date of issuance and will bear interest at the rates set forth on the inside cover page hereof from their dated date. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable in arrears on each Interest Payment Date. The Bonds will mature in the amounts and in each of the years as set forth on the inside cover page hereof.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC, and will be evidenced by one Bond for each maturity of a Series in the total aggregate principal amount of the Bonds of such maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Bond Indenture. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners will mean Cede & Co. as aforesaid and will not mean the “beneficial owners” of the Bonds.

The principal of the Bonds will be payable in lawful money of the United States of America upon surrender at the principal corporate trust office of the Trustee. The interest on any Bond will be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof as of the close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date (the “Record Date”), such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of all the Bonds and any Holder of \$1,000,000 or more in an aggregate principal amount of the Bonds will be entitled to receive payments of interest on the Bonds held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such Holder will designate in writing to the Trustee by the first Record Date for such payment. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable in same day funds by the Trustee to Cede & Co., as nominee for DTC.

Any interest not punctually paid or duly provided for will thereafter cease to be payable to the Bondholder on such Record Date and will be paid to the person in whose name the Bond is registered at the close of business on the date established by the Trustee pursuant to the Bond Indenture as a record date for the payment of defaulted interest on the Bonds (the “Special Record Date”). The Special Record Date will be fixed by the Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities without coupons in Authorized Denominations. The Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of a Series of Bonds set forth on the inside cover of this Limited Offering Memorandum, and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see “APPENDIX G – BOOK-ENTRY SYSTEM” attached hereto.

Transfer of Bonds

The registration of any Bond may be transferred upon the books kept by the Trustee, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of any such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee. The Trustee will conclusively rely upon such written instrument of transfer as evidence that the transferee is a Qualified Institutional Buyer or an Accredited Investor, as defined in the Bond Indenture. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds, of the same series and maturity and for a like aggregate principal amount of Authorized Denominations. The Trustee will require the Holder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. No registration of transfers of Bonds will be required to be made during the period established by the Trustee for selection of Bonds for redemption and from and after the day of mailing of a notice of redemption of such Bond selected for redemption. The Bonds are subject to certain transfer restrictions under the Bond Indenture, as described herein under “TRANSFER RESTRICTIONS.”

Exchange of Bonds

Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of the Bonds of the same series and maturity of other Authorized Denominations. The Trustee will require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there will be no other charge to any Holder for any such exchange.

Redemption*

Optional Redemption. The Bonds maturing on or after June 1, 2027 are subject to redemption prior to their respective stated maturities, at the option of the Borrower from any amounts in the Redemption Fund, in whole or in part on any date on or after June 1, 2026, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund. The Bonds in a principal amount of up to \$5,000,000

* Preliminary, subject to change.

maturing on June 1, 2053 are subject to redemption prior to their stated maturity at the option of the Borrower from amounts deposited in the Special Optional Redemption Account of the Redemption Fund in accordance with the Bond Indenture, on June 1, 2021, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to their stated maturities, at the option of the Borrower, as a whole or in part on any date from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Optional Construction Related Redemption. The Bonds are subject to redemption in part prior to their stated maturity, at the option of the Borrower, from amounts transferred from the Project Fund following Completion of the Project, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Extraordinary Mandatory Redemption from Unspent Project Proceeds. The Bonds are subject to redemption, as a whole or in part, prior to their stated maturity, from unspent proceeds of the Bonds transferred to the Redemption Fund in accordance with the Bond Indenture, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, on the earliest date for which notice of redemption can reasonably be given in accordance with the Bond Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Conditions to Release of Bond Proceeds from Denali Construction Sub-Account,” “— Conditions to Release of Bond Proceeds from Home Office Construction Sub-Account” and “CERTAIN RISK FACTORS – Construction Risks” herein.

Extraordinary Mandatory Redemption Due to Prohibited Use. The Bonds are subject to redemption prior to their stated maturity, as a whole or in part, on any date from Loan prepayments made by the Borrower in the event the Project is used or operated in any manner that violates the provisions of the Act, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing June 1, 20__, are subject to redemption prior to their stated maturity date in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on June 1, 20__ and on each June 1 thereafter, to and including June 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Bonds Maturing

June 1, 20__

Mandatory Redemption Date

Principal
Amount

June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__[†]

[†] Maturity Date.

The Term Bonds maturing June 1, 20__, are subject to redemption prior to their stated maturity date in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on June 1, 20__ and on each June 1 thereafter, to and including June 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Bonds Maturing

June 1, 20__

Mandatory Redemption Date

Principal
Amount

June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__
June 1, 20__[†]

[†] Final Maturity Date.

The Term Bonds maturing June 1, 20__, are subject to redemption prior to their stated maturity date in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture on June 1, 20__ and on each June 1 thereafter, to and including June 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, in the years and amounts as follows:

Term Bonds Maturing
June 1, 2053⁽¹⁾

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__	
June 1, 20__ [†]	

⁽¹⁾ Subject to early call. See “— Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund” herein

[†] Maturity Date.

Notice of Redemption. In connection with the redemption of Bonds, the Borrower will give written notice of redemption to the Trustee (with a copy to the Authority) not less than 20 days prior to the redemption date. Notice of redemption of any Bonds will be given by the Trustee in accordance with the written request of the Borrower. Notice of any redemption of Bonds will be mailed postage prepaid by the Trustee, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Holders thereof at the addresses appearing on the Bond registration books described in the Bond Indenture, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption will contain all of the following information: (a) the date of such notice; (b) the name of the Bonds and the date of issue of the Bonds; (c) the redemption date; (d) the redemption price; (e) the dates of maturity of the Bonds to be redeemed; (f) (if less than all of the Bonds of any maturity are to be redeemed) the distinctive numbers of the Bonds of each maturity to be redeemed; (g) (in the case of Bonds redeemed in part only) the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Bonds; (i) a statement that such Bonds must be surrendered by the Holders at the principal corporate trust office of the Trustee, or at such other place or places designated by the Trustee; (j) a statement that such redemption is conditioned (“Conditional Notice”) upon the receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price or upon the happening of such other event as is set forth in such Conditional Notice, and that, if such moneys are not so received, or if such other event or condition has occurred or failed to occur (as the case may be), said notice will be rescinded and the redemption will be cancelled; (k) a statement that any notice of redemption may be rescinded as provided in the Bond Indenture; and (l) notice that further interest on such Bonds, if any, will not accrue from and after the designated redemption date.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers provided therein or on the Bonds.

If moneys or other conditions required under a Conditional Notice are not so received or do not so occur, the Trustee will within a reasonable time thereafter give notice, in the manner in which the original Conditional Notice was given, of the cancellation of such redemption.

Effect of Notice. A certificate of the Trustee or the Borrower that notice of call and redemption has been given to Holders and as may be further required in the Continuing Disclosure Agreement as provided in the Bond Indenture will be conclusive as against all parties. The actual receipt by the Holder of any Bond or any other party of notice of redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest, if any, on the date fixed for redemption.

When notice of redemption has been given as provided for in the Bond Indenture, and when the redemption price of the Bonds called for redemption is on deposit or otherwise available to the Trustee, the

Bonds designated for redemption will become due and payable on the specified redemption date and interest, if any, will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the redemption premium thereon, if any, only to the escrow fund established for such purpose. All Bonds redeemed will be cancelled forthwith by the Trustee and will not be reissued.

Right to Rescind Notice. Upon written notice, or oral notice, promptly confirmed by written notice, from the Borrower that the Borrower has cured the conditions that caused the Bonds to be subject to extraordinary optional redemption pursuant to the Bond Indenture, the Borrower may rescind any extraordinary redemption and notice thereof on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Holders of the Bonds so called for redemption, with a copy to the Trustee. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Holder of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Bonds there will be available in the Redemption Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the premiums payable as in the notice provided, the Bonds designated in said notice of redemption. Such monies so set aside in the Redemption Fund or in the escrow fund established for such purpose will be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds, provided that all monies in the Redemption Fund will be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date will be paid from the Redemption Fund, unless otherwise provided for to be paid from an escrow fund established for such purpose. If, after all of the Bonds of a series have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Redemption Fund or otherwise held in trust for the payment of redemption price of the Bonds of such series, said monies will be held in or returned or transferred to the Redemption Fund for payment of any Outstanding Bonds of the Borrower payable from said fund; provided, however, that if said monies are part of the proceeds of refunding bonds of the Borrower, said monies will be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such refunding bonds of the Borrower are at such time Outstanding, said monies will be transferred to the general fund of the Borrower as provided and permitted by law.

Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of the Bond Indenture and less than all of the Outstanding Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed from the Outstanding Bonds not previously called for redemption, by lot within a maturity and, if from more than one maturity, in inverse order of maturity or in such other order of maturity as will be specified in a Request of the Borrower and the Mandatory Sinking Account Payments will be reduced pro-rata.

In no event will Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Bonds in denominations greater than minimum Authorized Denominations, the Trustee will assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, will treat such amounts as separate Bonds. The Trustee will promptly notify the Authority and the Borrower in writing of the numbers of the Bonds selected for redemption.

“Outstanding” under the Bond Indenture means all Bonds theretofore, or thereupon being, authenticated and delivered to the Trustee under the Bond Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority has been discharged in accordance with the Bond Indenture; and (c) Bonds for the transfer or

exchange of which, or in lieu of or in substitution for which, other Bonds have been authenticated and delivered by the Trustee pursuant to the Bond Indenture.

Defeasance

Discharge of Bond Indenture. Bonds may be paid in any of the following ways, provided that the Borrower also pays or causes to be paid any other sums payable under the Bond Indenture: (a) by paying or causing to be paid the principal of and interest on the Bonds Outstanding as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Bonds Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding.

If all Bonds then Outstanding are paid or caused to be paid as provided above all other sums payable under the Bond Indenture are also paid or caused to be paid, and if the Borrower has paid all Additional Payments and indemnification owed to the Authority and any other fees and expenses payable to the Authority under the Loan Agreement, then and in that case, at the election of the Borrower, and notwithstanding that any Bonds have not been surrendered for payment, the Bond Indenture and the pledge of Payments made under the Bond Indenture and all covenants, agreements and other obligations of the Authority under the Bond Indenture will cease, terminate, become void and be completely discharged and satisfied, except as provided in the Bond Indenture. In such event, upon request of the Authority, the Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to the Bond Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Trustee.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability of the Authority in respect of such Bond will cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Bond, and the Authority will remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment; provided further, however, that the provisions of “ – Payment of Bonds after Discharge of Bond Indenture ” hereinafter will apply in all events.

The Authority or Borrower may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority or Borrower may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay any Bonds, such amount (which may include money or securities held by the Trustee in the funds established pursuant to the Bond Indenture) will be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Bonds and all unpaid interest thereon to maturity, and will be: (a) lawful money of the United States of America; or (b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations State and Local Government Series and Zero Coupon United States Treasury Bonds; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Bond Indenture or by request of the Authority or the Borrower) to apply such money to the payment of such principal of and interest on such Bonds and provided,

further, that the Trustee will have received (i) an Opinion of Bond Counsel to the effect that such deposit will not cause interest on the Tax Exempt Bonds to be included in the gross income of the holder thereof for federal income tax purposes and that the Bonds to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Trustee verifying that the money or securities so deposited or held together with earnings thereon will be sufficient to make all payments of principal of and interest on the Bonds to be discharged to and including their maturity date.

Payment of Bonds after Discharge of Bond Indenture. Notwithstanding any provision of the Bond Indenture, and subject to applicable escheat laws, any moneys held by the Trustee in trust for the payment of the principal of or interest on any Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in the Bond Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will be repaid to the Borrower free from the trusts created by the Bond Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Borrower as aforesaid, the Trustee may (at the cost of the Borrower) first mail to the holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof.

TRANSFER RESTRICTIONS

The Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The foregoing limitation will cease to apply (without notice to or consent of any Bondholder) upon and after receipt by the Trustee from the Borrower of a rating letter by Fitch, S&P or Moody's indicating that the Bonds are rated "A-" or "A3," as applicable, or better. The Trustee will as soon as practicable, but in no event more than ten calendar days after receipt by the Trustee of such information, notify each Bondholder that (i) the restrictions set forth in the Bond Indenture requiring that the Beneficial Owners of the Bonds be Qualified Institutional Buyers or Accredited Investors will be of no further force or effect and (ii) the Authorized Denominations of the Bonds will be \$5,000 and any multiple in excess thereof. Pursuant to the Bond Indenture, "Qualified Institutional Buyer" means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act. Pursuant to the Bond Indenture, "Accredited Investor" means an "accredited investor" as defined in Regulation D promulgated under the Securities Act.

In addition, the face of each Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture and each initial and subsequent purchaser of the Bonds will be deemed to have acknowledged and represented to the Authority, the Borrower, the Underwriter and the Trustee the representations set forth in the "NOTICE TO INVESTORS" that precedes the Table of Contents of this Limited Offering Memorandum. See "CERTAIN RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors" herein.

ESTIMATED SOURCES AND USES OF FUNDS*

The following table sets forth the estimated sources and uses of funds related to the Bonds.

Sources:

Bond Principal
Net Original Issue [Premium/Discount]
Equity Contribution⁽¹⁾
Total Sources

Uses:

Project Costs⁽²⁾
Capitalized Interest Subaccount⁽³⁾
Deposit to Reserve Account
Costs of Issuance⁽⁴⁾
Total Uses

⁽¹⁾ Includes approximately \$16,000,000 in philanthropy received by Summit from the Chan Zuckerberg Initiative and \$800,000 in cash contribution from Summit, to be applied to the Summit Denali Project (see “THE PROJECT – Summit Denali Project – Release of Bond Proceeds” herein) and the costs of issuance of the Bonds.

⁽²⁾ See “THE PROJECT” below.

⁽³⁾ Represents capitalized interest on a portion of the Bonds through June 1, 2019.

⁽⁴⁾ Includes legal, printing, underwriting discount and other professional fees and other miscellaneous costs of issuance.

THE PROJECT

General. The proceeds of the Bonds will be used to (i) finance certain costs of the acquisition and improvement of the Facilities (as defined herein); (ii) fund a debt service reserve account; (iii) fund capitalized interest on all or a portion of the Bonds through June 1, 2019; and (iv) pay certain costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” above.

The Project comprises the Summit Shasta Project, the Summit Denali Project, and the Summit Home Office Project (each as described below). The following table provides an overview of each portion Project.

* Preliminary, subject to change.

SUMMARY OF THE PROJECT

Project	Street Address	Description of Project	Interest in Facility	Use of Facility
Summit Shasta Project	895 Campus Drive, Daly City, California	Construction of six individual buildings totaling approximately 32,000 square feet, including three building classroom learning spaces, administrative offices, and a gymnasium.	Leasehold, pursuant to a 122-year ground lease from Jefferson Union High School District	Operation of Summit Shasta, a 460 student high school serving grades 9-12.
Summit Denali Project	824 San Aleso Avenue, Sunnyvale, California	Acquisition of Summit Denali High School Site; adaptive re-use of an approximately 25,100 square foot existing building, to include twelve regular classrooms, two STEM classrooms, one special education classroom and two flexible, open learning spaces.	Fee simple	Operation of grades 9-12 of Summit Denali, expected to comprise 425 students.
Summit Home Office Project	780 Broadway Street, Redwood City, California	Renovation of an existing approximately 12,000 square foot building with various conference rooms, meeting spaces and individual work spaces.	Leasehold, pursuant to a 37-year ground lease from 780 Broadway LLC	National headquarters for Summit Public Schools (including the Summit Home Office).

Source: Summit.

Summit Shasta Project

General. Summit Shasta currently operates in temporary portable classrooms located on a portion of a 40-acre parcel at 699 Serramonte Boulevard, in Daly City, California (the “Existing Summit Shasta Site”), owned by Jefferson Union High School District (“Jefferson UHSD”) and occupied by Summit pursuant to a settlement agreement, dated as of July 28, 2015, by and between Summit and Jefferson UHSD (the “Settlement Agreement”). The Settlement Agreement granted Summit use of the Existing Summit Shasta Site for the use and occupancy of portable classrooms for the 2015-16 and 2016-17 school years, while Borrower constructs the Summit Shasta Facility (as defined herein). In the 2017-18 school year, Summit Shasta has reached full enrollment and is serving approximately 460 students in grades 9-12. Summit Shasta is continuing to operate in portable classrooms at the Existing Summit Shasta Site for the 2017-18 school year.

Subsequent to the execution of the Settlement Agreement, the Borrower and Jefferson UHSD entered into a ground lease (the “Shasta Ground Lease”) for a separate approximately 2.47 acre portion of the same 40-acre parcel on which the Existing Summit Shasta Site is located, such portion located at 895 Campus Drive, in Daly City, California, and bounded by Callan Boulevard to the east and Hickey Boulevard to the South (the “Summit Shasta Site”). Pursuant to the Shasta Ground Lease, the Borrower leases the Summit Shasta Site from Jefferson UHSD for a term beginning July 1, 2015, and ending on June 30, 2114. The Borrower has one 25-year extension option to extend the term of the Shasta Ground Lease to June 30, 2139. The Shasta Ground Lease also provides the Borrower access to any parking spots that may be available to Jefferson UHSD from the Physician’s Medical Center located adjacent to the Summit Shasta Site. Jefferson UHSD makes no assurances in the Shasta Ground Lease that such parking spots will be available; however any parking spaces that become available thereunder would be surplus, and not required for Summit’s operation of Summit Shasta. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Ground Leases; Property Interests Conveyed Under the Leases” herein and “APPENDIX I – SHASTA GROUND LEASE” attached hereto. Prior to or concurrently with the issuance of the Bonds, the Borrower will assign its interest in the Shasta Ground Lease to 895 Campus Drive, LLC.

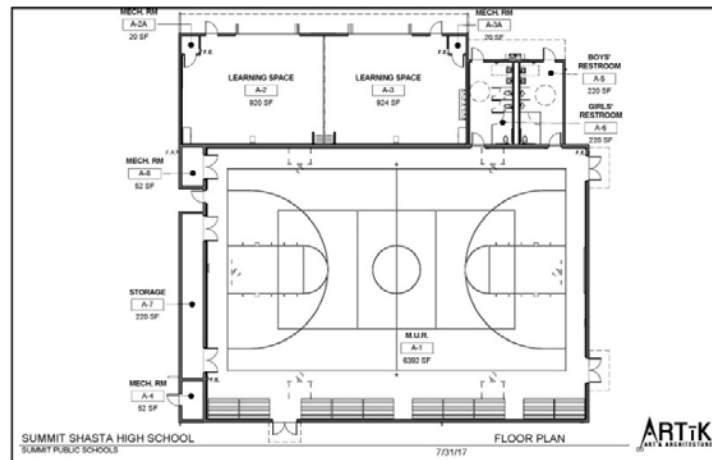
The “Summit Shasta Project” comprises the construction, installation, renovation, improvement, furnishing and equipping of a charter high school campus on the Summit Shasta Site (the “Summit Shasta Facility”). When completed, the Summit Shasta Facility will accommodate enrollment of approximately 460 students in grades 9-12 and related faculty and administrative staff. The Summit Shasta Project also includes the removal of the portable classrooms from, and restoration of, the Existing Summit Shasta Site.



Artist's Rendering of Summit Shasta Project.
Source: Summit.

Summit expects to lease the Summit Shasta Facility pursuant to a Sublease Agreement, dated as of October 1, 2017 (the "Shasta Lease"), by and between 895 Campus Drive, LLC and Summit. Summit expects to relocate Summit Shasta from the Existing Summit Shasta Site to the Summit Shasta Facility in August 2018. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases" herein and "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

Site Layout and Construction. The Summit Shasta Project will include the construction, installation, renovation, furnishing and equipping of a campus comprised of five separate buildings with a total building square footage of 25,631 square feet located on the Summit Shasta Site. The campus buildings will be surrounded by open walkways. The Summit Shasta Facility is expected to include eleven classrooms, two STEM lab classrooms, and one special education classroom. In addition, the Summit Shasta Facility will include a full-size gymnasium/multi-function building. The school design includes three classrooms with movable partition walls designed to increase flexibility of the use for each classroom and promote Summit's educational philosophies. The full perimeter of the Summit Shasta Site will be fenced off including the main entrance, which will be gated. The structural components will be prefabricated off-site with wood-frame shearwall design, with the remainder of the Summit Shasta Project being built on-site.



Summit Shasta Floor Plan
Source: Summit.



Summit Shasta Site Plan

Source: Summit.

Construction Agreements and Project Budget. Summit has entered into a stipulated sum construction contract with Jeff Luchetti Construction, Inc. (“JLC”) for approximately \$9,659,814 for construction and site improvement. Payment and performance bonds are required to be provided by JLC in connection with the contract.

JLC is a general contractor established in 1998 and located in Santa Rosa, California with extensive experience constructing school facilities using site-built, modular and hybrid construction approaches. JLC has successfully completed school projects for the Evergreen Elementary School District (San Jose, CA), East Side Union High School District (San Jose, CA), San Benito High School District (San Benito, CA), Rincon Valley Union School District (Santa Rosa, CA), Martinez Unified School District (Martinez, CA), Rocketship Education (Rocketship Rising Stars Academy in San Jose, CA), ACE Charter Schools (Empower Academy in San Jose, CA) and many others.

The total cost for the Summit Shasta Project is estimated to be \$11,832,523.* This includes all of the development and construction costs related to the Summit Shasta Facility described above. An estimated breakdown of the project budget is shown in the table below.

PROJECT BUDGET*
Summit Shasta Facility

<u>Cost Description</u>	<u>Amount</u>
Construction Costs	\$9,659,814
Soft Costs	966,994
<u>Contingency & Other</u>	<u>1,205,715</u>
Total Costs	\$11,832,523

Source: Summit.

Environmental Inspections. In connection with the Project, Summit obtained a Phase I Environmental Site Assessment of the Summit Shasta Site, which did not identify evidence of any Recognized Environmental Conditions. See “CERTAIN RISK FACTORS – Environmental Risks” for a description of this report and its conclusions.

Approvals; Project Timeline. The following table sets forth the anticipated construction timeline for the Summit Shasta Project. Construction of the planned improvements may be subject to delay. See “CERTAIN RISK FACTORS – Construction Risks.”

CURRENT DEVELOPMENT & CONSTRUCTION TIMELINE
Summit Shasta Facility

<u>Milestone Event</u>	<u>Date</u>
DSA (as defined below) Approval	August 2017
Execute Stipulated Sum Contract	August 2017
Break Ground	October 2017
Complete Construction	June/July 2018
Open New Campus	August 2018

Source: Summit.

Summit Denali Project

General. Summit Denali currently operates in facilities located at 539 E. Weddell Drive, Sunnyvale, California (the “Summit Denali Middle School Site”), pursuant to a lease by and between Summit and Sunnyvale International Church (the “Existing Summit Denali Lease”). The initial term of the Existing Summit Denali Lease began on December 10, 2015 and goes through July 1, 2035, and may be extended upon mutual agreement of the parties thereto. The Summit Denali Middle School Site was designed as the middle school campus serving grades 6-8 for Summit Denali, but in the 2017-18 school year the site will also temporarily accommodate students from Summit Denali’s high school grades. In the 2017-18 school year, Summit Denali is serving 483 students in grades 6-10, with 203 of such students being in grades 9-10 at the Summit Denali Middle School Site. During the 2017-18 school year, the 6th grade of Summit Denali is operating at a site located at 1012 Linda Vista Avenue, Mountain View, California (the “Summit Denali Mountain View Site”) subleased from the Santa Clara County Office of Education (“SCCOE”) pursuant to a sublease dated as of August 3, 2017, by and between SCCOE and Summit (the “Summit Denali Mountain View Sublease”). The Summit Denali Mountain View Sublease is effective as of August 1, 2017, and expires on August 31, 2018.

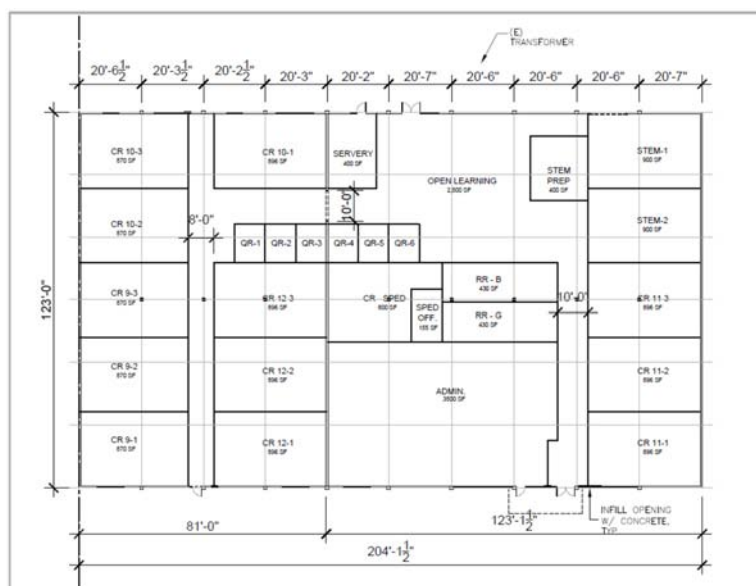
On April 14, 2017, Summit entered into a Purchase and Sale Agreement with Pace Family Partnership II (“Pace”), as amended by the First Amendment of Purchase and Sale Agreement, dated August 14, 2017 (as amended, the “PSA”), pursuant to which Summit has agreed to purchase from Pace a 1.52 acre parcel of property located at 824 San Aleso Avenue in Sunnyvale, California (the “Summit Denali High School Site”), for the purchase price of \$13.5 million. The Summit Denali High School Site is located approximately one mile from the Summit Denali Middle School Site. Pursuant to the PSA, the acquisition of the Summit Denali High School Site must close by November 13, 2017. Upon acquisition of the Summit Denali High School Site pursuant to the PSA, fee ownership of the Summit Denali High School Site will be vested in 824 San Aleso, LLC.

The “Summit Denali Project” comprises the acquisition of the Summit Denali High School Site pursuant to the PSA, as well as the construction, renovation, improvement, furnishing and equipping of a high school campus serving grades 9-12 on the Summit Denali High School Site (the “Summit Denali Facility”). When completed, the Summit Denali Facility will accommodate enrollment of approximately 425 students in grades 9-12 and related faculty and administrative staff.

Summit expects to lease the Summit Denali Facility pursuant to a Lease Agreement, dated as of October 1, 2017 (the “Denali Lease”), by and between 824 San Aleso, LLC and Summit. In the 2018-19 school year, Summit expects to either relocate approximately 305 students enrolled in grades 9-11 from the Summit Denali Middle School Site to the Summit Denali High School Site and operate grades 9-11 in portable

classrooms while construction on the Summit Denali Project continues, or relocate such students to an additional leased site. Summit expects that the Summit Denali Project will be complete in February 2019, at which time Summit expects to relocate grades 9-11 into the Summit Denali Facility.

Summit expects Summit Denali to serve grades 9-12 at the Summit Denali Facility, reaching an enrollment of 425 students in grades 9-12 by the 2019-20 school year (representing 94% of full enrollment). Summit expects to continue operating grades 6-8 of Summit Denali at the Summit Denali Middle School Site. **Only the revenues attributable to grades 9-12 of Summit Denali are a source of Gross School Revenues for the payment of debt service on the Bonds.** See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases” herein and “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP” attached hereto.



Summit Denali Floor Plan

Source: Summit.

Site Layout and Construction. The Summit Denali Project will include the adaptive re-use, renovation, furnishing and equipping of an existing approximately 25,100 square foot building located on the Summit Denali High School Site. The existing building was built circa 1960, and is a high-ceiling single story concrete tilt-up structure, with a concrete slab-on grade foundation. The existing building is currently being used by Pacific Ceramics, Inc. (the “Existing Tenant”) which is a manufacturer of advanced microwave ceramic materials for the aerospace and telecom industry. The Existing Tenant is required to vacate the premises by July 2018, but is expected to vacate by February 2018.

The Summit Denali Facility will comprise twelve regular classrooms, two STEM classrooms, one special education classroom and two flexible, open learning spaces. Additionally, the Summit Denali High School Site will be improved with 82 parking spaces along the northern, eastern and western sides of the property.



Summit Denali Site Plan
Source: Summit.

Construction Agreements and Project Budget. The Borrower expects to execute a guaranteed maximum price or stipulated sum construction contract with Swenson & Associates for approximately \$12,500,000* for building renovation and site improvement. Payment and performance bonds will be required to be provided by the contractor in connection with the contract.

Swenson & Associates, a licensed engineering and general building contractor, has been actively engaged in diverse construction projects for private industry and public institutions. Swenson & Associates provides general contracting and construction management services for projects in a variety of locations with a particular emphasis upon the San Francisco Bay Area. Some of Swenson & Associates' existing public sector and education clients include the City of San Jose, County of Santa Clara, Mountain View School District, the Redevelopment Agency of the City of San Jose, the Regents of the University of California, San Jose State University and the Sunnyvale School District.

* Preliminary, subject to change.

The total cost for the Summit Denali Project is estimated to be \$26,110,000.* This includes the acquisition of the Summit Denali High School Site and all of the development and construction costs related to the Summit Denali Facility described above. An estimated breakdown of the project budget is shown in the table below.

PROJECT BUDGET*
Summit Denali Facility

<u>Cost Description</u>	<u>Amount</u>
Purchase Price	\$13,500,000
Construction Costs	9,106,000
Soft Costs	2,674,000
<u>Contingency & Other</u>	<u>830,000</u>
Total Costs	\$26,110,000

Source: Summit.

Environmental Inspections. In connection with the Project, Summit obtained a Phase I Environmental Site Assessment and a Phase II Subsurface Investigation and Building Condition Survey in order to analyze any environmental risks posed by the Summit Denali High School Site. The reports identified the presence of certain volatile organic compounds and chemicals, subsurface petroleum hydrocarbons, and metals at the site at levels that would not prevent development of the Project as planned and made recommendations regarding mitigation measures to be implemented, if necessary. See “CERTAIN RISK FACTORS – Environmental Risks” for a more detailed description of these reports and their conclusions.

Approvals; Project Timeline. A building permit from the City of Sunnyvale for the Summit Denali Project is expected to be received from the City of Sunnyvale by March 2018. The following table sets forth the anticipated construction timeline for the Summit Denali Project. The anticipated timeline depends on decisions, hearings, and opportunities for public comment or appeal before public bodies that are not within the control of the Borrower or Summit. The process of obtaining necessary entitlements and construction of the planned improvements may be subject to delay. See “CERTAIN RISK FACTORS – Construction Risks.”

CURRENT DEVELOPMENT & CONSTRUCTION TIMELINE
Summit Denali Facility

<u>Milestone Event</u>	<u>Date</u>
Site Acquisition	October 2017
Execute Guaranteed Maximum Price Contract	February 2018
Existing Tenant Vacates Premises	February 2018
Entitlements and Approvals from City of Sunnyvale	February/March 2018
Break Ground	February/March 2018
Complete Installation of Portable Classrooms	July 2018
Open New Portable Classrooms	August 2018
Complete Construction	December 2018
Remove Portable Classrooms	June 2019
Open New Campus	August 2019

Source: Summit.

Release of Bond Proceeds. Proceeds of the Bonds expected to finance the improvements contemplated as part of the Summit Denali Project will be deposited in the Denali Construction Sub-Account and held in escrow pending receipt by the Borrower of (i) a building permit from the City of Sunnyvale for the Summit Denali Project and (ii) a Guaranteed Maximum Price Contract or Stipulated Sum Contract for the Summit Denali Project in an amount less than or equal to the funds in the Denali Construction Sub-Account.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indentures – Conditions to Release of Bond Proceeds from Denali Construction Sub-Account” herein.

The acquisition of the Summit Denali High School Site will be financed with proceeds from a philanthropic donation made by the Chan Zuckerberg Initiative to Summit. Concurrently with or prior to the issuance of the Bonds, Summit will transfer such proceeds required for the acquisition of the Summit Denali High School Site to the Trustee to be deposited in the Denali Acquisition Sub-Account created under the Bond Indenture. Such funds are not subject to the escrow conditions discussed above. See “ESTIMATED SOURCES AND USES OF FUNDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Project Funds” herein.

Summit Home Office Project

General. The Summit Home Office currently operates in a leased facility located at 900 Island Drive, Suite 203 in Redwood City, California, (the “Existing Home Office Site”) pursuant to a sublease by and between Summit and Avangate, Inc. dated as of July 13, 2016 and commencing September 1, 2016 (the “Existing Home Office Lease”). The Existing Home Office Site includes 8,577 square feet of office space. The Existing Home Office Lease is scheduled to terminate on March 30, 2018. Approximately 50 Summit employees currently work at the Existing Home Office Site.

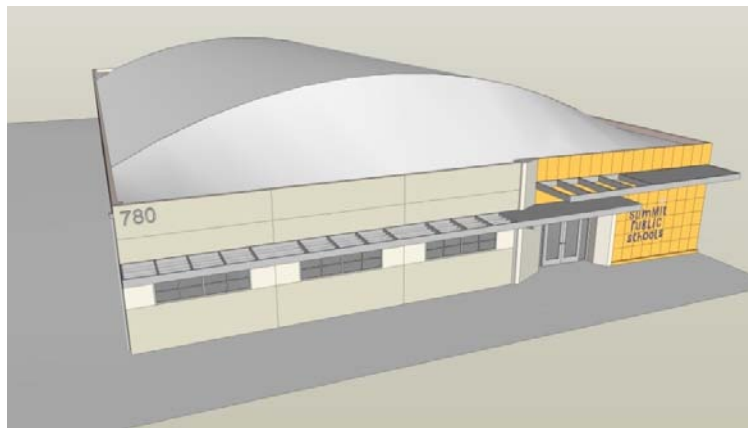
In anticipation of constructing its new national headquarters facility, Summit leases an approximately 12,000 square foot building on an approximately 0.41 acre parcel of property located at 780 Broadway Street in Redwood City, California (the “New Summit Home Office Site”) pursuant to a Ground Lease Agreement, effective as of September 15, 2017, by and between EdFuture, LLC and 780 Broadway LLC, as lessor (the “Home Office Ground Lease” and, together with the Shasta Ground Lease, the “Ground Leases”). The New Summit Home Office Site has been vacant since at least 2012 and was previously used as a print shop. Pursuant to the Home Office Ground Lease, Summit leases the New Summit Home Office Site for a 37-year term commencing on September 15, 2017, and ending on September 15, 2054. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases” herein and “APPENDIX J – HOME OFFICE GROUND LEASE” attached hereto.

The “Summit Home Office Project” comprises the renovation, improvement, furnishing and equipping of the existing building comprising the New Summit Home Office Site (as renovated, the “Summit Home Office Facility”). When completed, the Summit Home Office Facility will house the national headquarters for Summit and operations of the Summit Home Office.

Summit expects to lease the Summit Home Office Facility pursuant to a Sublease Agreement, dated as of October 1, 2017 (the “Home Office Lease”), by and between EdFuture, LLC and Summit. Summit expects to relocate its national headquarters and the Summit Home Office operations from the Existing Summit Home Office Site to the Summit Home Office Facility beginning in April 2018. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases” herein and “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP” attached hereto.

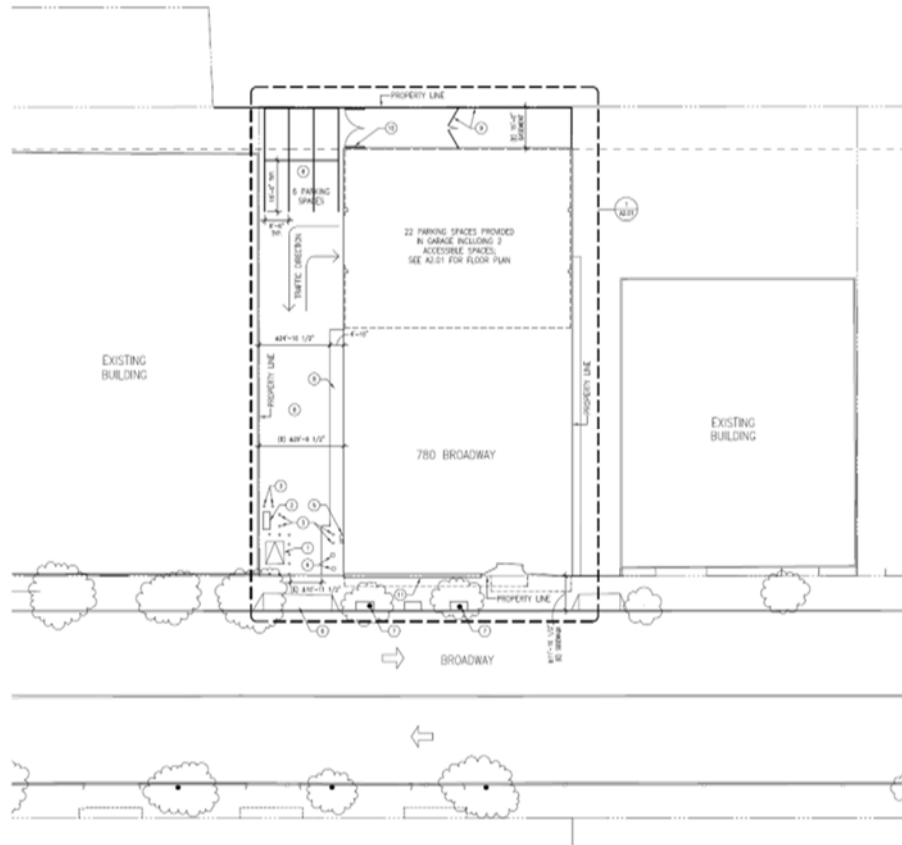
The Summit Home Office Facility is located next door to Summit Preparatory Charter High, a charter school operated by Summit serving grades 9-12 (“Summit Prep”). Due to the proximity of Summit Prep, portions of the Summit Home Office Facility are expected to be used as an extension of the Summit Prep campus. This would entail providing teacher preparation space, overflow education space, and a space for the administrative staff of Summit Prep. However, although the Home Office Ground Lease permits students periodic access to the administrative offices, the permitted use under the Home Office Ground Lease does not include assembly for students of any kind, academic classes or tutoring of students in the Summit Home Office Facility.

Summit Prep is currently a Non-Obligated Group School and, accordingly, aside from fees paid by Summit Prep to Summit under the Master Services Agreement by and between those parties (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Financial Covenants” herein and “APPENDIX K – FORM OF MASTER SERVICES AGREEMENTS BETWEEN SUMMIT AND EACH SUMMIT SCHOOL” attached hereto), the revenues of Summit Prep are not a source of payment for the Bonds.



Artist Renderings of Summit Home Office Facility.
Source: Summit.

Site Layout and Construction. The New Summit Home Office Site is currently improved with an approximately 12,000 square foot building built between 1953 and 1956. The existing building is a high-ceiling single story concrete tilt-up structure comprising approximately 8,000 square feet of warehouse space and approximately 4,000 square feet of office space. The building is a concrete slab-on-grade foundation and conventional shallow footings.



Summit Home Office Site Plan
Source: Summit.

The Summit Home Office Project will include the adaptive re-use, renovation, furnishing and equipping of the existing building with various conference rooms, meeting spaces and individual work spaces. Upon completion of the Summit Home Office Project, the Summit Home Office Facility will include a ground floor with 5,700 square feet of office improvements, 900 square feet of storage, and 4,950 square feet for parking. Additionally, a mezzanine area will be added that will accommodate approximately 1,500 square feet of office space. The New Summit Home Office Site will be improved with parking, and the perimeter will be landscaped with a combination of sidewalks, ground cover, plants and trees. Parking will consist of 28 spaces inside the building (utilizing hydraulic lift parking structures) and three outside the building.

Construction Agreements and Project Budget. The Borrower expects to execute a guaranteed maximum price or stipulated sum construction contract with W.L. Butler Construction Inc. (“Butler”) for approximately \$3,500,000* for building renovation and site improvement. Payment and performance bonds will be required to be provided by the contractor in connection with the contract.

Butler is a mid-sized general contractor with a presence throughout the State. Butler builds for virtually every sector of the economy, with projects for Fortune 500 companies including Costco, Gilead, Charles Schwab, H.J. Heinz, Whole Foods and AmerisourceBergen, and from the automotive industry to education and everything in between. Butler is based in Redwood City, and employs nearly 200 team members and generates over \$250 million in sales annually. Some of Butler’s education projects include Woodside Priory School (Portola Valley, California), Wings Learning Center (Redwood City, California), Kehillah Jewish High School (Palo Alto, California), Gideon Hausner School (Palo Alto, California), Mid-

* Preliminary, subject to change.

Peninsula High School (Menlo Park, California), Mid-Peninsula Jewish Day School (Palo Alto, California), and Downtown College Prep charter school's Southern Lumber Campus (San Jose, California).

The total cost for the Summit Home Office Project is estimated to be \$4,633,598.* This includes all of the development and construction costs related to the Summit Home Office Facility described above. An estimated breakdown of the project budget is shown in the table below.

PROJECT BUDGET*
Summit Home Office Facility

<u>Cost Description</u>	<u>Amount</u>
Construction Costs	\$3,332,083
Soft Costs	938,515
<u>Contingency & Other</u>	<u>363,000</u>
Total Costs	\$4,633,598

Source: Summit.

Environmental Inspections. In connection with the Project, Summit obtained a Phase I Environmental Site Assessment of the New Summit Home Office Site, which did not identify evidence of Recognized Environmental Conditions but noted that based on the property age, some of the interior materials likely contain asbestos and/or lead. See "CERTAIN RISK FACTORS – Environmental Risks" for a description of this report and its conclusions.

Approvals; Project Timeline. All entitlements and approvals for the Summit Home Office Project are expected to be received from the City of Redwood City by October 2017. The following table sets forth the anticipated construction timeline for the Summit Home Office Project. The anticipated timeline depends on decisions, hearings, and opportunities for public comment or appeal before public bodies that are not within the control of the Borrower or Summit. The process of obtaining necessary entitlements and construction of the planned improvements may be subject to delay. See "CERTAIN RISK FACTORS – Construction Risks."

CURRENT DEVELOPMENT & CONSTRUCTION TIMELINE
Summit Home Office Facility

<u>Milestone Event</u>	<u>Date</u>
Complete Site Plan	September 2017
Receive Entitlements and Approvals from City of Redwood City	September 2017
Execute Guaranteed Maximum Price Contract	October 2017
Begin Construction	November 2017
Complete Construction	April 2018
Open New Office	April 2018

Source: Summit.

Release of Bond Proceeds. Proceeds of the Bonds expected to finance the improvements contemplated as part of the Summit Home Office Project will be deposited in the Home Office Construction Sub-Account and held in escrow pending receipt by the Borrower of (i) a building permit from the City of Redwood City for the Summit Home Office Project and (ii) a Guaranteed Maximum Price Contract or Stipulated Sum Contract for the Summit Home Office Project in an amount less than or equal to the funds in the Home Office Construction Sub-Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indentures – Conditions to Release of Bond Proceeds from Home Office Construction Sub-Account" herein.

Appraisals

General. Norris Realty Advisors (the “Appraiser”), appraised the sites and the buildings comprising the elements of the Project. In that connection, the Appraiser prepared a Market Value Appraisal for (i) the Summit Shasta Project, with an effective date of August 8, 2017, (ii) the Summit Denali Project, with an effective date of August 8, 2017, and (iii) the Summit Home Office Project, with an effective date of August 8, 2017 (respectively, the “Summit Shasta Appraisal,” the “Summit Denali Appraisal,” and the “Summit Home Office Appraisal” and, collectively, the “Appraisals”).

The Summit Shasta Appraisal and Summit Denali Appraisal employed two different approaches: (i) the cost approach, based upon the cost to produce a substitute property with the same utility as the subject of the appraisal; and (ii) the sales comparison approach, based on prices paid in actual market transactions of properties similar to the subject of the appraisal (the “sales comparison approach”).

The Summit Home Office Appraisal employed two different approaches: (i) the sales comparison approach; and (ii) the income capitalization approach, based on anticipated and future income projected to be derived from the property subject to the appraisal, as well as any future reversions, discounted to present value through the capitalization process

Appraisal Amounts. The Summit Shasta Appraisal estimates that the prospective leasehold value as completed and stabilized, assuming the completion of the Summit Shasta Project, as of June 1, 2018, is \$15,650,000. The Summit Shasta Appraisal estimates the as-is leasehold market value, as of August 8, 2017, is \$7,500,000.

The Summit Denali Appraisal estimates that the prospective market value as completed, assuming the completion of the Summit Denali Project, as of August 1, 2018, is \$18,400,000. At stabilization, as of August 1, 2020, the Summit Denali Appraisal estimates the prospective market value as completed, assuming the completion of the Summit Denali Project, is \$21,200,000. The Summit Denali Appraisal estimates the as-is fee simple market value, as of August 8, 2017, is \$7,300,000.

The Summit Home Office Appraisal estimates that the prospective leasehold market value as completed and stabilized, assuming the completion of the Summit Home Office Project, as of April 1, 2018, is \$4,000,000. The Summit Home Office Appraisal estimates the as-is leasehold market value, as of August 8, 2017, is nominal.

The following table summarizes the appraised value of each portion of the Project.

THE PROJECT Appraised Value Summary

<u>Project</u>	<u>Property Interest</u>	<u>Appraised Value⁽¹⁾</u>	<u>Date of Value</u>
Summit Shasta Project	Leasehold interest	\$15,650,000	June 1, 2018
Summit Denali Project	Fee simple	18,400,000	August 1, 2018
Summit Home Office Project	Leasehold interest	4,000,000	April 1, 2018
Total Appraised Value		\$38,050,000	

⁽¹⁾ Based on the hypothetical value of the site and buildings as proposed to be built at completion.

Source: Summit.

Note that, even assuming the hypothetical market values of the Summit Denali Project and the Summit Home Office Project, the values of the related Facilities as reflected in the applicable Appraisals are less than the estimated costs of the respective projects. The total appraised value of the Project of \$38,050,000

is equal to 120%* of the estimated par amount of the Bonds. See “CERTAIN RISK FACTORS – Limitations of Appraisals” herein.

Limitations. The summaries of the Appraisals contained in this section are not meant to be exhaustive, and reference should be made to such reports for a complete recital of their respective terms. Complete copies of the Appraisals are available upon request from the Underwriter. The value of each portion of the Project as estimated in the Appraisals represents only the opinion of the Appraiser, and only as of the effective dates. The Appraiser has not been engaged to update or revise the estimates contained in the Appraisals since their effective dates. See “CERTAIN RISK FACTORS – Limitations of Appraisals” herein.

Field Act Compliance

Certain public school facilities in the state of California, including the Summit Shasta Project, are entitled and approved through the California Division of the State Architect (“DSA”), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the California building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 *et seq.* of the California Education Code (the “Field Act”). The Field Act resulted from the Long Beach Earthquake in 1933 in which 70 public schools were destroyed and another 120 schools suffered major structural damage. The Field Act sets forth structural design standards to enable school buildings to meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake. The DSA process requires State approved inspectors to certify that the work is being done in accordance with the approved plans. The Summit Denali Project will be entitled and approved by the City of Sunnyvale and the Summit Home Office Project will be entitled and approved by the City of Redwood City, instead of through DSA.

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* Preliminary, subject to change.

DEBT SERVICE SCHEDULE⁽¹⁾

The annual debt service payment requirements of the Bonds, assuming a \$5,000,000 special optional redemption of the term bond maturing on June 1, 2053 (the “Special Term Bond”), are set forth in the table below. No other optional redemptions or extraordinary redemptions prior to the stated dates of maturity are assumed.

Period Ending June 1	Principal	Interest	Total Bonds Debt Service	Less: (Principal of the Special Term Bond) ⁽²⁾	Less: (Interest of the Special Term Bond) ⁽²⁾	Total Bonds Debt Service
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
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2036						
2037						
2038						
2039						
2040						
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
2049						
2050						
2051						
2052						
2053						
Totals						

⁽¹⁾ Totals may not add due to rounding. Also, debt service is shown gross of interest earnings on the Reserve Account.

⁽²⁾ Assumes the optional redemption of \$5,000,000 of the special term bond maturing on June 1, 2053 subject to Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund. See “THE BONDS – Redemption – Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund” herein.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations of the Authority

The Bonds and interest thereon constitute special, limited obligations of the Authority and are payable solely from certain revenues received under the Bond Indenture and from certain funds and accounts established and maintained under the Bond Indenture. The Authority is not obligated to advance any moneys derived from any source other than the Payments (as defined below) and other assets pledged under the Bond Indenture, whether for the payment of the principal or redemption price or interest with respect to the Bonds.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICE OR TO MAKE FUNDS AVAILABLE TO THE SCHOOLS, THE CALIFORNIA SCHOOLS OR SUMMIT HOME OFFICE IN ANY AMOUNT OR AT ANY TIME.

Bond Indenture

Pledge of Payments and Other Amounts. The Authority has executed and delivered the Bond Indenture and has pledged to secure the payment of the principal of and interest on the Bonds in accordance with the terms of the Bond Indenture, all of the Payments (except Payments described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Bond Indenture. Said pledge will constitute a lien on and security interest in such assets and will attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

“Payments,” under the Bond Indenture, means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Trustee with respect to the Intercepts, (ii) all moneys, if any, received by the Trustee directly from, or on behalf of, the Borrower, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into any fund or account created and held under the Bond Indenture) or Obligation No. 1, and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture. See “APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – BOND INDENTURE” attached hereto.

California Intercept Program. As additional security for the Bonds, in connection with the issuance of the Bonds, Summit will provide instructions to the State Controller to make the Intercepts to the Trustee with respect to (i) the Schools in amounts and on dates provided in the Intercept Notice sufficient to pay all Rent coming due under the Shasta Lease and Denali Lease and pay ground rent payments under the Shasta Ground Lease and (ii) the California Schools in amounts and on dates provided in the Intercept Notice, in the aggregate (along with any portion of the Gross Management Fee Revenue paid by the Washington Schools to the Trustee) sufficient to pay all Rent coming due under the Home Office Lease and pay ground rent payments under the Home Office Lease. Together, the Intercepts will be in amounts and on dates sufficient (along with

any portion of the Gross Management Fee Revenue paid by the Washington Schools and received by the Trustee) to pay the Bonds, pay ground rent payments under the Ground Leases, and pay necessary and incidental costs.

Funds received by the Trustee pursuant to the Intercepts will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture, including if necessary, the payment of debt service on the Bonds. Under the laws of the State, no party, including Summit, the Borrower or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller pursuant to the Intercepts.

In addition, notwithstanding any provision of the Loan Agreement to the contrary, the Borrower certifies that it will instruct or cause Summit, pursuant to the Leases, to pay Rent (as defined in such Leases), less any amounts paid through the Intercepts, directly to the Master Trustee for deposit in the Revenue Fund. See “APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – LOAN AGREEMENT” attached hereto.

Rent under the Shasta Lease and Denali Lease is payable by Summit solely from the Gross School Revenues, as defined herein, which are derived from the operations of the Schools, and other Summit schools that may operate in the Summit Shasta Facility and Summit Denali Facility in the future. Rent under the Home Office Lease is payable by Summit solely from the Gross Management Fee Revenue, as defined herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Payment of Rent” and “— Covenants” herein. Revenues generated from any other schools whose charters are held and/or that are operated and/or managed by Summit, other than fees paid to Summit as described herein, or assets and revenues generated from sources other than the Related Projects (as defined in the Master Indenture), are not available for payment of Rent or otherwise available to the Authority, Master Trustee, Trustee, investors and/or Bondholders.

Assignment of Payments and Other Amounts, Loan Agreement, Lease, and Mortgage. The Authority assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, (i) all of the Payments and other amounts pledged under “— Pledge of Payments and Other Amounts” above, (ii) all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the right to receive any Administrative Fees and Expenses and any Additional Payments payable to the Authority, any right to be indemnified, held harmless or defended and to information, reports, certifications or other documents and any right to notice, approvals, consents, or inspection, and the obligation of the Borrower to make deposits pursuant to the Tax Certificate) and Obligation No. 1. The Authority will also cause Obligation No. 1 to be registered in the name of the Trustee.

The Trustee will be entitled to and will receive all of the Payments, and any such Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee will be entitled to and will (subject to the provisions of the Bond Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Borrower under the Loan Agreement.

The Borrower will take all actions necessary for the Trustee to collect directly from the State Controller the amounts set forth in the Intercept Notice on the dates set forth in the Intercept Notice. The Payments described in clause (i) of the definition thereof are assigned to the Trustee, for the benefit of the Holders of the Bonds, by virtue of the filing of the Intercept Notice with the State Controller. The Trustee will be entitled to and will receive all of such assigned Payments.

Revenue Fund. The Trustee will establish, maintain and hold in trust a special fund designated as the “Revenue Fund.” All Payments will be promptly deposited by the Trustee upon receipt thereof into the

Revenue Fund, and will be held in trust for the benefit of the Holders from time to time of the Bonds but will nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture. The Trustee will establish within the Revenue Fund a Ground Rent Account, an Interest Account, a Principal Account, and a Reserve Account for the payment of debt service on the Bonds.

Ground Rent Account. All amounts deposited to the Ground Rent Account will be used and withdrawn by the Trustee solely to pay the applicable Ground Rents directly to the lessors under the Ground Leases when and as due. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Ground Leases; Property Interests Conveyed Under the Leases” herein for a further description of the Ground Leases.

Interest Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Bond Indenture).

Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided in the Bond Indenture.

The Trustee will establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the “____ Sinking Account,” inserting therein the series and maturity (if more than one such account is established) for each Term Bond. On or before June 1 in each year, the Trustee will transfer the amount deposited in the Principal Account on and prior to that date pursuant to the Bond Indenture, as described in “— Allocation of Payments” below, from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Trustee will transfer the amount deposited in the Principal Account pursuant to the Bond Indenture for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in the Bond Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee will apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, in writing, except that the purchase price (excluding accrued interest) will not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Borrower has deposited Bonds with the Trustee, or Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to the provisions of the Bond Indenture summarized in this paragraph will be delivered to the Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds are no longer Outstanding will be withdrawn by the Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Borrower with the Trustee will be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Borrower directs.

The Term Bonds, which are Bonds payable on or before their specified maturity dates from Mandatory Sinking Account Payments, will be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments as set forth in “THE BONDS – Redemption – Mandatory Sinking Fund Redemption.”

Reserve Account. Under the Bond Indenture, the Trustee will establish a reserve account (the “Reserve Account”) within the Revenue Fund. All amounts in the Reserve Account will be used and

withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Account or Principal Account that exists on the date when monies on deposit in the Interest Account or the Principal Account are required to be applied as provided in the Bond Indenture, or (together with any other funds available therefor) for the payment or redemption of all Bonds then Outstanding.

The Trustee will notify the Authority and the Borrower immediately of any withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account. The Trustee will notify the Authority immediately of the final maturity, earlier redemption in full of the Bonds or the date on which no Bonds are Outstanding under the Bond Indenture.

Amounts on deposit in the Reserve Account will be valued by the Trustee at their fair market value each January 1 and July 1, and the Trustee will notify the Borrower of the results of such valuation. If the amount on deposit in the Reserve Account on the first Business Day following such valuation is less than one-hundred percent (100%) of the Reserve Account Requirement (as defined below), the Borrower has agreed in the Loan Agreement to make the deposits to the Reserve Account required by the Bond Indenture. If the amount on deposit in the Reserve Account on the first Business Day following such valuation is greater than the Reserve Account Requirement, the excess will be withdrawn from the Bond Reserve Subaccount of the Reserve Account and transferred to the Revenue Fund. See "CERTAIN RISK FACTORS" herein.

"Reserve Account Requirement" means as of any date of calculation, an amount which will be equal to the least of (i) 10% of the initial principal amount of the Bonds, (ii) the maximum annual debt service on the Outstanding Bonds, (iii) 125% of average annual debt service on the Outstanding Bonds, and (iv) for the last Bond Year only, the total debt service with respect to the Bonds Outstanding.

See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – BOND INDENTURE" attached hereto.

Allocation of Payments. Promptly upon receipt, the Trustee will deposit the Payments to the Revenue Fund. On or before May 25 and November 25 of each year, the Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Revenue Fund) and then to the Repair and Replacement Fund, to the Rebate Fund, and to the Administration Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Payments sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority; provided, however, no moneys deposited in the Revenue Fund pursuant to the Intercepts will be deposited to the Rebate Fund:

(a) To the Ground Rent Account, the amount of rent becoming due and payable during the next succeeding six months in respect of the Ground Leases;

(b) To the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest, taking into account the amounts transferred from the Capitalized Interest Account as set forth in the Bond Indenture;

(c) To the Principal Account, one-half of the aggregate amount of principal becoming due to redeem or pay, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments; provided that from the date of delivery of the Bonds until the first Principal Payment Date with respect to the Bonds (if less than twelve months), transfers to the Principal Account will be sufficient on a monthly pro rata basis to pay the principal becoming due and payable on said Principal Payment Date;

(d) To the Bond Reserve Account, (a) the greater of (i) the amount designated for deposit to the Bond Reserve Subaccount of Reserve Account in a written direction of the Borrower, and (ii) one-half of the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Reserve Account if the balance in said account is at least equal to the Reserve Account Requirement, and (b) in the event the balance in said account will be less than the Reserve Account Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount);

(e) To the Repair and Replacement Fund, (i) on November 25, 2017, \$4,167, and (ii) thereafter, the greatest of (A) \$25,002, (B) the amount designated for deposit in the Repair and Replacement Fund in a written direction of the Borrower, and (C) one-sixth of the aggregate amount of each prior withdrawal from the Repair and Replacement Fund, provided that no deposit need be made into the Repair and Replacement Fund to the extent it would cause the balance in said account to exceed the Repair and Replacement Fund Requirement, and (iii) in the event the balance in said account will be less than the Repair and Replacement Fund Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture or due to an increase in the Repair and Replacement Fund Requirement, the amount necessary to increase the balance in said account to an amount at least equal to the Repair and Replacement Fund Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount); and

(f) To the Rebate Fund, such amounts as are required to be deposited therein by the Bond Indenture or the Tax Certificate; and

(g) To the Administration Fund, an amount equal to 1/2 of the annual Administrative Fees and Expenses.

Moneys remaining in the Revenue Fund after the foregoing transfers will be transferred on June 1 and December 1 of each year, commencing December 1, 2017, by the Trustee to or at the direction of the Borrower free and clear of the lien of the Bond Indenture.

See “APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – BOND INDENTURE” attached hereto.

Repair and Replacement Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the “Repair and Replacement Fund,” which will be used solely for the purposes set forth in the Bond Indenture. Moneys in the Repair and Replacement Fund to be used to pay for capital items not budgeted as ordinary maintenance and repair costs related to the Facilities will be disbursed upon receipt of a requisition of the Borrower, and the Trustee is authorized and directed to issue payments for each such disbursement upon receipt of such a requisition.

Amounts on deposit in the Repair and Replacement Fund will be valued by the Trustee at their fair market value each June 1 and December 1, beginning December 1, 2020, and the Trustee will 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 100% of the Repair and Replacement Fund Requirement, the Borrower has agreed in the Loan Agreement to make the deposits to the Repair and Replacement Fund required in the Bond Indenture, set forth below. 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 will be withdrawn from the Repair and Replacement Fund and transferred to the Revenue Fund.

When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Revenue Fund, the balance of the Redemption Fund and the balance of the Repair and Replacement Fund, and (ii) all other amounts owed under the Loan Agreement and the Bond Indenture have been paid, moneys held in the Repair and Replacement Fund may be deposited into the Revenue Fund and credited against payments of Loan Repayments required under the Loan Agreement.

As used herein, the Repair and Replacement Fund Requirement means \$150,000 as of December 1, 2020. The Repair and Replacement Fund Requirement will initially be \$0 and will increase by \$4,167 on the first Business Day of each month following the date of delivery of the Bonds until such Repair and Replacement Fund Requirement equals \$150,000; and provided further that a facilities consultant will review the Repair and Replacement Fund Requirement from time to time (but not less frequently than once every five years) commencing July 1, 2022. If such review indicates that the Repair and Replacement Fund Requirement should be changed, the Borrower will review such recommendation with the governing board of Summit and will implement such recommendations to the fullest extent possible; and provided further that the Repair and Replacement Fund Requirement will not be less than \$150,000.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – Allocation of Payments” above for a description of required deposits to the Repair and Replacement Fund.

Project Funds. Under the Bond Indenture, the Trustee will establish, maintain and hold in trust a separate fund designated as the Project Fund. Within the Project Fund the Trustee will establish and maintain the following segregated accounts: (1) the Shasta Construction Sub-Account, (2) the Shasta Equity Sub-Account; (3) the Denali Acquisition Sub-Account; (4) the Denali Equity Sub-Account; (5) the Denali Construction Sub-Account; and (6) the Home Office Construction Sub-Account. The moneys in the Project Funds will be disbursed pursuant to Requisitions of the Borrower, subject to the conditions described below for disbursements from the Denali Construction Sub-Account and Home Office Construction Sub-Account.

Conditions to Release of Bond Proceeds from Denali Construction Sub-Account. No disbursements will be made from the Denali Construction Sub-Account unless the Borrower has delivered to the Trustee all of the following (the “Denali Draw Requirements”):

- (i) A copy of a guaranteed maximum price or stipulated sum contract from a licensed contractor, in an amount not exceeding the amount then on deposit and available in the Denali Construction Sub-Account and the Denali Equity Subaccount (including any additional equity that the Borrower may deposit in the Denali Construction Sub-Account or in the Denali Equity Subaccount);
- (ii) building permits from the City of Sunnyvale related to the Summit Denali Facility; and
- (iii) a certificate of the Borrower to the effect that the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date thereof, and that the requirements above have been satisfied.

Upon the written direction of the Borrower delivered to the Trustee on any date prior to the satisfaction of the Denali Draw Requirements, but in no event later than December 31, 2019*, the Borrower may direct the Trustee to transfer all moneys on deposit in the Denali Construction Sub-Account to the Redemption Fund. See “THE BONDS – Redemption – Extraordinary Optional Redemption from Unspent Project Proceeds.” In addition, on December 31, 2019*, if the Denali Draw Requirements have not been satisfied, all moneys on deposit in the Denali Construction Sub-Account will be transferred to the Redemption Fund and applied to redeem Bonds in accordance with the Bond Indenture. See “THE BONDS – Redemption – Extraordinary Mandatory Redemption from Unspent Project Proceeds.”

* Preliminary, subject to change.

Conditions to Release of Bond Proceeds from Home Office Construction Sub-Account. No disbursements will be made from the Home Office Construction Sub-Account unless the Borrower has delivered to the Trustee all of the following (the “Home Office Draw Requirements”):

(i) A copy of a guaranteed maximum price or stipulated sum contract from a licensed contractor, in an amount not exceeding the amount then on deposit in the Home Office Construction Sub-Account (including any additional equity that the Borrower may deposit in the Home Office Construction Sub-Account);

(ii) building permits from the City of Redwood City related to the Summit Home Office Facility;
and

(iii) a certificate of the Borrower to the effect that the representations and warranties of the Borrower contained in the Loan Agreement are true and accurate on and as of the date thereof, and that the requirement above has been satisfied.

Upon the written direction of the Borrower delivered to the Trustee on any date prior to the satisfaction of the Home Office Draw Requirements, but in no event later than December 31, 2019*, the Borrower may direct the Trustee to transfer all moneys on deposit in the Home Office Construction Sub-Account to the Redemption Fund. See “THE BONDS – Redemption – Extraordinary Optional Redemption from Unspent Project Proceeds.” In addition, on December 31, 2019*, if the Home Office Draw Requirements have not been satisfied, all moneys on deposit in the Home Office Construction Sub-Account will be transferred to the Redemption Fund and applied to redeem Bonds in accordance with the Bond Indenture. See “THE BONDS – Redemption – Extraordinary Mandatory Redemption from Unspent Project Proceeds.”

The Loan Agreement

The Authority and the Borrower will execute the Loan Agreement to provide for the loan by the Authority to the Borrower of proceeds from the sale of the Bonds. In consideration of the issuance of the Bonds by the Authority and the application of the proceeds thereof as provided in the Bond Indenture, the Borrower agrees to issue, or cause to be issued, and to cause to be authenticated and delivered to the Authority, Obligation No. 1, pursuant to the Master Indenture and the Supplemental Master Indenture for Obligation No. 1, concurrently with the issuance and delivery of the Bonds. The Authority will assign its rights in the Loan Agreement (except for certain unassigned rights, including the right to receive any Administrative Fees and Expenses and any Additional Payments payable to the Authority, any right to be indemnified, held harmless or defended and to information, reports, certifications or other documents and any right to notice, approvals, consents, or inspection, and the obligation of the Borrower to make deposits pursuant to the Tax Certificate) to the Trustee and will assign Obligation No. 1 to the Trustee. Pursuant to the Loan Agreement, the Borrower agrees to pay, or cause to be paid, from Gross Revenues (as defined in the Master Indenture) of the Borrower, to the Trustee for deposit in the Revenue Fund, amounts equal to the aggregate amount of interest payable on the Outstanding Bonds and, on or before the maturity or redemption date of the Bonds, an amount equal to the principal amount and redemption premium, if any, of the Outstanding Bonds. In addition to such Loan Repayments, the Loan Agreement also requires the Borrower to pay Additional Payments to the Authority, to the Trustee or to the appropriate payee, 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 under the Loan Agreement 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

* Preliminary, subject to change.

of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Borrower will 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 will 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) All reasonable fees, charges and expenses of the Trustee for services rendered under the Bond Indenture and all amounts referred to in the Bond Indenture, as and when the same become due and payable;

(c) All reasonable fees, charges and expenses of the Master Trustee for services rendered under the Master Indenture and all amounts referred to in the Master Indenture, as and when the same become due and payable;

(d) The reasonable 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 other Borrower Documents or the Bond Indenture;

(e) All fees and expenses of any Rating Agency, including the Moody's Surveillance Fee (if any), and the Rebate Analyst, and if a deposit is required to be made to the Rebate Fund as a result of any calculation made pursuant to the Bond Indenture, the amount of such deposit, which will be deposited in the Rebate Fund not later than the tenth day of the calendar month immediately following the date on which such calculation was made pursuant to the Bond Indenture;

(f) All amounts necessary for deposit into the Repair and Replacement Fund pursuant to the Bond Indenture;

(g) The annual fee of the Authority and the reasonable 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 other Borrower Documents, the Bonds or the Bond Indenture, including, without limitation, any and all reasonable 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 other Borrower Documents, the Bonds or the Bond 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 other Borrower Documents; and

(h) The amount necessary to replenish any fund established under the Bond Indenture, but only to the extent then required under the Bond Indenture.

All such payments will be made by the Borrower from the Gross Revenues for payment to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Bond Indenture. See APPENDIX C – "SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE LOAN AGREEMENT" attached hereto.

The Master Indenture

Joint and Several Obligations of the Obligated Group. Under the Master Indenture, each Member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, the Supplemental Master Indenture and Obligation No. 1, and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture, the Supplemental Master Indenture and Obligation No. 1. Each Member

acknowledges and agrees that the time of such payment and performance is of the essence of the obligations under the Master Indenture.

Initially, the Lessors will be the only members of the Obligated Group. Summit is not a member of the Obligated Group and is obligated solely as Lessee under the Leases, in respect of payment from the sources specified therein relating to the Schools and Summit Home Office, as applicable. Summit is not responsible or otherwise obligated under the Loan Agreement, the Bond Indenture, the Master Indenture or the Supplemental Master Indenture to make payments directly on the Loan, Obligation No. 1 or the Bonds.

Subject to the provisions of the Master Indenture permitting withdrawal from the Obligated Group, the obligation of each Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with the Master Indenture. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Members or otherwise, will be regarded as payments in gross without any right on the part of any one or more of the Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that in the event of any such Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee will be entitled to prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Member has become fixed.

Each such Obligation will be a primary obligation and will not be treated as ancillary to or collateral with any other obligation and will be independent of any other security so that the covenants and agreements of each Member under the Master Indenture will be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of the Master Indenture, and to enforce the making of Required Payments.

The Master Trustee will not take recourse against the Borrower or any Member, if any, with respect to the failure by the Borrower or any Member to make any Required Payment under the Master Indenture and the Supplemental Master Indenture except recourse to the Gross Revenues and the amounts held in the funds and accounts created under the Bond Indenture (except the Rebate Fund) or under the Master Indenture, or to such other security as may from time to time be given for the payment of obligations arising out of the Master Indenture, the Supplemental Master Indenture or any other agreement securing the obligations of the Borrower or any other Member with respect to the Bonds.

For a more detailed discussion of entry to or withdrawal from the Obligated Group, see "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE MASTER INDENTURE" attached hereto. All capitalized terms used and not defined herein have the meanings listed in "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – DEFINITIONS."

Pledge of Gross Revenues. Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, each Member, respectively, hereby pledges, and to the extent permitted by law grants a security interest to the Master Trustee in, all of the Gross Revenues of the Obligated Group to secure the payment of Required Payments and the performance by the Members of their other obligations under this Master Indenture. Each Member, respectively, will execute and cause to be filed Uniform Commercial Code financing statements, will execute and cause to be sent to each Depository Bank (as defined in the Master Indenture), if any, and to the Master Trustee a notice of the security interest granted hereunder and will execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary or reasonably requested by the Master Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof. Notwithstanding anything to the contrary contained herein, neither the Master Trustee nor any other Person (other than the Corporation) will be responsible for any initial filings of any

financing statements or the information contained therein (including the exhibits thereto), the perfection or priority of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code.

Gross Revenue Fund. Each Member of the Obligated Group agrees in the Master Indenture that, unless otherwise provided in a Related Supplement or if such Related Bonds are payable in full from funds that are subject to Intercept or a blocked account agreement for the benefit of a Related Bond Trustee under the Master Indenture, so long as any of the Obligations remain Outstanding, all of the Gross Revenues of the Obligated Group not subject to the Intercept will be deposited as soon as practicable upon receipt in a fund designated as the “Gross Revenue Fund” which the Members will establish and maintain, subject to the provisions of the Master Indenture, in one or more accounts at such banking institution or institutions as the Members will from time to time designate in writing to the Master Trustee for such purpose (the “Depository Bank(s)”).

Amounts in the Gross Revenue Fund may be used and withdrawn by any Member at any time for any lawful purpose, except as hereinafter provided. In the event that any Member is delinquent for more than one Business Day in the payment of any Required Payment with respect to any Obligation issued pursuant to a Related Supplement, the Master Trustee, upon notice from the Obligated Group Representative or actual knowledge of such delinquency, will notify the Obligated Group Representative and the Depository Bank(s) of such delinquency, and, unless such Required Payment is paid, or provision for payment is duly made, in a manner satisfactory to the Master Trustee, within five days after receipt of such notice, the Obligated Group Representative or the appropriate Member will cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Master Trustee. The Gross Revenue Fund will continue to be held in the name and to the credit of the Master Trustee until six months after the amounts on deposit in said fund are sufficient to pay in full, or have been used to pay in full, all Required Payments in default and all other Events of Default known to the Master Trustee will have been made good or cured to the satisfaction of the Master Trustee or provision deemed by the Master Trustee to be adequate will have been made therefor, whereupon the Gross Revenue Fund (except for the Gross Revenues required to make such payments or cure such defaults) will be returned to the name and credit of the appropriate Members. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Master Trustee will use and withdraw amounts in said Fund from time to time (1) first, to pay Ground Rent directly to each respective lessor under each Ground Lease when and as due in the amount designated in a written request of the Lessor(s), (2) second, to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts will not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference, and (3) third, to such other payments in the order which the Master Trustee, in its discretion, will determine to be in the best interests of the Holders of Obligations without discrimination or preference. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Members will not be entitled to use or withdraw any of the Gross Revenues of the Obligated Group unless and to the extent that the Master Trustee at its sole discretion so directs for the payment of current or past due operating expenses of the Members; provided, however, that the Members will be entitled to use or withdraw any amounts in the Gross Revenue Fund which do not constitute Gross Revenues of the Obligated Group. Each Member agrees to execute and deliver all instruments as may be required to implement the Master Indenture. Each Member further agrees that a failure to comply with the terms of this Section will cause irreparable harm to the Holders and will entitle the Master Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the Members as provided in the Master Indenture.

Limitations on Indebtedness. Under the Master Indenture, each Member covenants and agrees that it will not incur any Additional Indebtedness after the issuance of the Bonds except as follows:

(a) Long-Term Indebtedness may be incurred if, prior to the issuance of such Additional Indebtedness, an Independent Consultant selected by the Obligated Group Representative provides a written report to the Master Trustee setting forth projections indicating:

(i) a Consolidated Base Rent Coverage Ratio for each of the three consecutive full Fiscal Years beginning in the earlier of:

(A) the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Additional Indebtedness, based upon a certified written estimated completion date by the consulting engineer for such Facility or Facilities; or

(B) the first full Fiscal Year in which the obligor of such Additional Indebtedness will have scheduled payments of interest on or principal of the Additional Indebtedness to be issued for the payment of which provision has not been made as indicated in the report of such Independent Consultant from proceeds of such Additional Indebtedness, investment income thereon or from other appropriate sources (other than Consolidated Net Operating School Revenue),

provides for a Consolidated Base Rent Coverage Ratio, taking into account all Outstanding Long Term Indebtedness and the Additional Indebtedness to be issued, of not less than 1.20:1.00.; and

(ii) the Consolidated Base Rent Coverage Ratio for the Fiscal Year immediately preceding the assumption of the proposed Additional Indebtedness is calculated to be at least 1.00:1.00 in such Fiscal Year, or would have been greater than it would otherwise have been, absent such proposed Additional Indebtedness.

The report of the Independent Consultant will take into account, as applicable, (i) the audited results of operations and verified enrollment of the Obligated Group Schools, (ii) any information from the Schools that would affect the amount of the Gross Management Fee Revenue paid directly to a Related Bond Trustee for the most recently completed Fiscal Year, (iii) projected enrollment of the Obligated Group Schools and (iv) and Gross Revenue at the completion of such Facility or Facilities financed with such Additional Indebtedness. In addition, the report of the Independent Consultant will assume that the Long Term Indebtedness then to be incurred will have been outstanding for the entire year.

(b) Long Term Indebtedness may be incurred for the purpose of refunding any Outstanding Indebtedness, if prior to the incurrence thereof, there is delivered to the Trustee an Officer's Certificate demonstrating that (i) the Maximum Annual Debt Service will not increase by more than 10% after the incurrence of such proposed refunding Long Term Indebtedness and after giving effect to the disposition of the proceeds thereof or (ii) the total Debt Service on the Indebtedness being refinanced will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof; or (iii) the requirements summarized in paragraph (a)(i) above are met; provided that the foregoing will not apply to any refinancing with Balloon Indebtedness.

(c) Short-Term Indebtedness may be incurred by any Member as long as the Short-Term Indebtedness is made payable from such Member's Gross Revenues.

(d) Indebtedness consisting of purchase money obligations with respect to any item of equipment related to the Facilities may be incurred without limitation.

(e) Indebtedness consisting of leases which are considered operating leases under generally accepted accounting principles may be incurred without limitation.

(f) Subordinated Indebtedness may be incurred without limitation.

“Consolidated Base Rent Coverage Ratio” is defined as the ratio determined by dividing Consolidated Net Operating School Revenue for such period by the Consolidated Base Rent; provided, however, that the computation of Gross Management Fee Revenue for purposes hereof will exclude any subordinated Educational Management Fee (defined herein) received or recognized as income by the Lessee.

“Consolidated Net Operating School Revenue” means the sum of all Net Operating School Revenue and Gross Management Fee Revenue (as such terms are defined in the related Leases) for all Lessees of all Facilities and proposed Facilities as that computation would be applied to the operations of an existing or proposed Lessee of an existing or proposed Facility financed with Related Bonds or to be financed with Additional Indebtedness, and excluding therefrom the payment obligations associated with any loan or other indebtedness to be refinanced or retired from proceeds of the Long-Term Indebtedness then to be incurred.

“Consolidated Base Rent” means the sum of all Base Rent for all Lessees of all Facilities and proposed Facilities.

Amendment of Leases. There will be no amendment, modification or termination of any of the Leases without (1) an Officer’s Certificate delivered to the Master Trustee stating that the amendment, modification or termination of the Lease contemplated will not have a material adverse effect on the financial position of the Obligated Group or (2) the prior written consent of the Master Trustee, which consent will only be given if:

(a) in the Opinion of Bond Counsel, such amendment is necessary to preserve the exclusion of interest on related Tax-Exempt Bonds from gross income for purposes of federal income taxation or the exemption of interest on the related Tax-Exempt Bonds from state income taxation;

(b) (1)(A) the Holders of a majority in principal amount of the related the Bonds then Outstanding consent in writing to such amendment, modification or termination, or (B) in the Opinion of Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Related Bondholders or result in any material impairment of the security given for the payment of the related Bonds, and (2) the Master Trustee will receive an Opinion of Bond Counsel substantially to the effect that such amendment, modification or termination will not, in and of itself, adversely affect any exclusion of interest on the Related Bonds from gross income for purposes of federal income taxation; or

(c) it has received a written representation from the Borrower to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Related Bonds; provided that, if an Event of Default with respect to the failure to make due and punctual payment of any Required Payment on an Obligation or the failure to observe or perform any covenant or agreement under the Master Indenture (and such failure has not been cured within 60 days) has occurred and is continuing, the Master Trustee rather than the Borrower will make a determination that such an amendment or modification will not materially and adversely affect the interest of the Holders of the Related Bonds (provided that, in making such determination, the Master Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel).

Rates and Charges; Debt Coverage. Each Member covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges for the use of its Facilities and for the services furnished or to be furnished by the Members so that the Debt Service Coverage Ratio of the Obligated Group as a whole at the end of each Fiscal Year is not less than 1.00:1.00. If the Debt Service Coverage Ratio of the Obligated Group falls below 1.00:1.00, it will constitute an Event of Default under the Master Indenture.

Other Covenants. Each of the Members of the Obligated Group agrees to comply with other covenants set forth in the Master Indenture, including covenants to insure the Facilities against loss or damage. See “APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE MASTER INDENTURE.”

Membership in Obligated Group. Additional Members may be added to the Obligated Group from time to time provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of the Master Indenture;

(b) a Related Supplement executed by the Obligated Group Representative, the new Member and the Master Trustee pursuant to which the proposed new Member (1) agrees to become a Member, (2) agrees to be bound by the terms and restrictions imposed by the Master Indenture and the Obligations, and (3) irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants to the Obligated Group Representative full power to execute Related Supplements authorizing the issuance of Obligations and to execute and deliver Obligations;

(c) an Opinion of Counsel to the Master Trustee to the effect that (1) the proposed new Member has taken all necessary action to become a Member, and upon execution of the Related Supplement, such proposed new Member will be bound by the terms of the Master Indenture and (2) the addition of such Member will not cause the Master Indenture or any Obligations to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred);

(d) an Independent Consultant's or Accountant's report, or an Officer's Certificate, as appropriate, to the effect that the condition described in the Limitations on Additional Indebtedness section of the Master Indenture would be met for the incurrence of one dollar of additional Long-Term Indebtedness immediately following the addition of such new Member;

(e) an Opinion of Bond Counsel to the effect that the addition of such Member will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred);

(f) an Officer's Certificate to the effect that no Member, immediately after the addition of such new Member, would be in default in the performance or observance of any covenant or condition of the Master Indenture;

(g) a duly executed and delivered Mortgage encumbering the all Property, Plant and Equipment of such new Member, subject only to Permitted Liens; and

(h) any other document, agreement, certificate, waiver or other instrument from such parties, as the Master Trustee reasonably requests.

Any certification or calculation made in accordance with this Section may take into account the effect of the withdrawal of another Member or Members from the Obligated Group in connection with the addition of a Member to the Obligated Group.

Withdrawal from Obligated Group. Any Member may withdraw from the Obligated Group, and be released from further liability or obligation under the provisions of the Master Indenture, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that, immediately following withdrawal of such Member, no Member would be in default in the performance or observance of any covenant or condition of the Master Indenture;

(b) an Opinion of Bond Counsel to the effect that the withdrawal of such Member is in compliance with the conditions contained in the Master Indenture, and such withdrawal will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred); and

(c) either:

(i) an Officer's Certificate to the effect that, the withdrawal of such Member will not cause a downgrade or withdrawal of any then-current rating on the Related Bonds outstanding hereunder by the related rating agency; or

(ii) an Independent Consultant's report stating that:

(1) (A) the forecast Consolidated Base Rent Coverage Ratio for the two consecutive Fiscal Years immediately following such withdrawal, taking such withdrawal into account, is projected to be at least 1.25:1.00 in each Fiscal Year or would be greater than it would otherwise have been absent such withdrawal; and

(B) such withdrawal will not lower the Consolidated Base Rent Coverage Ratio for the most recent Fiscal Year for which Obligated Group Financial Statements are available by more than twenty percent (20%); or

(2) the forecast Debt Service Coverage Ratio for the two consecutive Fiscal Years immediately following such withdrawal, taking such withdrawal into account, is projected to be not less than 1.00:1.00 in each Fiscal Year or would be greater than it would otherwise have been absent such withdrawal.

Any certification or calculation made in accordance with this Section may take into account the effect of the addition of another Member or Members to the Obligated Group in connection with the withdrawal of a Member from the Obligated Group.

Upon compliance with the conditions described above, the Master Trustee will execute any documents reasonably requested by the withdrawing Member to evidence the termination of such Member's obligations under the Master Indenture (including without limitation termination of the pledge of such Member's Gross Revenues) under any Related Supplements and under all Obligations (including without limitation reconveyance of the Mortgage encumbering such Member's Property, Plant and Equipment for the benefit of the Master Trustee).

Cross-Collateralization; Extraordinary Monthly Rent. Pursuant to the Master Indenture, each Member covenants and agrees that each lease will contain the following provisions, in substantially the following form:

Extraordinary Monthly Rent: In the event that the Lessee under such Lease receives a notice (an "Extraordinary Monthly Rent Notice") from either the lessor under such lease (the "Lessor") or the Related Bond Trustee stating that the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Lessee will pay the Extraordinary Monthly Rent to the Related Bond Trustee within three business days after such Lessee's receipt of the Extraordinary Monthly Rent Notice. The Lessor will covenant in such Lease to immediately provide the Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture.

“Extraordinary Monthly Rent” means the amount set forth in such Extraordinary Monthly Rent Notice, which will be the Lessee’s Proportionate Share of the Extraordinary Monthly Rent.

“Proportionate Share” means the amount required to be paid by Lessee to ensure that all of the required Rent with respect to all of the Related Projects have been timely made.

The definition of “Rent” set forth under the related Lease will include, as one component, the “Extraordinary Monthly Rent.”

See “APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – MASTER INDENTURE – Additional Covenants” and related definitions.

Deeds of Trust on the Facilities

Pursuant to the Master Indenture, each Member will enter into a mortgage, including leasehold deed of trust, deed of trust, security agreement, assignment of rents and leases, and/or financing statement as provided therein (each, a “Mortgage”) for each Facility to secure the obligations of the Members under the Master Indenture and each Member, respectively, agrees to supplement such Mortgage or to execute and deliver such other deeds of trust or mortgages as may be necessary from time to time to grant to the Master Trustee a first priority lien on any Property, Plant and Equipment of the Member, subject to certain permitted liens. The Mortgages also create a current and absolute assignment of the rents under each Lease in favor of the Master Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases” herein.

Pursuant to the Master Indenture and in connection with the execution and delivery of the Mortgages, each Member has covenanted to obtain or cause to be maintained, ALTA title insurance policies on its Facilities in an aggregate amount not less than the aggregate principal amount of the Bonds, insuring the liens of the Mortgages held by the Master Trustee, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State. See “CERTAIN RISK FACTORS – Limitations On Value of the Facilities and to Remedies Under the Mortgages” herein.

The Leases

The following section contains brief descriptions of the Leases, emphasizing terms common to each of the Leases. All references in this Limited Offering Memorandum to the Leases are qualified in their entirety by reference to Appendix D, and to the individual Leases, copies of which may be obtained by request to the Underwriter. See “APPENDIX D – SUMMARY OF THE LEASES.”

General. The primary source of Gross Revenues for the Members of the Obligated Group (sometimes referred to as the “Lessors”) is the payments of Rent received pursuant to the Leases. Under the Leases, each Lessor will lease to Summit, and Summit will lease from the respective Lessor, the applicable Facility.

The Leases will each have an initial term of approximately thirty years (the “Initial Lease Terms”), terminating on June 30, 2047. In addition, each Lease provides for options (each a “Renewal Option”) to extend the applicable Lease for additional periods for three Renewal Terms of five years, provided, however, that no such Renewal Option will cause the Lease Term (as defined herein) to exceed the term of the underlying Ground Lease (if applicable). Collectively, each Initial Lease Term and Renewal Term thereof are referenced herein as a “Lease Term.” Pursuant to each Lease, the Lessee has covenanted that, so long as the applicable Lessor has any obligations under the Loan Documents, it will exercise each Renewal Option under the applicable Lease, provided that, with respect to the Shasta Lease and the Denali Lease, the Lease will continue to be classified as an operating lease for purposes of SB 740 funding, to the extent applicable.

The provisions of each Lease are substantially similar except for the amount of rent payable and the Facility subject to each Lease, and except that the Home Office Lease contains provisions unique to Summit Home Office. See “APPENDIX D – SUMMARY OF THE LEASES” attached hereto.

The Lessors for each of the Summit Shasta Project and the Summit Home Office Project hold only leasehold interests in the property subject to the applicable Ground Leases. See “— Ground Leases; Property Interests Conveyed Under the Leases” herein. Copies of the Ground Leases are attached hereto as Appendices I and J.

The following table summarizes the terms of such Ground Leases and the corresponding Leases.

GROUND LEASES & LEASES – Summary of Terms

Project	GROUND LEASE ⁽¹⁾			LEASE ⁽²⁾		
	Initial Term	Extensions	Final Term After Extensions	Initial Term	Extensions	Final Term After Extensions
Summit Shasta Project	6/30/2114	One 25-year option	6/30/2139	6/30/2047	Three 5-year options	6/30/2062
Summit Denali Project	--	--	--	6/30/2047	Three 5-year options	6/30/2062
Summit Home Office Project	9/15/2054	--	6/30/2054	6/30/2047	Three 5-year options	6/30/2062 ⁽³⁾

⁽¹⁾ The Shasta Ground Lease was originally executed on October 20, 2015 between Jefferson UHSD, as the ground lease landlord, and the Borrower, as the ground lease tenant. The Home Office Ground Lease was executed on September 15, 2017 between 780 Broadway LLC, as the ground lease landlord, and EdFuture, LLC, as the ground lease tenant. Prior to or concurrently with the issuance of the Bonds, the Borrower will assign its interest in the Shasta Ground Lease to 895 Campus Drive, LLC. See Appendices J and K, attached hereto. 824 San Aleso, LLC will own the Summit Denali Facility in fee simple upon the issuance of the Bonds, and therefore there is no related ground lease.

⁽²⁾ Under each Lease, the tenant is Summit and the landlord will be the applicable Lessor. See “APPENDIX D – SUMMARY OF THE LEASES” herein.

⁽³⁾ Under the Leases, no extension term will cause the term of a Lease to extend the term of a related ground lease.

Source: Summit.

Payment of Rent. Pursuant to each Lease, Summit will make monthly payments of Rent in advance on the 20th day of each calendar month. In order to provide for secure and orderly payment of the Rent, for the payment of the Bonds out of such Base Rent payments and for payment of scheduled Additional Rent, Summit will deliver or cause to be delivered an Intercept Notice for the Leases. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – California Intercept Program” herein. “Rent,” as defined under each Lease, comprises the following: (i) the monthly payment of Base Rent (as defined in each Lease); (ii) Additional Rent (as defined in each Lease); (iii) Extraordinary Monthly Rent (as defined in each Lease); and (iv) any Expenses (as defined in each Lease), together with all other monetary obligations of Summit or the Lessor under each Lease or to third parties arising under the terms of each Lease.

Summit will cause all payments of Rent under each Lease to be received by the Master Trustee on behalf of the Lessors in lawful money of the United States on or before the day on which such payments are due, without offset or deduction. Summit has agreed to take such action as may be necessary to include all payments of Rent due under the Leases in its annual budget, to make, as necessary, annual appropriations for all such payments and to take such action annually as will be required to provide funds in such year for such payments of Rent.

The source of payment for the obligations of Summit under each Lease will be limited solely and exclusively to assets and revenues derived from operations pursuant to the Schools (under the Shasta Lease and Denali Lease) and operations pursuant to the Summit Home Office (under the Home Office Lease), and any other charter school operated by Summit in the applicable Facility (as further defined in each Lease as the “Premises”).

Summit's obligation to pay Rent and other monetary obligations under the Home Office Lease is limited to Gross Management Fee Revenue, and Summit's obligation to pay Rent and other monetary obligations under the Denali Lease is limited solely to revenues attributable to the operation of grades 9-12 at the Summit Denali High School Site.

Revenue derived from operations of one Obligated Group School is only available to pay Base Rent due with respect to any other Obligated Group School (as defined below) through the Extraordinary Monthly Rent provisions described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Leases Governed by the Master Indenture" herein. No other assets or revenues of Summit will be available to satisfy its obligations under the Leases, except at the election of Summit or as described below. Accordingly, if operations of all Obligated Group Schools fail to provide sufficient revenue to provide for the payment of Rent under all of the applicable Leases, excess revenues produced by operations of any other charter school operated by Summit may not be available for the payment thereof. See "CERTAIN RISK FACTORS" herein.

If any Rent is not received by or on behalf of the applicable Lessor from Summit within ten calendar days after the Master Trustee or such Lessor has notified Summit in writing that payment has not been received by such Lessor, then Summit will immediately pay to the applicable Lessor a late charge equal to 5% of such delinquent rent as liquidated damages for Summit's failure to make timely payment by paying such sum to the Master Trustee for deposit in the Revenue Fund. In no event will this provision for a late charge be deemed to grant to Summit a grace period or extension of time within which to pay any Rent or prevent the applicable Lessor from exercising any right or remedy available to such Lessor upon Summit's failure to pay any rent due under the Lease in a timely fashion. If any Rent remains delinquent for a period in excess of 30 days then, in addition to such late charge, Summit will pay to the applicable Lessor interest on any rent that is not paid when due at the rate of 10% per annum from the date such amount became due until paid by paying such sum to the Master Trustee by depositing the same in the Revenue Fund.

Neither Summit's general revenues nor any revenues Summit may derive from its operation of Summit Schools (other than the Schools pursuant to the Shasta Lease and Denali Lease, and Gross Management Fee Revenue of Summit Home Office, which may include revenues derived from the operation of other schools operated or managed by Summit, or other schools Summit may operate in the Facilities subject to the Leases), nor from any schools Summit may operate or manage in the future, are pledged or otherwise available to make payments under the Leases and with respect to the Bonds.

Included in the Rent payable by Summit under the Leases are amounts sufficient to pay Extraordinary Monthly Rent, as further described below under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Leases Governed by the Master Indenture."

Covenants. The Leases contains various covenants (including financial reporting covenants), representations and warranties made by the Lessee to the Lessors. Certain of those covenants include:

(a) Restrictions on the use of the Premises to the operation of a charter school (or, in the case of the Home Office Lease, primarily for Summit's administrative offices (the "Administrative Offices"), for any related and ancillary school and educational purposes, any related administrative purposes, and any related incidental legal uses);

(b) Compliance by the Lessee with applicable laws, including environmental laws and Applicable Requirements (as defined in the Leases);

(c) Maintenance and repair covenants;

(d) Certain sublease and assignment restrictions;

(e) Covenants to maintain insurance policy coverages required under the Master Indenture as set forth in the Leases;

(f) Indemnification of the applicable Lessor pursuant to the Lease terms; and

(g) Maintaining its charter (in the case of the Shasta Lease and Denali Lease) with a sponsoring entity and take or cause to be taken all actions required to renew or extend the term of its charter with a sponsoring entity.

Financial Covenants. The Leases also contain the following financial covenants on the part of the Lessee.

Base Rent Coverage Ratio Covenant. The Lessee covenants and agrees to calculate for each Fiscal Year its Base Rent Coverage Ratio (as defined below) for each Lease based on its audited financial statements for such Fiscal Year, and to provide a copy of such calculation for such period to the applicable Lessor and the Master Trustee annually commencing with the Fiscal Year ending June 30 of the Fiscal Year in which the Lease is executed or June 30, 2019, whichever is later. The Lessee also covenants to maintain its Net Operating School Revenue (defined below) (or, in the case of the Home Office Lease, Gross Management Fee Revenue) so that its Base Rent Coverage Ratio at the end of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2019) is not less than 1.10 to 1.00; provided that, except as provided below, the Lessee's failure to achieve the required Base Rent Coverage Ratio will not constitute an Event of Default under any Lease if the Lessee promptly engages an Independent Consultant to prepare a report, to be delivered to the Lessee, the Lessor and Master Trustee within 45 days of engagement, with recommendations for meeting the required Base Rent Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by the Lessee may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, the Lessee covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Lessors and Master Trustee within 90 days after being so retained. The Lessee, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. The Lessee will not be obligated to retain such an Independent Consultant more often than once during any 24 month period. Notwithstanding the foregoing, the Lessee's failure to achieve a Base Rent Coverage Ratio of 1.00 to 1.00 at the end of any Fiscal Year (commencing with the Fiscal Year ending June 30, 2019) will constitute an Event of Default under the Lease.

"Management Agreement" means the Master Services Agreement or any agreement between Summit and a charter school, including charter schools operated or managed by Summit, pursuant to which Summit provides management services.

"Educational Management Fees" means any fee or charge, including any funds transfer recognized as an expenditure for accounting purposes, paid by Summit for management services provided to the School, including pursuant to a Management Agreement. This fee is subordinate to the payment of operating expenses of the School and Rent payments due under the Lease (other than Intercepted Management Fees (as defined below), which will be paid on a parity basis to the payment of Base Rent under the Lease).

"Intercepted Management Fee" means that portion of the Educational Management Fee paid by Summit directly to a Related Bond Trustee pursuant to an Intercept Notice or subject to a blocked account agreement for the benefit of the Related Bond Trustee.

"Gross School Revenues" means all revenue, income, receipts and money received by or on behalf of Summit from all lawfully available sources attributable to its operation of the School and to any other charter school operated by Summit on the Premises subject to the Lease, including from any applicable district or

county or from the State pursuant to the Charter School Law from any general purpose entitlement, revenue limit or State educational funding sources; but excluding gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for Rent payments or operating expenses. Any other income, revenue, receipts, contributions or other monies received by Summit not specifically described in the immediately preceding sentence will not constitute Gross School Revenues. For the avoidance of doubt, Gross School Revenues will include revenues generated by Summit by its operation of any campus while such campus is operated under a common charter with the School, regardless of whether such operations are at the Premises.

“Gross Management Fee Revenue” means all revenue, income, receipts and money received, including any funds transfer recognized as income for accounting purposes, by Summit or on behalf of Summit from all lawfully available sources attributable to or derived from any Management Agreement, licensing agreement or other revenue generating activity excluding all revenue attributable to or derived from the operation of charter schools.

“Base Rent Coverage Ratio” means for any period of time the ratio determined by dividing (i) Net Operating School Revenue (as defined below) (or, in the case of the Home Office Lease, Gross Management Fee Revenue), by (ii) the amount of scheduled Base Rent under the Lease; provided, however, in the case of the Home Office Lease, that the computation of Gross Management Fee Revenue for purposes of this definition will exclude any subordinated Educational Management Fee received or recognized as income by Summit.

“Net Operating School Revenue” means Summit’s Gross School Revenues minus its Operating Expenses (defined below); provided, that no determination thereof will take into account: (a) any gain or loss resulting from either the early extinguishment or refinancing of Obligated Group School Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business; (b) gifts, grants, bequests, donations or contributions, and income therefrom, to the extent specifically permanently restricted by the donor or by law to a particular purpose inconsistent with their use for the payment of Operating Expenses; (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (e) unrealized gains or losses that do not result in the receipt or expenditure of cash; and (f) nonrecurring items which involve the receipt, expenditure or transfer of assets.

“Obligated Group School Indebtedness” means Indebtedness (as such term is defined in the Master Indenture) related to or payable from, in the case of the Shasta Lease and the Denali Lease, revenues of the applicable School or related to any other charter school operated by Summit in the Facility subject to the Lease, or, in the case of the Home Office Lease, Gross Management Fee Revenue.

“Operating Expenses” means, except as provided below, all unrestricted expenses of the Lessee attributable to operations of, in the case of the Shasta Lease and the Denali Lease, the applicable School and to any other charter school operated by Summit or, in the case of the Home Office Lease, attributable to operations of Summit, at the Premises, including maintenance, repair expenses, utility expenses, equipment lease and other rental expense (excluding the Base Rent and the Extraordinary Monthly Rent, if any, but including Additional Rent and Expenses as defined in the Lease), administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Lessee, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Lessee not otherwise taken into account herein, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles, all in such amounts as reasonably determined by the Lessor. “Operating Expenses” will exclude, however, (i) all subordinated Educational Management Fees (or, in the case of the Home Office Lease, third party management fees the payment of which is expressly subordinate to the payment of operating expenses of the Administrative

Offices and Rent payments to the Lessor), (ii) depreciation and amortization, and (iii) any expenses which are treated as extraordinary in accordance with generally accepted accounting principles.

Liquidity Covenant. Summit will calculate Consolidated Days Cash on Hand (as defined below) for the Obligated Group Schools as of the last day of each Fiscal Year, commencing with the immediately succeeding Fiscal Year commencing after the effective date of such Lease, or June 30, 2019, whichever is later, based upon its audited financial statements for such Fiscal Year and file such reports with Master Trustee. For each calculation date, Summit, on behalf of the Obligated Group Schools will maintain Consolidated Days Cash on Hand as of the last day of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2019) equal to or greater than 45 days.

“Consolidated Days Cash on Hand” means (i) the sum of Cash and Cash Equivalents of the Obligated Group Schools, as shown on Summit’s audited financial statements for each Fiscal Year, and any State payments accrued to such Fiscal Year and scheduled to be received within two months following the end of such Fiscal Year (“Cash on Hand”); divided by (ii) the Average Daily Expenses for Obligated Group Schools (as calculated for the most recent Fiscal Year ending before such date).

“Average Daily Expenses for Obligated Group Schools” means (A) cash requirements during such Fiscal Year related to or payable from revenues attributable to the Obligated Group Schools under the Lesaes and any other lease between Summit and any Member of the Obligated Group, as landlord, which have been financed with Obligations issued under the Master Indenture (the “Obligated Group Leases”) (excluding from such calculation all depreciation and other non-cash items), and including within such calculation on behalf of the Obligated Group Schools in the aggregate (i) all Operating Expenses for such Fiscal Year for the Obligated Group Schools, (ii) subordinated Educational Management Fees, and (iii) the maximum Base Rent payable under the Leases for all Obligated Group Schools between Summit and any member of the Obligated Group for that year or any other Fiscal Year, divided by (B) 365.

“Obligated Group Schools,” as defined in the Master Indenture, means, collectively, each public charter school and related administrative office operated by Summit and located at one or more Facilities pursuant to a Lease from and after the date upon which the Member that is the lessor under such Lease joins the Obligated Group, but excluding any public charter school operated by Lessee at premises that are not owned or leased by a Member that is part of the Obligated Group or is owned or leased by a Member that withdraws from the Obligated Group to the extent and in accordance with the Master Indenture, from and after the date of such withdrawal.

Summit will provide a certificate to the Lessor and Master Trustee at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether Summit, on behalf of the Obligated Group Schools, has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, Summit covenants to retain an Independent Consultant, at the expense of Summit, on behalf of the Obligated Group Schools, within 45 days, to make recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Independent Consultant selected and appointed by Summit may be rejected upon the written request of the holders of not less than a majority in aggregate principal amount of the Related Bonds then Outstanding; if so rejected, Summit covenants to use its best efforts to appoint a new Independent Consultant within 45 days thereof. Any Independent Consultant will be required to submit its recommendations to the Lessors and Master Trustee within 90 days after being so retained. Summit, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law.

No proceeds of any (i) Short-Term School Indebtedness (as defined below), in the case of the Shasta Lease and the Denali Lease, or (ii) short-term Obligated School Indebtedness, in the case of the Home Office Lease, will be considered unrestricted available cash for purposes of such calculation (other than the proceeds

of any working capital loans made to bridge deferrals in State payments or start-up loans from the State of California or the California Department of Education).

In the event the Obligated Group School fails to have such an amount on deposit, it will not be a default or Event of Default under any Lease. Summit will not be obligated to retain such an Independent Consultant on behalf of the Obligated Group Schools more often than once during any 24 month period.

See APPENDIX C – “SUMMARY OF PRINCIPAL BOND DOCUMENTS – DEFINITIONS” for capitalized terms not defined herein.

Financial Reporting. Lessee agrees to provide the relevant Lessor, and upon written request of the Trustee or Master Trustee, the Trustee or Master Trustee, as applicable, the following information:

(a) If Lessee is undertaking any construction at the Premises, not later than 60 days after the end of each quarter, a construction progress report with respect to any such construction until such construction is substantially complete.

(b) Quarterly unaudited financial information and operating data of the Obligated Group Schools not later than 60 days after the end of each quarter.

(c) Quarterly, not later than 60 days after the end of each quarter, a report of the Obligated Group Schools’ quarterly enrollment data and waitlist data by grade for the previous fiscal quarter.

(d) Prior to the end of each Fiscal Year, a copy of the annual budgets of the Obligated Group Schools for the subsequent Fiscal Year.

(e) Quarterly, not later than 60 days after the end of each quarter, a year to date comparison of the Obligated Group Schools’ revenues and expenditures in the unaudited financial statements for such quarter to the annual budget for the applicable Fiscal Year.

(f) Quarterly, not later than 60 days after the end of each quarter, a copy of any recommendations of any Independent Consultant received in accordance with the Leases pursuant to the Liquidity Covenant and Base Rent Coverage Ratio Covenant under the Leases described above.

(g) Annually, no later than six (6) months after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2018, copies of the audited financial statements of Lessee and the Obligated Group Schools for the prior Fiscal Year prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available.

(h) Annually, no later than six (6) months after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2019, the certifications and calculations of the Consolidated Days Cash on Hand for the Obligated Group Schools and the Base Rent Coverage Ratio for each Obligated Group School as described in the Liquidity Covenant and Base Rent Coverage Ratio Covenant under the Obligated Group Leases described above.

(i) Such other information as may be reasonably requested by the Lessor, the Authority, the Trustee or Master Trustee.

Limitations on Obligated Group School Indebtedness. Under the Shasta Lease and the Denali Lease, Summit covenants that it will not incur, assume or guarantee (“incur”), any Obligated Group School Indebtedness (secured or unsecured), except Obligated Group School Indebtedness with respect to purposes specifically benefiting Summit, and except as provided below.

To the extent permitted by applicable law and if no Event of Default under the Lease, or an event that with the giving of notice or passage of time or both would constitute an Event of Default under the Lease, has occurred and is continuing, Summit may incur or assume Nonrecourse School Indebtedness (as defined below), Short-Term School Indebtedness (as defined below) and Interim School Indebtedness (as defined below) to a total aggregate principal amount outstanding at any time not in excess of the greater of (1) 25% of Operating Expenses in each Fiscal Year, or (2) the maximum amount of advance apportionment and principal apportionment due to the School in any Fiscal Year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or Sections 16325.5 and 16326 of the California Government Code, or any subsequent legislation authorizing additional deferrals of such apportionments.

“Nonrecourse School Indebtedness” means all Obligated Group School Indebtedness with respect to which the obligee is prevented by applicable law or contractual arrangement from exercising recourse, or any other right or remedy exercisable by a creditor, against all or any part of the Premises or the improvements to the Premises in order to pay, satisfy or discharge all or any part of the Obligated Group School Indebtedness.

“Short-Term School Indebtedness” means all Obligated Group School Indebtedness having an original maturity less than or equal to one year and not renewable at the option of Summit for a term greater than one year from the date of original incurrence or issuance, provided, however, that any Short-Term School Indebtedness that has been issued as revenue anticipation notes (“RANs”) will not be included or counted as Short-Term School Indebtedness to the extent that the RANs are secured by deferred State apportionment revenues expressly pledged and deposited in an intercept account to pay such RANs.

“Interim School Indebtedness” means all Obligated Group School Indebtedness having an original maturity less than or equal to five years and not renewable at the option of Summit for a term greater than five years from the date of original incurrence or issuance.

Notwithstanding the foregoing limitations on Obligated Group School Indebtedness, Summit will be permitted to obtain loans with respect to the School under each Lease operated under the charter for such School pursuant to the Charter School Revolving Loan Fund Program established under California Education Code Sections 41365 through 41367 (“Charter School Start-up Loans”) and any such Charter School Start-up Loans existing with respect to any School will not be taken into account in applying the foregoing limitations on Nonrecourse School Indebtedness, Short-Term School Indebtedness, and Interim School Indebtedness.

Notwithstanding the foregoing limitation on Obligated Group School Indebtedness, nothing in each Lease will be deemed to limit Summit from obtaining loans related to or payable from revenues of (a) any school that is not a member of the Obligated Group, or (b) Summit from its operations of the Home Office.

Under the Home Office Lease, Summit covenants that it will not incur, assume or guarantee (“incur”), any Obligated Group School Indebtedness (secured or unsecured), except Obligated Group School Indebtedness with respect to purposes specifically benefiting Summit, and except (i) Indebtedness which is related to or payable from revenues of any school that is not a member of the Obligated Group; and (ii) Indebtedness which is not secured by the Premises or the Gross Management Fee Revenue.

Covenant to Maintain Gross Management Fee Revenue. Under the Home Office Lease, Summit covenants and agrees to amend, on or before June 30, 2018, the Master Services Agreement (or other management services agreement) of Summit with each charter school operated by Summit to allow Summit to increase fees paid pursuant to such Master Services Agreement due from each such charter school to the extent necessary to pay Rent under the Home Office Lease (including Extraordinary Monthly Rent), and to require that such fees from each such charter school be paid monthly. Summit further covenants to maintain such provision in the Master Services Agreements for all charter schools operated by Summit during the period in which any obligations under the Master Indenture remain outstanding.

Use of State of California Apportionments. Summit covenants that it will not use the public money, assets, and funds for support of the public school system that it receives through apportionments from the State in a manner that conflicts with or constitutes on its part or on the part of the School (or, in the case of the Home Office Lease, on the part of the Administrative Offices) a violation or breach of any State statute, rule or regulation governing the use of those moneys. The Authority will be deemed a third party beneficiary under each Lease with respect to this provision.

Use of Intercept Moneys. Summit covenants that all funds subject to the Intercept will only be transferred to a Related Bonds Trustee for Related Bonds issued by the Authority.

Subordination of Educational Management Fee Covenant. In the Shasta Lease and the Denali Lease, if Summit engages an education manager with respect to the School (a) that is not a separate legal entity, Summit will, by not later than June 30, 2018, and (b) that is a separate entity, Summit may, amend any such management agreement for the School such that, to the extent permitted by Rev. Proc. 2017-13 (published by the U.S. Treasury Department on January 17, 2017), or subsequent or supplemental guidance, so long as Bonds remain outstanding: (i) the obligation of Summit to pay Educational Management Fees relating to the School will be subordinate to its payment of operating expenses of the School and Rent payments to Landlord under the related Lease (other than Educational Management Fees which comprise Intercepted Management Fees, which will be paid on a parity basis to the payment of Base Rent under the Lease); (ii) the obligation of Summit to pay Educational Management Fees relating to the School will be suspended for any such time as the payment of Educational Management Fees would cause Summit to fail to meet Base Rent Coverage Ratio Covenant or the Liquidity Covenant in the Lease; provided, however, that if the education manager is not either a state or local governmental entity or an entity described in Section 501(c)(3) of the Code, the payment of Educational Management Fees will not be suspended for a period longer than five (5) years from the original date due, and, during any period of time when Educational Management Fees remain unpaid, such fees will accrue at an interest rate of not less than 3% per annum. If Summit has not engaged a separate education manager with respect to the School, Summit agrees that it will not apply any Gross School Revenues to education management costs and expenses unless and until all Rent is fully paid and the Loan is not in default.

“Intercepted Management Fee” means that portion of the Educational Management Fee paid by Summit directly to a Related Bond Trustee pursuant to an Intercept Notice or subject to a blocked account agreement for the benefit of the Related Bond Trustee.

Direct Deposit of Gross Management Fee Revenue Through Blocked Account Agreement Made with Summit Washington. Under the Home Office Lease, Summit pledges to the lessor thereunder and covenants and agrees to deposit the portion of Gross Management Fee Revenue attributable to each Washington School, equal to their ratable share of Rent under the Home Office Lease, immediately upon receipt thereof, or direct any third party to deposit such amounts on the date available, into a commercial account selected by the Master Trustee (the “Blocked Account”) established pursuant to a Lease Blocked Account Agreement entered into in connection with the issuance of the Bonds (the “Blocked Account Agreement”). Pursuant to the Blocked Account Agreement, the custodian of the Blocked Account will set aside upon receipt, for disbursement to the Master Trustee on the next succeeding disbursement date set forth therein, amounts set forth in the Blocked Account Agreement that are calculated to be sufficient, along with the portion of Gross Management Fee Revenue received by the Trustee pursuant to the Intercepts, to provide for the timely payment of Base Rent, portions of Additional Rent, Extraordinary Monthly Rent and Expenses, including ground rent under the Home Office Ground Lease. Any remaining amounts held in the Blocked Account following set aside of the amounts described above, including interest earnings on monies held in the Blocked Account, will promptly be paid to Summit. The failure of Summit to maintain the Blocked Account would be a default under the Home Office Lease.

The Lessors are currently the only Members of the Obligated Group, and the only leases (as defined in the Master Indenture) are the Leases, and the only School (as defined in the Master Indenture) are the Schools and Summit Home Office. Summit and the Borrower provide no assurances that other schools and leases will be added and be subject to the provisions of the Master Indenture.

Ground Leases; Property Interests Conveyed Under the Leases. Upon the issuance of the Bonds, 824 San Aleso, LLC will hold fee simple title to the property subject to the Denali Lease. Upon the issuance of the Bonds, (i) 895 Campus Drive, LLC will hold a leasehold interest in the property subject to the Shasta Lease, pursuant to the Shasta Ground Lease and (ii) EdFuture, LLC will hold a leasehold interest in the property subject to the Home Office Lease, pursuant to the Home Office Ground Lease. The following section briefly describes certain provisions of the Shasta Ground Lease and Home Office Ground lease. The following discussion does not purport to be a complete summary of the terms of the Ground Leases and is qualified by reference to the Shasta Ground Lease and Home Office Ground Lease, which are attached hereto as Appendices I and J, respectively.

Shasta Ground Lease. The Borrower and Jefferson UHSD (as used in this section, the “Shasta Ground Lessor”) entered into that certain Ground Lease Agreement dated October 20, 2015 (the “Shasta Ground Lease”). Prior to or concurrently with the issuance of the Bonds, the Borrower will assign its interest in the Shasta Ground Lease to 895 Campus Drive, LLC (as used in this section, the “Shasta Ground Lessee”).

Term of the Shasta Ground Lease. The Shasta Ground Lease provides for an initial term commencing on July 1, 2015 and terminating on June 30, 2114 (the “Original Shasta Ground Lease Term”). The Shasta Ground Lessee may extend the Original Shasta Ground Lease Term for one additional period of twenty-five years (the “Shasta Ground Lease Renewal Term”).

Use of the Premises. Subject to the terms of the Shasta Ground Lease, the Shasta Ground Lessee has the right to use the Summit Shasta Site as a public charter high school and for any other purposes reasonably related thereto. In connection with such use, the Shasta Ground Lessee has the right to remove, install, construct and maintain any facilities for school purposes it deems necessary in its sole discretion and to make any other improvements to the Summit Shasta Site that it deems reasonably necessary to carry out such purposes, including without limitation the right to construct a permanent school facility and related buildings and installations (“Lessee’s Facility”). The Shasta Ground Lessee has the right to hire contractors, architects, consultants, attorneys, accountants, teachers, administrators and other persons it deems necessary in its sole discretion, in connection with its use and construction of Lessee’s Facility. In its sole discretion, the Shasta Ground Lessee has the right to make repairs as it deems necessary to maintain and operate Lessee’s Facility and to furnish any services or facilities or to make alterations to the Summit Shasta Site or Lessee’s Facility, so long as the performance of any construction, repair and/or maintenance work on the Summit Shasta Site does not interfere with the Shasta Ground Lessor’s instructional program, in which case Shasta Ground Lessor and Shasta Ground Lessee will work together and identify a manner in which Shasta Ground Lessee may perform its construction, repair and/or maintenance work without interfering with Shasta Ground Lessor’s instructional program.

To the extent that Shasta Ground Lessor has access to parking spots in the Physician’s Medical Center parking lot located at 901 Campus Drive, Daly City, Shasta Ground Lessor transfers those parking rights to Shasta Ground Lessee. The Shasta Ground Lessor will also take any reasonable action, at no cost to the Shasta Ground Lessor, necessary to support the Shasta Ground Lessee in its efforts to request additional parking spaces from the Medical Center. See “THE PROJECT – Summit Shasta Project” herein.

Upon the termination of the Original Shasta Ground Lease Term, or the Shasta Ground Lease Renewal Term, whichever is later, the title to the Lessee’s Facility will transfer to the Shasta Ground Lessor.

Rent. The annual rent for the Summit Shasta Site (“Shasta Ground Rent”) will be 50% of the fair market lease value of the Summit Shasta Site leased as undeveloped land per year. In order to determine the

fair market value of the Summit Shasta Site, the Parties will retain Cushman & Wakefield to conduct an assessment of the lease value of the Summit Shasta Site as undeveloped land zoned for commercial use. After the initial assessment, every five calendar years from the date of the first valuation, the parties will engage Cushman & Wakefield, or a mutually agreed upon firm, to conduct a new assessment of the lease value of the Summit Shasta Site as if it was still undeveloped land, and this updated amount will be the new rent value for the next five years, including for any Shasta Ground Lease Renewal Term. Any increase or decrease in the assessed value and rent to be paid for each five year period will not exceed 10% of the prior year's Shasta Ground Rent.

Shasta Ground Lessee will begin paying Annual Rent on September 1, 2017, or upon charter school occupation of the permanent Lessee Facility on the Summit Shasta Site, whichever is later.

Except as otherwise stated in the Shasta Ground Lease, Shasta Ground Lessee will pay all water, electricity, gas, telephone, and other utility service used by Shasta Ground Lessee or any of its officers, employees, agents, contractors, volunteers or students used on, in or in connection with the Summit Shasta Site ("Utility Charges"). Shasta Ground Lessee will also be responsible for all other taxes, costs, expenses, homeowners' association dues or maintenance charges applicable to the Summit Shasta Site. Summit Ground Lessee covenants to pay any such sum or sums payable by Shasta Ground Lessee for any Utility Charges, or any other charges and expenses of whatsoever nature that Shasta Ground Lessee assumes or agrees to pay pursuant to the Shasta Ground Lease, as additional rent under the Shasta Ground Lease, payable within thirty days after Shasta Ground Lessor invoices Shasta Ground Lessee therefor. Shasta Ground Lessor will have the same rights and remedies in the event of the non-payment of any such sums by Shasta Ground Lessee as in the case of default by Shasta Ground Lessee in the payment of Annual Rent.

Assignment. Shasta Ground Lessee may not assign all or any portion of the Shasta Ground Lease or its rights thereunder or sublet all or any part of the Property without obtaining the prior written consent of Shasta Ground Lessor which will not be unreasonably withheld conditioned or delayed. Notwithstanding the foregoing, Shasta Ground Lessee may assign all or any portion of the Shasta Ground Lease or its rights thereunder or sublet all or any part of the Property without obtaining the Shasta Ground Lessor's consent, to any entity which (a) controls, is controlled by, or is under common control with Shasta Ground Lessee; (b) to any entity which results from a merger of, reorganization of, or consolidation with Shasta Ground Lessee; (c) to any entity engaged in a joint venture with Shasta Ground Lessee or any of its affiliates; (d) or to any other school, day care center or any other entity or organization for use as a place of education or instruction.

Shasta Leasehold Mortgage. Shasta Ground Lessee will be entitled to subject its leasehold estate and all of its rights and interests in and to the Shasta Summit Site and Lessee's Facility under the Shasta Ground Lease (the "Shasta Leasehold Interest") to a mortgage, mortgages, deed of trust or deeds of trust from time to time on the Shasta Leasehold Interest its rights, title, and interests in and to the Shasta Summit Site and Lessee's Facility under or pursuant to the Shasta Ground Lease (each a "Shasta Leasehold Mortgage"), for the benefit of, and to secure financing from, any mortgage lender(s) from time to time providing construction, interim, or permanent financing or refinancing for the Lessee's Facility and/or the business of Shasta Summit Lessee being conducted on the Shasta Summit Site (each a "Shasta Leasehold Mortgagee"). There may be one or more Shasta Leasehold Mortgages and Shasta Leasehold Mortgagees, at Shasta Ground Lessee's discretion. To facilitate the financing of the improvements, Shasta Ground Lessor agrees to the following:

Consent to Leasehold Mortgages. Shasta Ground Lessor's consent and approval will not be required in connection with any Shasta Leasehold Mortgage, the transfer of Shasta Ground Lessee's interest in the Shasta Ground Lease and Summit Shasta Site and Lessee's Facility in connection with a judicial or non-judicial sale proceeding pursuant to the Shasta Leasehold Mortgage, any transfer pursuant to a deed or assignment in lieu of foreclosure, any sale or transfer in any bankruptcy or insolvency proceedings, or any similar transfer pursuant to any exercise of remedies under any Shasta Leasehold Mortgage (collectively, a "Foreclosure"), subject to compliance with the terms of the Shasta Ground Lease and subject to such transferee expressly assuming all of the Shasta Ground Lessee's obligations under the Shasta Ground Lease. Notwithstanding the foregoing,

Shasta Ground Lessee will provide Shasta Ground Lessor with prompt written notice of the creation of any Shasta Leasehold Mortgage, and failure to provide such written notice will excuse Lessor from complying with the notice requirements to the Shasta Leasehold Mortgagee contained in the Shasta Ground Lease until such written notice is provided.

Forbearance by Shasta Ground Lessor. For as long as any Shasta Leasehold Mortgage remains in effect, Shasta Ground Lessor will delay and forbear from the exercise of its remedies (including the acceleration of rentals) as provided in the Shasta Ground Lease.

No Changes to Shasta Ground Lease. Shasta Ground Lessor will not make or accept any voluntary surrender, cancellation, modification or amendment of or to the Shasta Ground Lease at any time while the Shasta Leasehold Mortgage is in effect, nor will Shasta Ground Lessor convey all or any part of the property subject to the Leasehold Interest to Shasta Ground Lessee, or Shasta Ground Lessee accept such conveyance, without first obtaining the prior written consent of each Shasta Leasehold Mortgagee. In no event will any transfer of the Leasehold Interest to Shasta Ground Lessor result in a merger or termination of the Shasta Ground Lease so long as any Shasta Leasehold Mortgage will be in effect, and Shasta Ground Lessor, Shasta Ground Lessee and Shasta Leasehold Mortgagee will remain bound by the provisions of the Shasta Ground Lease.

Voluntary Termination. In no event will any abandonment of the Summit Shasta Site and Lessee's Facility or any action by Shasta Ground Lessee to terminate the Shasta Ground Lease be effective without the prior written consent of each Shasta Leasehold Mortgagee who has provided Lessor written notice of such mortgage and the address and other contact information of such Shasta Leasehold Mortgagee. Shasta Ground Lessor agrees that it will give notice of any such abandonment or action by Shasta Ground Lessee to Shasta Leasehold Mortgagee of which Shasta Ground Lessor has knowledge of and contact information for, and Shasta Leasehold Mortgagee will thereupon be entitled to exercise its rights and remedies under its Shasta Leasehold Mortgage and the provisions of the Shasta Ground Lease.

New Ground Lease. In the event that, for any reason, the Shasta Ground Lease terminates prior to satisfaction of all indebtedness and obligations secured or intended to be secured by any Shasta Leasehold Mortgage, the holder(s) of any such Shasta Leasehold Mortgage will be entitled to enter into a new lease with Shasta Ground Lessor, for the balance of the term of the Shasta Ground Lease (including rights to all extension or renewal options that have not been exercised), and on the same terms as set forth in the Shasta Ground Lease (a "New Ground Lease"). Such right will be exercisable by Shasta Leasehold Mortgagee within thirty days following written notice by Shasta Ground Lessor to Shasta Leasehold Mortgagee of the termination of the Shasta Ground Lease, by written notice from Shasta Leasehold Mortgagee to Shasta Ground Lessor given within such 30-day period. Upon exercise of such right, Shasta Ground Lessor and Shasta Leasehold Mortgagee (or an affiliate or nominee of Shasta Leasehold Mortgagee, as Shasta Leasehold Mortgagee may elect) will enter into the New Ground Lease within thirty days thereafter. Upon execution of any such New Ground Lease, the lessee thereunder will be required to cure those outstanding defaults of the Shasta Ground Lessee under the Shasta Ground Lease that are actually curable, in the same manner and within the same time period as required under the provisions of the Shasta Ground Lease, provided any monetary default and any other sum that may be due from Shasta Ground Lessee to Shasta Ground Lessor under the Shasta Ground Lease or by reason of Shasta Ground Lessee's default thereunder will be cured and/or paid from any rent thereafter due under the New Ground Lease.

Notices by Shasta Ground Lessor. Shasta Leasehold Mortgagee will promptly provide Shasta Ground Lessor written notice of when the Shasta Leasehold Mortgage is made or released. Until such time as the Shasta Leasehold Mortgage is released or canceled of record, Shasta Ground Lessor agrees that it will provide Shasta Leasehold Mortgagee whose Shasta Leasehold Mortgage is most senior in priority (unless otherwise directed in writing by such senior Shasta Leasehold Mortgagee and delivered to Shasta Ground Lessor) with a copy of any notices sent to Shasta Ground Lessee under the Shasta Ground Lease, including any default notices, within one business day of delivery of such notices to Shasta Ground Lessee. Shasta Ground Lessor

agrees that no notice to Shasta Leasehold Mortgagee will be effective unless it is reduced to writing and delivered to Shasta Ground Lessee and such Shasta Leasehold Mortgagee, at the address and in the manner indicated in the Shasta Ground Lease (in the case of Shasta Ground Lessee) and at the address and in the manner indicated in the Lessor Agreement (in the case of Shasta Leasehold Mortgagee), and no grace or cure periods for Shasta Ground Lessee's cure of a default of its obligations under the Shasta Ground Lease or the time permitted to a Shasta Leasehold Mortgagee to cure such default will be deemed to commence unless and until such notice is so delivered.

Shasta Leasehold Mortgagee Performance and Cure Rights. Shasta Ground Lessor agrees to accept from any Shasta Leasehold Mortgagee any and all payments and performance of Shasta Ground Lessee's obligations under the Shasta Ground Lease, whether before or after default (but within the applicable periods provided for in the Shasta Ground Lease), with the same force and effect as if paid or performed by Shasta Ground Lessee. Shasta Ground Lessor agrees that in the event that Shasta Ground Lessee will not cure or remedy any default or breach of covenant by Shasta Ground Lessee under the Shasta Ground Lease within the curative period provided for such cure or remedy therein, then Shasta Leasehold Mortgagee will have the right, at its sole option, to exercise any one or more of the following rights:

(i) to cure or remedy, or cause to be cured or remedied, for an additional period following the Leasehold Mortgagee Curative Commencement Date (as defined herein), such default or breach of covenant, and Shasta Ground Lessor will accept such cure or remedy; it being agreed that (a) in the case of any default in the payment of any sum of money, Shasta Leasehold Mortgagee will have ten (10) business days following the Leasehold Mortgagee Curative Commencement Date in which to cure such default, (b) in the event that the default of Shasta Ground Lessee is not a default in the payment of a sum of money, Shasta Leasehold Mortgagee will have thirty (30) days following the Leasehold Mortgagee Curative Commencement Date in which to cure such default, provided that if such default cannot reasonably be cured within such thirty (30) day period and that Shasta Leasehold Mortgagee has commenced efforts to cure such default (or efforts to exercise remedies to enable it to cure such default) within thirty (30) days following the Leasehold Mortgagee Curative Commencement Date, Shasta Leasehold Mortgagee will have an additional reasonable period of time following the end of such thirty (30) day period within which to cure such default, and so long as Shasta Leasehold Mortgagee will be diligently pursuing its efforts to cure, Shasta Ground Lessor will accept such cure or remedy when effected, (c) in no event will any Shasta Leasehold Mortgagee be required to cure any defaults by Shasta Ground Lessee that by their nature are not susceptible to cure by Shasta Leasehold Mortgagee, and with respect to such defaults, the same will be deemed cured by Shasta Leasehold Mortgagee if Shasta Leasehold Mortgagee has commenced efforts to exercise remedies under its Shasta Leasehold Mortgage and succeeding to the Leasehold Interest in accordance with the provisions of the Shasta Ground Lease; it being agreed that Shasta Ground Lessor will not terminate the Shasta Ground Lease or commence eviction proceedings during the foregoing curative periods extended to Shasta Leasehold Mortgagee; provided that it is hereby expressly agreed that the time permitted to the Shasta Leasehold Mortgagee to cure defaults will include and will be extended by the time required to pursue any remedies necessary to enable Shasta Leasehold Mortgagee to effect such cure, and the time permitted to the Shasta Leasehold Mortgagee to cure defaults will include and will be extended by any period in which Shasta Leasehold Mortgagee is prevented from curing by reason of any stay in any bankruptcy of Summit Shasta Lessee or other stay of enforcement proceedings to which Shasta Leasehold Mortgagee may be subject (but such extension will apply only to those defaults that Shasta Leasehold Mortgagee is so prevented from curing);

(ii) to require Shasta Ground Lessor to terminate Shasta Ground Lessee's rights under the Shasta Ground Lease by reason of such default, and to substitute Shasta Leasehold Mortgagee as lessee of the Summit Shasta Site with Shasta Ground Lessor for the balance of the term of the Shasta Ground Lease (including any renewal options) by entering into a New Ground Lease and upon payment to Shasta Ground Lessor of its reasonable attorneys' fees in connection therewith and payment of Annual Rent, damages and other sums due under the Shasta Ground Lease at the time of

execution of the New Ground Lease by Shasta Leasehold Mortgagee, its affiliates or nominees, Shasta Ground Lessee hereby agreeing to execute such cancellations as may be reasonably required in connection therewith; and

(iii) to acquire pursuant to any Foreclosure the Leasehold Interest and Shasta Ground Lessee's rights under the Shasta Ground Lease and assume the obligations of Shasta Ground Lessee thereunder as required thereunder, and in such event, Shasta Ground Lessor will not exercise its right of termination with respect to such default, provided that upon such acquisition, Shasta Leasehold Mortgagee will be entitled to cure any and defaults within the curative periods provided above other than payment of Annual Rent, damages and other sums due under the Shasta Ground Lease at the time of execution of the New Ground Lease, which will be paid by Shasta Leasehold Mortgagee, its affiliates or nominees no later than ten days following such acquisition.

As used herein, "Leasehold Mortgagee Curative Commencement Date" means (a) in the case of monetary defaults, upon receipt of written notice from Shasta Ground Lessor of the lapse of Shasta Ground Lessee's curative period; or (b) in the case of non-monetary defaults for which a curative period is provided under the Shasta Ground Lease, when both the following have occurred: (i) Shasta Leasehold Mortgagee's receipt of notice of such default, and (ii) receipt of written notice from Shasta Ground Lessor of Shasta Ground Lessee's failure to cure such default within the applicable curative period provided in the Shasta Ground Lease. Shasta Leasehold Mortgagee may cure any monetary default under the Shasta Ground Lease by payment of the Annual Rent and other sums or damages then due and owing thereunder, but Shasta Ground Lessor will not require Shasta Leasehold Mortgagee to pay any accelerated or future rents in curing such a payment default and will accept such payment as full satisfaction and cure of the outstanding default with respect to the payment of Annual Rent, damages or other sums due under the Shasta Ground Lease.

Recognition of Shasta Leasehold Mortgagee. Upon any Foreclosure and resulting transfer of the Leasehold Interest, Shasta Ground Lessor will recognize (i) Shasta Leasehold Mortgagee, (ii) any affiliate or nominee or Shasta Leasehold Mortgagee, or (iii) any other person, firm or corporation acquiring the Leasehold Interest as lessee under the Shasta Ground Lease pursuant to any foreclosure, deed or assignment in lieu of foreclosure, or similar transfer pursuant to any exercise of remedies under any Shasta Leasehold Mortgage (collectively, a "Purchaser"), on the same terms and provisions for the remaining term of the Shasta Ground Lease, including any unexpired option periods, and with all of the rights and privileges of Shasta Ground Lessee, provided such Purchaser agrees to assume and be bound by all of the terms, covenants and conditions of the Shasta Ground Lease pursuant to an assumption agreement in a form reasonably acceptable to Shasta Ground Lessor, and provided that Purchaser will cure all defaults under the Shasta Ground Lease as required under the provisions thereof, including those with regard to the payment of Annual Rent, damages and other sums then due and owing under the Shasta Ground Lease (which payment of defaults will be cured within ten days of such Foreclosure). No consent or approval by Shasta Ground Lessor will be required in connection with the commencement or completion of any Foreclosure or any assignment or transfer of Shasta Ground Lessee's rights under the Shasta Ground Lease in connection with any such Foreclosure.

Attornment. In the event that any Purchaser will acquire the rights of Shasta Ground Lessee pursuant to the provisions of the Shasta Ground Lease, such Purchaser will attorn to Shasta Ground Lessor in a writing reasonably acceptable to Shasta Ground Lessor, and Shasta Ground Lessor will thereupon recognize Purchaser as the lessee under the Shasta Ground Lease. In the attornment document, the Purchaser will agree to assume all of the obligations of the Shasta Ground Lessee to Shasta Ground Lessor under the Shasta Ground Lease, subject to the provisions of the Shasta Ground Lease, and provided that the Purchaser will not be deemed to have assumed any responsibility or liability for any unsatisfied indemnification obligations of Shasta Ground Lessee under the Shasta Ground Lease, nor any responsibility or liability to any third party for any liabilities or obligations of the Shasta Ground Lessee under the Shasta Ground Lease, arising prior to the Purchaser's acquisition of the Leasehold Interest.

Transfer Not a Default. In the event of the assignment or transfer of Shasta Ground Lessee's Leasehold Interest pursuant to any Foreclosure, no such Foreclosure will constitute a default by Shasta Ground Lessee under the Shasta Ground Lease, and any Purchaser of the Leasehold Interest will be entitled to all the benefits of the Shasta Ground Lease. Shasta Ground Lessor agrees to execute such documents as may be reasonably necessary to evidence such Purchaser's rights as lessee under the Shasta Ground Lease upon Purchaser's payment of Shasta Ground Lessor's reasonable attorneys' fees to review or revise such documents.

Assignments by Shasta Leasehold Mortgagee. In the event that the Shasta Leasehold Mortgagee or any affiliate or nominee thereof will acquire the Leasehold Interest pursuant to the Shasta Leasehold Mortgage and the provisions set forth above, Shasta Leasehold Mortgagee or such affiliate or nominee will be entitled to further assign the Leasehold Interest in connection with the sale and assignment of such interest and the new improvements, subject to the terms and conditions of the Shasta Ground Lease and only to a transferee who expressly agrees to be bound by the terms thereof. Any subsequent assignment of the Leasehold Interest will be subject to such consent as required under the terms of the Shasta Ground Lease.

Shasta Leasehold Mortgagee as Beneficiary. Each Shasta Leasehold Mortgagee is an express third party beneficiary of the provisions of the Shasta Leasehold Mortgage provisions of the Shasta Ground Lease and will be entitled to enforce the same directly against Shasta Ground Lessor.

Bankruptcy of Lessor. In the event that the Shasta Ground Lessor will become subject to any bankruptcy or insolvency proceeding and subject to applicable law, any rights, elections, or actions available to Shasta Ground Lessee therein will be subject to the rights of Shasta Leasehold Mortgagee under the Shasta Leasehold Mortgage to consent to, or to exercise on behalf of Shasta Ground Lessee, such rights, elections, or actions. Without limiting the foregoing but subject to applicable law, no consent or acquiescence by Shasta Ground Lessee to any rejection of the Shasta Ground Lease by Shasta Ground Lessor or any successor or trustee in such proceeding will be binding or effective without the prior, written consent thereto by each Shasta Leasehold Mortgagee, and the rights, liens, and claims of Shasta Leasehold Mortgagee will extend to, encumber, and include all rights to damages for any such rejection and all rights to continued possession of the Summit Shasta Site and Lessee's Facility.

Liability of Shasta Leasehold Mortgagee. In no event will Shasta Leasehold Mortgagee have or be deemed to assume any personal liability under the Shasta Ground Lease or any personal liability for performance of any of Shasta Ground Lessee's obligations under the Shasta Ground Lease prior to becoming the lessee under the Shasta Ground Lease, it being agreed that (i) Shasta Leasehold Mortgagee's commencement of any Foreclosure or any efforts to cure any default under the Shasta Ground Lease will be for its own protection and will not by itself constitute an assumption of the Shasta Ground Lease nor obligate Shasta Leasehold Mortgagee to complete any such proceedings or cure, and (ii) in the event Shasta Leasehold Mortgagee or any affiliate or nominee thereof will have acquired the Leasehold Interest, upon any subsequent assignment of the Shasta Ground Lease, Shasta Leasehold Mortgagee or such any affiliate or nominee will be released from any further liability under the Shasta Ground Lease accruing after the date of such assignment, other than any unsatisfied indemnification obligations of Shasta Ground Lessee under the Shasta Ground Lease or any responsibility or liability to any third party for any liabilities or obligations of the Shasta Ground Lessee under the Shasta Ground Lease, accruing during the assignor's tenancy period.

Rights As Among Shasta Leasehold Mortgagees. In any case in which there will be more than one Shasta Leasehold Mortgage, each Shasta Leasehold Mortgagee will be entitled to the benefit of the leasehold mortgage provisions of the Shasta Ground Lease, provided, that (i) any actions or elections permitted to be taken or made thereunder will be determined and exercised by the Shasta Leasehold Mortgagee whose Shasta Leasehold Mortgage is most senior in priority (unless otherwise directed in writing by such senior Shasta Leasehold Mortgagee and delivered to Shasta Ground Lessor), and (ii) the time periods in the Shasta Ground Lease for any action or response by a Shasta Leasehold Mortgagee will run concurrently for all Shasta Leasehold Mortgagees.

No Encumbrances by Shasta Ground Lessor. Shasta Ground Lessor agrees not to mortgage or otherwise encumber its interests in the Summit Shasta Site and the Shasta Ground Lease following the date thereof, unless all holders of any such mortgage, deed of trust, or other encumbrance expressly agree to be subject to and bound by the terms of the Shasta Ground Lease and that no foreclosure or other enforcement of such mortgage, deed of trust or other encumbrance in and of itself will disturb or effect the Shasta Ground Lease or the rights of Shasta Leasehold Mortgagees thereunder.

Casualty and Condemnation. In the event of any casualty or condemnation affecting the Summit Shasta Site and Lessee's Facility, and notwithstanding any other provision of the Shasta Ground Lease to the contrary, (i) any net proceeds of insurance or condemnation that are required to be applied to restoration of the Summit Shasta Site and Lessee's Facility or new improvements will be payable to Shasta Leasehold Mortgagee (or if there is more than one Shasta Leasehold Mortgage, to the Shasta Leasehold Mortgagee having senior priority) and administered by such Shasta Leasehold Mortgagee for application to such restoration in accordance with the provisions of the Shasta Ground Lease and the terms and conditions governing such application as set forth in the Shasta Leasehold Mortgage, it being agreed that such terms and conditions may not change the obligation of Shasta Ground Lessor or Shasta Ground Lessee under the Shasta Ground Lease to restore the Summit Shasta Site and Lessee's Facility in a timely manner, (ii) in any case not involving a total condemnation of the Summit Shasta Site and Lessee's Facility in which any such proceeds are not required under the Shasta Ground Lease to be applied to restoration of the Summit Shasta Site and Lessee's Facility, all such proceeds not required for such restoration will be payable first to Shasta Leasehold Mortgagee (or if there is more than one Shasta Leasehold Mortgage, to each Shasta Leasehold Mortgagee in order of priority) until the indebtedness and obligations under each Shasta Leasehold Mortgage have been paid and satisfied in full, after which they will be paid to or apportioned between Shasta Ground Lessor and/or Shasta Ground Lessee as provided under the provisions of the Shasta Ground Lease, and (iii) no election by Shasta Ground Lessee to terminate the Shasta Ground Lease upon any such casualty or condemnation will be effective without the prior written consent of each Shasta Leasehold Mortgagee.

Lessor Agreement. At the request of any Shasta Leasehold Mortgagee (or prospective Shasta Leasehold Mortgagee) and upon payment of Shasta Ground Lessor's reasonable attorney's fees in connection therewith, Shasta Ground Lessor will enter into an agreement with such Shasta Leasehold Mortgagee (as executed, together with any amendments thereto and renewals and replacements therefor, the "Lessor Agreement"), containing in substantial substance the following assurances or undertakings, or such additional provisions as may be mutually acceptable to Shasta Ground Lessor, Shasta Ground Lessee, and Shasta Leasehold Mortgagee:

i. Stating that, as of the date of the Lessor Agreement, the Shasta Ground Lease is valid and in full force and effect, and has not been altered, amended or modified, in any respect whatsoever, other than pursuant to disclosed amendments delivered to Shasta Leasehold Mortgagee;

ii. Stating, if true, that (a) no notice of any default by Shasta Ground Lessee under the Shasta Ground Lease has been issued by Shasta Ground Lessor, other than with respect to defaults that have been cured or waived by Shasta Ground Lessor, and (b) to the best of Shasta Ground Lessor's knowledge with no duty of investigation, no default, nor any event that, with the passage of time or the giving of notice, or both, would constitute a default under the Shasta Ground Lease has occurred and is continuing as of the date of the Lessor Agreement;

iii. Confirming the commencement and termination dates of the Shasta Ground Lease, the amount of Annual Rent currently payable by Shasta Ground Lessee and the date through which such payments have been made, and whether any options to renew or extend the Shasta Ground Lease or to purchase the Shasta Ground Lessor's interests in the Summit Shasta Site have been exercised or have lapsed; and

iv. Expressly identifying each Shasta Leasehold Mortgage and Shasta Leasehold Mortgagee and setting forth the address(es) of Shasta Ground Lessor and each Shasta Leasehold Mortgagee for purposes of notices to be given and received pursuant to the Shasta Ground Lease.

In the event that there is any transfer of Shasta Ground Lessor's interests in the Summit Shasta Site, in connection with the execution of all documents required in connection therewith, Shasta Ground Lessor will cause any such transferee to provide a Lessor Agreement and acknowledge the rights of Shasta Leasehold Mortgagee pursuant to the Shasta Ground Lease.

The foregoing description of certain provisions of the Shasta Ground Lease does not purport to be a complete summary thereof and is qualified by reference to the complete Shasta Ground Lease, a copy of which is attached hereto as APPENDIX I.

Home Office Ground Lease. EdFuture, LLC (as used in this section, the "Home Office Ground Lessee") and 780 Broadway LLC (as used in this section, the "Home Office Ground Lessor") entered into that certain Ground Lease Agreement dated September 15, 2017 (the "Home Office Ground Lease").

Term of the Home Office Ground Lease. The Home Office Ground Lease provides for a term commencing on September 15, 2017 (the "Effective Date"), and terminating on September 15, 2054 (the "Home Office Ground Lease Term").

Holdover. Any holding over by Home Office Ground Lessee after the expiration or termination of the Home Office Ground Lease Term will be deemed a month to month tenancy and the Home Office Ground Lease will continue upon the same terms and conditions as set forth therein, provided however, that the monthly Home Office Ground Rent (as defined herein) payment will not be lower than the last month of the Home Office Ground Rent due and owing Home Office Ground Lessor as of the expiration of the Home Office Ground Lease Term and the Home Office Ground Base Rent will continue to increase on each annual anniversary of the Effective Date during any holdover period by Two Percent (2%) until the later of a termination of the Home Office Ground Lease or the date that the Home Office Ground Lessee (or its permitted successor or assignee) is no longer in possession of the Property. Each party to the Home Office Ground Lease will give the other notice at least one (1) month prior to the date of termination of such monthly tenancy of its intention to terminate such tenancy unless Home Office Ground Lessor terminates the Home Office Ground Lease sooner as allowed under and pursuant to the terms thereof, or if such Home Office Ground Lease Term is extended under the terms thereof, or such Home Office Ground Lease Term is extended in order for Home Office Ground Lessee to fulfill its obligations under the Home Office Ground Lease.

Right of First Offer to Purchase. Home Office Ground Lessee will have a right of first offer to purchase the New Summit Home Office Site (as used in this section, the "Property") in the event that Home Office Ground Lessor, in its sole discretion, decides to sell the Property during the Home Office Ground Lease Term. In the event Home Office Ground Lessor decides to sell the Property, Home Office Ground Lessor will give notice to Home Office Ground Lessee of the price for which Home Office Ground Lessor desires to sell the Property. Home Office Ground Lessee will have fourteen (14) consecutive days after receipt of notice from Home Office Ground Lessor of Home Office Ground Lessor's desire to sell the Property in which to elect to purchase the Property ("Purchase Election Notice").

If Home Office Ground Lessee does not provide a Purchase Election Notice to Home Office Ground Lessor within such period that Home Office Ground Lessee desires to purchase the Property, then Home Office Ground Lessor will be free to sell the Property to any third party and with no further obligations to Home Office Ground Lessee except as specifically set forth in the Home Office Ground Lease. However, any sale of the Property must be made subject to the Home Office Ground Lease including the rights of any Home Office Leasehold Mortgagee as stated in the Home Office Ground Lease and will be made contingent on Home Office Ground Lessee remaining on the Property for the Home Office Ground Lease Term provided that Home Office Ground Lessee is not in default under the Home Office Ground Lease.

Use of the Premises. During the Home Office Ground Lease Term, Home Office Ground Lessee agrees to use and will cause the Property to be used solely for administrative office and general warehouse space as well as general assembly of staff for the purposes of training and professional development and for no other purpose or use without the prior written consent of Home Office Ground Lessor (“Permitted Use”). Notwithstanding the foregoing, Home Office Ground Lessor understands that students may need access to the administrative office periodically to attend with administrative requirements, however, Home Office Ground Lessee agrees that the Permitted Use does not include assembly for students of any kind nor classes nor tutoring of students at or in the Property. Home Office Ground Lessee will at all times comply with all applicable Laws (as defined in the Home Office Ground Lease) in the use, occupancy, construction, maintenance, and operation of the Summit Home Office Facility (as defined in the Home Office Ground Lease and used in this section, the “Remodeled Facility”) and Property.

Ownership and Removal of Improvements. Any of Home Office Ground Lessee’s trade fixtures, or other property that is permanently affixed to the Property or the Remodeled Facility such that it is an integral part of the improvements, will be deemed improvements as defined in the Home Office Ground Lease. Home Office Ground Lessee will be the owner of the improvements constructed on the Property or the Remodeled Facility, as the same may be altered, expanded, and /or improved from time to time. Home Office Ground Lessee may retain all rights to depreciation deductions and tax credits arising from its ownership of the improvements. On the expiration or termination of the Home Office Ground Lease, all such improvements will automatically vest in, revert to become the property of the Home Office Ground Lessor without compensation to, or requirement of consent or other act of, Home Office Ground Lessee, and without the necessity of executing the deed, bill of sale, conveyance, or other act or agreement of Home Office Ground Lessee and without any payment of any kind or nature by Home Office Ground Lessor or Home Office Ground Lessee or to any other person, including any Mortgagee or other lender who has a lien against all or any portion of Home Office Ground Lessee’s interest in the Home Office Ground Lease. On or at any time after the date of expiration or termination of the Home Office Ground Lease, if requested by Home Office Ground Lessor, Home Office Ground Lessee will, without charge to Home Office Ground Lessor, promptly execute, acknowledge and deliver to Home Office Ground Lessor a deed and bill of sale (in form and content acceptable to Home Office Ground Lessor) that (a) conveys all of Home Office Ground Lessee’s right, title and interest in and to the Remodeled Facility and any improvements therein; (b) assigns all contracts related to the operation, management, or maintenance of the Remodeled Facility and Property or any part thereof; and (c) conveys or assigns, as the case may be, all plans, records, registers, permits, licenses, and all other papers and documents that may be necessary or appropriate for the proper operation and management of the Remodeled Facility or the Property.

Home Office Ground Rent. From the Effective Date until the expiration or termination of the Home Office Ground Lease Term, Home Office Ground Lessee will pay to Home Office Ground Lessor, without any prior demand for payment and without any offsets or deductions whatsoever, except as specifically set forth in the Home Office Ground Lease, on the first day of each and every calendar month during the Home Office Ground Lease Term, in equal monthly installments, in advance, the Home Office Ground Base Rent amounts as set forth in the Home Office Ground Lease. The obligation to pay Home Office Ground Rent (as defined herein) and other charges as set forth herein will commence on the Effective Date. In the event the Effective Date occurs on a day other than the first (1st) day of the month, then the Home Office Ground Base Rent and other charges will be prorated for the period on the basis of one-thirtieth (1/30th) of the monthly amount for each such day from the Effective Date to the last day of the month.

As Home Office Ground Additional Rent, Home Office Ground Lessee will promptly pay when due (or if any invoice is received by Home Office Ground Lessor, then Home Office Ground Lessee will pay such costs to Home Office Ground Lessor within fifteen (15) calendar days of presentment therefor) all expenses and other charges, of whatever nature, arising in connection with Home Office Ground Lessee’s use, operation and occupancy of the Property and the Remodeled Facility and the rights and privileges granted in the Home Office Ground Lease, including, but not limited to, insurance coverages required to be carried on the existing building on the Property (the “Building”), if applicable, the Remodeled Facility, and the Property as set forth

in the Home Office Ground Lease, real estate and personal property taxes, permit fees, license fees and assessments lawfully levied or assessed upon the Building, if applicable, the Remodeled Facility, and the Property, or any improvements at any time situated therein and thereon, any costs or expenses of any maintenance or replacements to the Building, the Remodeled Facility, and the Property as set forth in the Home Office Ground Lease. "Home Office Ground Rent" includes Home Office Ground Base Rent, Home Office Ground Additional Rent and all other charges, including late fees described in the Home Office Ground Lease and Default Interest as set forth in the Home Office Ground Lease. The Home Office Ground Lease will be "Absolute Net" in nature during the Home Office Ground Lease Term, with Home Office Ground Lessee responsible for all (i) real estate taxes, (ii) any and all insurance coverage to the greater of whether it is required hereunder or advisable, and (iii) repair, replacement and maintenance of the Premises, Remodeled Facility and the Property. Home Office Ground Lessor will have no obligation to repair and maintain the Property, all of which obligations will be the sole responsibility of Home Office Ground Lessee.

Rent Abatement Period. Home Office Ground Lessor agrees that Home Office Ground Lessee will be relieved of its obligation to pay Home Office Ground Rent for the consecutive twelve (12) month period commencing on the first day of the next month following Home Office Ground Lessee's completion of the following obligations and delivery of copies to Home Office Ground Lessor of all documents supporting Home Office Ground Lessee's completion of the following: (a) completion of construction of the Remodeled Facility; (b) evidence of the payment of all contractor's invoices and final lien releases for all work performed under Home Office Ground Lessee's Guaranteed Maximum Price Contract for construction, remodeling and reconfiguration of the Remodeled Facility and Property; (c) receipt of a Certificate of Occupancy from the City of Redwood City for the Remodeled Facility; and (d) a preliminary title report reflecting clear title and no liens except for permitted liens provided that Home Office Ground Lessee has not been in default of any of the terms and conditions of the Home Office Ground Lease beyond any applicable notice and cure period ("Rent Abatement Period"). The Parties agree to execute and deliver to each other an Amendment to the Home Office Ground Lease confirming the Rent Abatement Period and the Annual Rent Abatement Month (as discussed below), if applicable.

Home Office Ground Lessor further agrees, that if Home Office Ground Lessee has fully complied with the conditions above and the Rent Abatement Period has been completed and further, provided that, Home Office Ground Lessee has not been in default of any of the terms and conditions of the Home Office Ground Lease beyond any applicable notice and cure period in each successive year, Home Office Ground Lessor agrees that Home Office Ground Lessee will be relieved of its obligation to pay Home Office Ground Rent to Home Office Ground Lessor for a single designated month in each successive eight (8) annual twelve month periods ("Annual Rent Abatement Month"). In the event that the construction of the Remodeled Facility and the obligations of Home Office Ground Lessee as set forth above have not been completed by September 1, 2020, then the Rent Abatement Period and the Annual Rent Abatement Month will be null and void.

Home Office Ground Lessee's Right to Encumber Leasehold. The Parties acknowledge and agree that Home Office Ground Lessee intends to finance the construction of improvements of the Building and the Property and to accomplish this financing, Home Office Ground Lessee intends to encumber its leasehold interest under the Home Office Ground Lease through a Home Office Leasehold Mortgage (as defined herein). Home Office Ground Lessee will have the right to pledge its leasehold estate as security for such indebtedness whether by deed of trust, mortgage, collateral assignment or other document (as further defined herein, a "Home Office Leasehold Mortgage") subject to the terms and conditions set forth below provided that the terms and provisions of the Home Office Ground Lease are strictly observed.

Subordination and Non-Disturbance Agreement. Home Office Ground Lessor states for the benefit of both Home Office Ground Lessee and Home Office Leasehold Mortgagee who may encumber Home Office Ground Lessee's interest in the Home Office Ground Lease that as of the Effective Date, Home Office Ground Lessor has not encumbered or borrowed on the security of the Property, and that Home Office Ground Lessor will not do so during the Home Office Ground Lease Term, unless Home Office Ground Lessor provides to

Home Office Ground Lessee and all Home Office Leasehold Mortgagees a Subordination and Non-Disturbance Agreement (“SNDA”) acceptable in the reasonable opinion of counsel for Home Office Ground Lessee and Home Office Leasehold Mortgagees, providing that so long as the Home Office Ground Lessee and its successors, including Home Office Leasehold Mortgagees should they come into ownership of the Home Office Ground Lease, do not commit a default (beyond any applicable notice and cure period) allowing termination of the Home Office Ground Lease, they will not be disturbed in their possession and use of the Property and will be recognized and attorn to the Home Office Ground Lessor or the Home Office Ground Lessor’s successor in interest should either become the owner of the Premises. Such an SNDA will be in recordable form, contain commercially reasonable provisions, and be recorded in the County records.

Attornment. Home Office Ground Lessee agrees that in the event of a sale, transfer, or assignment of Home Office Ground Lessor’s interest in the Property or any part thereof, or in the event that any proceedings are brought for the foreclosure of or for the exercise of any power of sale under any mortgage covering the Property or any part thereof, or in the event of a cancellation or termination of the Home Office Ground Lease or any other ground or underlying lease covering the Property or any part thereof, to attorn to and to recognize such transferee, purchaser, ground or underlying lessor or mortgagee as Home Office Ground Lessor under the Home Office Ground Lease.

Sublease; Assignment. Home Office Ground Lessee may not assign all or any portion of the Home Office Ground Lease or its rights thereunder or sublet all or any part of the Property without obtaining the prior written consent of Home Office Ground Lessor which consent will not be unreasonably withheld, conditioned or delayed. Any consent by Home Office Ground Lessor to one assignment or sublease, whether by operation of law or otherwise, will not be deemed to be a consent to any subsequent assignment or sublease. Any assignment or sublease made contrary to the terms of the Home Office Ground Lease will be void.

Notwithstanding the foregoing, Home Office Ground Lessee may sublease or assign all or any portion of the Home Office Ground Lease or its rights thereunder or sublet all or any part of the Property without obtaining the Home Office Ground Lessor’s prior written consent, provided that the Property will continue to be used for the same Permitted Use after such assignment or sublease and (i) such assignment or sublease is to any entity which (v) is the parent corporation or entity; (x) controls, is controlled by, or is under common control with Home Office Ground Lessee; (y) results from a merger of, reorganization of, or consolidation with Home Office Ground Lessee so long as Home Office Ground Lessee is the surviving entity; or (z) an affiliated entity in which Home Office Ground Lessee or its parent corporation or entity, owns at least 50% of the outstanding shares of ownership interests of the affiliated entity; or (ii) such assignment or sublease is to Summit pursuant to that certain Sublease, of even date herewith (“Sublease”), which Sublease will contain, amongst other things, an acknowledgement by Summit that Summit has received a fully executed copy of the Home Office Ground Lease and any amendments thereto and understands its terms; such Sublease will not have a term that exceeds the Home Office Ground Lease Term; the Sublease will require the sublessee thereunder to be obligated to observe, comply and perform the obligations of the Home Office Ground Lessee under the Home Office Ground Lease; and the Sublease will not modify or alter the terms of the Home Office Ground Lease nor modify or reduce the rights of the Home Office Ground Lessor thereunder. Home Office Ground Lessee will give notice of such assignment or sublease, to Home Office Ground Lessor, in writing, at least thirty (30) days prior to any such assignment or sublease.

The parties agree that it will be reasonable for Home Office Ground Lessor to withhold its consent to an assignment or sublease if any of the following situations exist or may exist:

- (i) In the Home Office Ground Lessor’s reasonable judgment, the transferee lacks sufficient experience to manage a successful development and project of the type and quality being conducted at the Property; or

(ii) In the Home Office Ground Lessor's reasonable judgment, the then net worth of the transferee is inadequate to manage a successful development and project of the type and quality being conducted at the Property.

Guaranty. The Home Office Ground Lease and the obligations of the Home Office Ground Lessee thereunder and pursuant thereto will be guaranteed by Summit pursuant to the terms and conditions set forth in that certain Guaranty attached to and incorporated in the Home Office Ground Lease.

Home Office Leasehold Mortgage. Home Office Ground Lessee has the right to pledge its leasehold estate as security for indebtedness, whether by deed of trust, mortgage, collateral assignment, or other document (a "Home Office Leasehold Mortgage") subject to the following terms and conditions: (a) one or more Home Office Leasehold Mortgages may be recorded against the leasehold estate at any one time; (b) the Home Office Leasehold Mortgage and all rights acquired under it will be expressly subject to each and all of the covenants, conditions, and restrictions stated in the Home Office Ground Lease and to all rights and interests of Home Office Ground Lessor; (c) the mortgagee or beneficiary under the Home Office Leasehold Mortgage (the "Home Office Leasehold Mortgagee") may be any person, corporation, organization, institutional lender or the corporate trust department of a bank, for or on behalf of one or more persons, corporations, organizations, institutional lenders or accredited investors; (d) Home Office Ground Lessee will give Home Office Ground Lessor prior notice of any such Home Office Leasehold Mortgage including without limitation the name and address of the expected Home Office Leasehold Mortgagee and true and correct copies of the note, Home Office Leasehold Mortgage, and other related agreements; (e) the Home Office Leasehold Mortgage will be an encumbrance or lien only on the Home Office Ground Lessee's interest in the Home Office Ground Lease and leasehold estate and not affect or become a lien on the Home Office Ground Lessor's fee estate in the Property; (f) the Home Office Leasehold Mortgage will provide that the term of the loan secured by the Home Office Leasehold Mortgagee will not exceed, and that all amounts secured thereby will be paid by no later than, the end of the Home Office Ground Lease Term; (g) the Home Office Leasehold Mortgagee will be subject to the terms and conditions of the Home Office Ground Lease and will not acquire any rights greater than those of the Home Office Ground Lessee under the Home Office Ground Lease except as set forth herein; and (h) immediately after recordation of the Home Office Leasehold Mortgage, Home Office Ground Lessee will, at its own cost and expense, cause to be recorded in the official record of the county in which the Property is located a request that Home Office Ground Lessor receive written notice of any default and/or notice of sale under the Home Office Leasehold Mortgage.

The following provisions apply as to any Home Office Leasehold Mortgage until the earlier of such time that (i) all obligations of Home Office Ground Lessee under the Home Office Leasehold Mortgage have been satisfied or (ii) the Home Office Leasehold Mortgage is reconveyed or otherwise terminated in accordance with its terms:

Lease Modification. Except as to any right or remedy accorded to Home Office Ground Lessor under the Home Office Ground Lease including but not limited to the right to terminate the Home Office Ground Lease upon Home Office Ground Lessee's default, and subject to the protection of the Home Office Leasehold Mortgagee contained herein, Home Office Ground Lessor and Home Office Ground Lessee will not, without the prior written consent of the Home Office Leasehold Mortgagee, cancel or surrender the Home Office Ground Lease or enter into any modification of any term of the Home Office Ground Lease that would materially affect the Home Office Leasehold Mortgage or the Home Office Leasehold Mortgagee's rights under the Home Office Leasehold Mortgage.

Request for Notice of Default. Home Office Ground Lessor will serve a copy of any notice of Home Office Ground Lessee default under the Home Office Ground Lease upon the Home Office Leasehold Mortgagee in accordance with the Home Office Ground Lease, and no such notice will be binding upon or affect the Home Office Leasehold Mortgagee unless a copy is given pursuant to this provision.

Home Office Leasehold Mortgagee's Right to Cure.

(i) **General Right to Cure.** Subject to the provisions of the Home Office Ground Lease, and provided that nothing herein will be construed to allow the Home Office Leasehold Mortgagee to enter the Property prior to taking possession of the Property from Home Office Ground Lessee, the Home Office Leasehold Mortgagee will have the right at any time during the Home Office Ground Lease Term, or any extension terms, if applicable, if the Home Office Leasehold Mortgage remains in effect, to do any act or thing required of Home Office Ground Lessee under the Home Office Ground Lease, whenever failure to do such act or thing would constitute a default under the Home Office Ground Lease, or to proceed to diligently pursue cure of any such defaults, and all such acts or things done and performed by the Home Office Leasehold Mortgagee will be as effective to prevent a forfeiture of Home Office Ground Lessee's rights under the Home Office Ground Lease as if done by Home Office Ground Lessee.

(ii) **Monetary Defaults.** With respect to a default by Home Office Ground Lessee in the payment of Home Office Ground Rent or other sums due to the Home Office Ground Lessor under the Home Office Ground Lease ("Monetary Default"), any election of Home Office Ground Lessor to terminate the Home Office Ground Lease or Home Office Ground Lessee's right to possession following a Monetary Default will be of no force or effect if such Monetary Default is cured by or on behalf of the Home Office Leasehold Mortgagee within ten (10) business days after the latter of (a) the giving of such notice of default by the Home Office Ground Lessor to the Home Office Leasehold Mortgagee and (b) the expiration of the applicable cure or grace period provided to Home Office Ground Lessee under the Home Office Ground Lease.

(iii) **Non-Monetary Default.** With respect to any default by Home Office Ground Lessee other than a Monetary Default ("Non-Monetary Default"), any election of Home Office Ground Lessor to terminate the Home Office Ground Lease or Home Office Ground Lessee's right to possession following a Non-Monetary Default will be of no force or effect if such default is cured by or on behalf of the Home Office Leasehold Mortgagee within thirty (30) calendar days after the latter of (a) the giving of such notice of default by the Home Office Ground Lessor to the Home Office Leasehold Mortgagee and (b) the expiration of the applicable cure or grace period provided to Home Office Ground Lessee under the Home Office Ground Lease, or, if a Non-Monetary Default is of such nature that it cannot reasonably be remedied within the time provided, then such Home Office Leasehold Mortgagee will have such additional time as is reasonably necessary to cure such default, provided that it commences the curing of such default within said thirty (30) day period and thereafter diligently continues the curing of the same to completion, provided such period will not, except in the case of Force Majeure, exceed 120 consecutive calendar days.

(iv) **Cure of Non-Monetary Defaults.** There will be no termination affecting the rights of any Home Office Leasehold Mortgagee for failure to perform the non-monetary terms of the Home Office Ground Lease so long as the Home Office Leasehold Mortgagee is proceeding diligently to obtain possession to the extent required to cure the default, beginning within thirty (30) days after written notice that Home Office Ground Lessee has failed to cure the default during the notice period provided in the Home Office Ground Lease, and thereafter proceeds to complete the cure within a reasonable period of time, and further provided that the Home Office Ground Rent is being paid as it comes due throughout the period while cure is being pursued.

(v) **Possession Default.** Notwithstanding the above provisions, if the Home Office Leasehold Mortgagee cannot cure a Non-Monetary Default unless it obtains possession of the Property or acquires Home Office Ground Lessee's interest under the Home Office Ground Lease (any such default requiring such possession or acquisition to cure hereafter referred to as a "Possession Default"), then Home Office Ground Lessor will not terminate the Home Office Ground Lease or Home Office Ground Lessee's right to possession for any such Possession Default as long as

(i) Home Office Leasehold Mortgagee cures all other defaults within the period of time provided above; (ii) all Home Office Ground Rent and other sums due Home Office Ground Lessor under the Home Office Ground Lease are paid and kept current by the Home Office Leasehold Mortgagee; (iii) all other terms of the Home Office Ground Lease are performed when and as required thereunder; and (iv) the Home Office Leasehold Mortgagee takes prompt and diligent steps to institute, prosecute, and complete foreclosure proceedings or otherwise acquire Home Office Ground Lessee's interest under the Home Office Ground Lease, and, upon obtaining possession or acquiring Home Office Ground Lessee's interest thereunder, immediately cures all then-existing Possession Defaults within thirty (30) days.

(vi) Personal Defaults. Notwithstanding the above provisions, any election of Home Office Ground Lessor to terminate the Home Office Ground Lease or Home Office Ground Lessee's right to possession will be of no force or effect solely on account of a default that can be cured only by Home Office Ground Lessee and is not susceptible to cure by the Home Office Leasehold Mortgagee (such as the filing of a bankruptcy proceeding by Home Office Ground Lessee) ("Personal Default") so long as (1) Home Office Leasehold Mortgagee cures all other defaults within the period of time provided above; (2) all Home Office Ground Rent and other sums due Home Office Ground Lessor under the Home Office Ground Lease are paid and kept current by the Home Office Leasehold Mortgagee; (3) all other terms of the Home Office Ground Lease are performed when and as required under the Home Office Ground Lease; and (4) the Home Office Leasehold Mortgagee takes prompt and diligent steps to institute, prosecute, and complete foreclosure proceedings or otherwise acquire Home Office Ground Lessee's interest under the Home Office Ground Lease.

(vii) No Modification of Option Provisions. Notwithstanding anything to the contrary under the Home Office Ground Lease, the leasehold mortgage provisions therein will not be construed to provide any additional time for the exercise of any option to extend the Home Office Ground Lease Term, if applicable (an "Option"), to permit the Home Office Leasehold Mortgagee to cure any default of Home Office Ground Lessee for the purposes of exercising or maintaining such Option, or to modify any provisions relating to such Option.

Foreclosure by the Home Office Leasehold Mortgagee.

(i) Right to Foreclose. The Home Office Leasehold Mortgagee will have the right to realize on the security afforded by the Home Office Leasehold Mortgage by exercising foreclosure proceedings or power of sale, or accepting an assignment or deed in lieu thereof, or other remedy afforded in law or in equity, all to the extent allowed by the Home Office Leasehold Mortgage under the Home Office Ground Lease (collectively referred to as "Foreclosure Sale") and to transfer, convey, or assign the title of Home Office Ground Lessee to the leasehold estate created under the leasehold mortgage provisions to any purchaser at any such Foreclosure Sale (such purchaser including, if applicable, the Home Office Leasehold Mortgagee, hereinafter referred to as the "Foreclosure Purchaser"), and to acquire and succeed to the interest of Home Office Ground Lessee by virtue of any such Foreclosure Sale; provided that the Home Office Leasehold Mortgagee has given all notices and opportunities to cure to Home Office Ground Lessor and Home Office Ground Lessee required under the Home Office Ground Lease and/or by applicable law. Notwithstanding the foregoing, the Home Office Leasehold Mortgagee (i) will not be entitled to conduct any auction, foreclosure, or other sale at or upon the Property; (ii) will not remove any fixtures, furnishings, equipment, or other property on or at the Property whether or not affixed thereto; and (iii) will conduct a unified sale of the leasehold interest, all other real property collateral, and all personal property collateral to a single purchaser.

(ii) Attornment and Non-Disturbance. Upon any acquisition by the Foreclosure Purchaser of the leasehold interest in the Property, the Foreclosure Purchaser will be bound to the Home Office Ground Lessor, and the Home Office Ground Lessor will be bound to the Foreclosure

Purchaser under the terms, covenants, and conditions of the Home Office Ground Lease with the same force and effect as if the Foreclosure Purchaser were the original Home Office Ground Lessee, except that the Foreclosure Purchaser will not be bound to cure Personal Defaults of Home Office Ground Lessee and except that, if the Foreclosure Purchaser is the Home Office Leasehold Mortgagee, its liability will cease upon a Foreclosure Purchaser Assignment (as discussed below).

(iii) Foreclosure Purchaser Assignment. If the Foreclosure Purchaser is the Home Office Leasehold Mortgagee, it may assign the leasehold interest (including any Extension Terms, if applicable, and all other real and/or personal property transferred to such purchaser) in accordance with the Home Office Ground Lease, except that the Home Office Leasehold Mortgagee will not be obligated to obtain Home Office Ground Lessor's prior written consent but will give Home Office Ground Lessor prompt notice thereof.

New Lease to Mortgagee. In the event of termination of the Home Office Ground Lease for any reason, Home Office Ground Lessor will, at the Home Office Leasehold Mortgagee's written request, enter into a new lease (the "New Lease") with the Home Office Leasehold Mortgagee or its nominee covering the Property if the Home Office Leasehold Mortgagee (i) gives the notice of request within thirty (30) days after the termination, (ii) accompanies the notice with a written instrument unconditionally guaranteeing that, upon execution of the New Lease, it will cure all Monetary Defaults of Home Office Ground Lessee under the Home Office Ground Lease and pay to Home Office Ground Lessor all costs including without limitation attorneys' fees incurred by Home Office Ground Lessor in connection with or resulting from any Home Office Ground Lessee default, the termination, and the New Lease, (iii) remedies all existing defaults under the Home Office Ground Lease immediately upon execution of the New Lease for Monetary Defaults and within thirty (30) days after execution for Non-Monetary Defaults; and (iv) accepts the Property in its then "as-is" condition without warranty of any kind from Home Office Ground Lessor. The New Lease (v) will be executed no later than thirty (30) days after delivery of the notice of request; (x) will be for the remainder of the Home Office Ground Lease Term; (y) will be effective as of the date of termination with possession to occur upon execution; and (z) and will include the right of the Home Office Leasehold Mortgagee or its nominee to exercise Home Office Ground Lessee's options to extend or renew the Home Office Ground Lease, if applicable, as set forth therein; will be at the Home Office Ground Rent and on the covenants, agreements, conditions, provisions, restrictions, and limitations contained in the terminated Home Office Ground Lease. As long as Home Office Leasehold Mortgagee cures all defaults other than any Personal Defaults, then any Personal Default will no longer be deemed to be a default or breach under the New Lease. The New Lease, and this covenant, will be superior to all rights, liens and interests intervening between the date of the Home Office Ground Lease and the granting of said New Lease other than those created or suffered by Home Office Ground Lessee to which Home Office Ground Lessee and the Home Office Leasehold Mortgagee have consented or subordinated to, and will be free of any and all rights of Home Office Ground Lessee under the Home Office Ground Lease. The provisions of the immediately preceding sentence will be self-executing, and Home Office Ground Lessor will have no obligation to do anything, other than to execute said New Lease as herein provided, to assure said Home Office Leasehold Mortgagee or the Home Office Ground Lessee under the New Lease good title to the leasehold estate granted thereby.

Home Office Ground Lessor's Interest Subject to Home Office Leasehold Mortgage. Any mortgage or financial encumbrance on Home Office Ground Lessor's fee estate (a "Fee Mortgage") will be subject to the Home Office Ground Lease. Home Office Ground Lessor will not enter into any Fee Mortgage that violates the previous sentence.

Limits on Home Office Leasehold Mortgagee's Liability. No Home Office Leasehold Mortgagee will be liable to perform Home Office Ground Lessee's obligations under the Home Office Ground Lease until such Home Office Leasehold Mortgagee takes possession of the Property or any part thereof or acquires Home Office Ground Lessee's rights by foreclosure, assignment in lieu of foreclosure, or otherwise, subject, however, to the Home Office Leasehold Mortgagee's right under the Home Office Ground Lease to cure any defaults of Home Office Ground Lessee thereunder.

Estoppel Certificates. At reasonable intervals, the Home Office Leasehold Mortgagee will have the right to obtain estoppel certificates from Home Office Ground Lessor stating whether the Home Office Ground Lease is in full force and effect, whether the Home Office Ground Rent and other charges have been duly and fully paid in accordance with the terms of the Home Office Ground Lease, whether Home Office Ground Lessee is in default under any of the terms, covenants, or conditions contained in the Home Office Ground Lease, or whether any event has occurred which would, with the passage of time or giving of notice or both, constitute a default under any of the terms, covenants or conditions contained in the Home Office Ground Lease, and other matters reasonably requested by the Home Office Leasehold Mortgagee.

No Merger. If the Home Office Ground Lease and the fee estate in the Property are ever commonly held, then they will remain separate and distinct estates and will not merge without consent by all Home Office Leasehold Mortgagees.

Notices. In the event that Home Office Leasehold Mortgagee issues any demand for payment, default notice, or other document under which, if Home Office Ground Lessee does not perform, there would be a right to terminate the Home Office Ground Lease or take possession of the Premises, Home Office Leasehold Mortgagee will give a copy of such notices to Home Office Ground Lessor concurrently in accordance with the Home Office Ground Lease.

Amendments. Upon Home Office Ground Lessee's request, subject to the Home Office Ground Lease, Home Office Ground Lessor will enter into such amendments or modifications of the Home Office Ground Lease as may be reasonably required by Home Office Ground Lessee's lender in order for Home Office Ground Lessee to obtain a Home Office Leasehold Mortgage, so long as such changes do not deprive Home Office Ground Lessor of the substantial benefit of the Home Office Ground Lease or reduce the sums due to Home Office Ground Lessor thereunder or change the permitted uses of the Premises. Home Office Ground Lessor will not unreasonably withhold, delay, or condition such an amendment.

Permitted Period for Restoration of Improvements. There will be no termination of the Home Office Ground Lease as against the rights of any Home Office Leasehold Mortgagee as a result of damage or destruction of the Improvements (as defined in the Home Office Ground Lease) so long as the Home Office Ground Rent is paid on a current basis and all other obligations under the Home Office Ground Lease are timely performed, and the Home Office Ground Lessee and/or Home Office Leasehold Mortgagee is diligently pursuing restoration of the Improvements.

Insurance. A standard mortgagee clause naming the Home Office Leasehold Mortgagee as an additional insured and loss payee, as the case may be, may be added to any and all insurance policies required to be carried by Home Office Ground Lessee under the Home Office Ground Lease on condition that the insurance proceeds are to be applied in the manner specified therein; except that the Home Office Leasehold Mortgagee may provide a manner for the disposition of such proceeds, if any, otherwise payable directly to Home Office Ground Lessee or Home Office Leasehold Mortgagee pursuant to the provisions of the Home Office Ground Lease.

The foregoing description of certain provisions of the Home Office Ground Lease does not purport to be a complete summary thereof and is qualified by reference to the complete Home Ground Lease, a copy of which is attached hereto as APPENDIX J.

Additional Leases Governed by the Master Indenture

Under the Master Indenture, "lease" is defined as the Leases and each other lease agreement pursuant to which a Lessee leases a facility at which a School (as defined in the Master Indenture) is located from a Member of the Obligated Group.

If a Member of the Obligated group enters into a Lease (as defined in the Master Indenture), such Lease, must contain the following provisions:

(a) Extraordinary Monthly Rent: In the event that the Lessee under such Lease receives a notice (an “Extraordinary Monthly Rent Notice”) from either the lessor under such lease (the “Lessor”) or the Related Bond Trustee (as defined in the Master Indenture) stating the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Lessee will pay the Extraordinary Monthly Rent to the Related Bond Trustee within three business days after such Lessee’s receipt of the Extraordinary Monthly Rent Notice. The Lessor will covenant in such Lease to immediately provide the Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture. “Extraordinary Monthly Rent” means the amount set forth in such Extraordinary Monthly Rent Notice, which will be the Lessee’s Proportionate Share of the Extraordinary Monthly Rent. “Proportionate Share” means the amount required to be paid by Lessee to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. There is no assurance that the amount of Extraordinary Monthly Rent will be sufficient to cover any Rent not paid by any other Related Project.

(b) The definition of “Base Rent” set forth under the related Lease will include, as one component, the “Extraordinary Monthly Rent.”

(c) A Base Rent Coverage Ratio Covenant substantially similar to the covenant described under the heading “— The Leases – Base Rent Coverage Ratio Covenant” above.

(d) A Liquidity Covenant substantially similar to the covenant described under the heading “— The Leases – Liquidity Covenant” above.

(e) A Subordination of Educational Management Fee Covenant substantially similar to the covenant described under the heading “— The Leases – Subordination of Educational Management Fee Covenant” above.

(f) A Covenant for Use of State of California Apportionments substantially similar to the covenant described under the heading “— The Leases – Covenant for Use of State of California Apportionments” above.

(g) In the case of any Lease relating to a Related Project financed by the Authority, a Use of Intercept Moneys covenant substantially similar to the covenant described under the heading “— The Leases – Use of Intercept Moneys” above.

CALIFORNIA CHARTER SCHOOLS

General

This section provides a brief overview of California’s system for funding charter schools. Prospective purchasers of the Bonds should note that the overview contained in this section and the summary of relevant law noted by cross-reference in the sections that follow are provided for the convenience of prospective purchasers but are not and do not purport to be comprehensive. Additional information regarding various aspects of charter school funding in California is available on numerous State-maintained websites and through other publicly available sources.

Under State Law, charter schools are largely independent schools operating as part of the public school system under the exclusive control of the officers of the public schools. A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and is usually sponsored by an existing local public school district or county board of education.

Specific goals and operating procedures for the charter school are detailed in a “charter” granted by the sponsoring board to the charter organizers.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. Charter schools in the State are created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the “Charter School Law”). The law also requires that a public charter school be nonsectarian in its programs, admission policies, employment practices and all other operations, and prohibits the conversion of a private school to a charter school. Public charter schools may not charge tuition and may not discriminate against any pupil on the basis of ethnicity, national origin, gender or disability. State public charter schools are required to participate in the State Testing and Reporting Program.

According to the Charter School Law, the purpose of a charter school is to: (1) improve pupil learning; (2) increase learning opportunities for all pupils, with special emphasis on expanded learning experiences for pupils identified as academically low achieving; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers, including the opportunity 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; (6) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (7) provide vigorous competition within the public school system to stimulate continual improvements in all public schools.

Anyone may write a charter. However, for a new charter school (not conversion of an existing traditional public school), charter developers must present a petition to the governing board of the local school district (or other chartering authority) containing the signatures of either: (1) a number of teachers meaningfully interested in teaching at the school equal to at least 50 percent of the number of teachers the charter school estimates will be employed during the charter school’s first year of operation, or (2) a number of parents or legal guardians representing at least 50 percent of the number of pupils expected to enroll at the school in its first year. For conversion schools, Charter School Law requires signatures of at least 50 percent of the permanent status teachers at the school to be converted. Pupils may not be required to attend a charter school nor may teachers be compelled to teach there. Charters are granted for a maximum term of five years, and may be renewed for new five-year terms without limitation upon satisfaction of certain criteria described below.

Generally, each charter school is funded to its statutory entitlement after the local contribution is taken into account. Local funding comes from the chartering school district or other sponsoring local education agency in lieu of property taxes (generally funded from the school district’s own property tax receipts), while the State funds the balance directly through the county office of education. The proportion coming from the State will vary from district to district depending on the amount of local property taxes collected. In addition, charter schools receive certain State funding and lottery funds based upon pupil attendance, and may be eligible for other special programmatic aid from State and federal grants. Charter schools are prohibited from charging tuition under the Charter School Law.

For additional information regarding funding of education in the State and information relating to certain risks and other considerations relevant to a decision to invest in the Bonds, see “CALIFORNIA STATE FUNDING OF EDUCATION” and “CERTAIN RISK FACTORS – Specific Risks of Charter Schools” herein. For information regarding legal basis for and funding of education in the State of Washington, see “APPENDIX E – WASHINGTON CHARTER SCHOOLS, RELATED STATUTES, AND FUNDING” attached hereto.

Chartering Authority

Under the Charter School Law, the local school district governing board serves as the primary chartering authority. A petitioner may seek approval of a charter from a county board of education if the pupils to be served are pupils that would normally be provided direct education and related services by the county office of education. A petitioner may also seek approval from a county board of education for a countywide charter school, which may be granted only if the county board finds that the proposed countywide charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates only in one school district in the county. See “— Countywide Benefit Charter Schools” below. A petitioner may seek approval directly from the State Board of Education only if the State Board of Education finds that the proposed state charter school will provide instructional services of statewide benefit that cannot be provided by a charter school operating in only one school district or county. See “— Statewide Benefit Charter” below. Petitioners may request the county board of education or the State Board of Education to review a charter petition if the petition has been previously denied by the local school district governing board. If the petitioners elect to submit a petition for establishment of a charter school to the county board of education and the county board of education denies the petition, the petitioners may file a petition for establishment of a charter school with the State Board of Education.

Summit Shasta operates pursuant to a charter authorized by the Jefferson Union High School District. For additional information concerning the charters granted with respect to the Schools, see “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Charter Schools Operated by Summit” attached hereto.

Elements of a Charter Petition

Each charter petition, at a minimum, must contain reasonably comprehensive descriptions of each of sixteen required elements. They are:

1. A description of the educational program of the charter school.
2. The annual goals for the charter school for all pupils and for each subgroup of pupils.
3. If the proposed charter school will serve high school pupils, the manner in which the charter school will inform parents about the transferability of courses to other public high schools and the eligibility of courses to meet college entrance requirements.
4. The measurable pupil outcomes identified for use by the charter school.
5. The method by which pupil progress in meeting those pupil outcomes is to be measured.
6. The charter school’s governance structure, including parental involvement.
7. The qualifications to be met by individuals employed by the charter school.
8. Procedures to ensure health and safety of pupils and staff; including criminal background checks.
9. The means by which the charter school will achieve racial and ethnic balance among pupils, reflective of the general population residing in the chartering district.
10. Admission requirements, if applicable.

11. The manner in which annual, independent financial audits will be conducted, and the manner in which audit exceptions and deficiencies will be resolved to the satisfaction of the chartering authority.
12. The procedures by which pupils may be suspended or expelled.
13. Provisions for employee coverage under the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security.
14. The public school attendance alternatives for pupils residing within the district who choose not to attend charter schools.
15. A description of the rights of any employee of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school.
16. The procedures to be followed by the charter school and the entity granting the charter to resolve disputes relating to provisions of the charter.
17. A declaration of whether or not the charter school will be deemed the exclusive public school employer of the employees of the charter school for purposes of the Educational Employment Relations Act.
18. A description of the procedures for closure of the school and disposition of assets.

Under the accountability requirements of Assembly Bill 1137 ("AB 1137"), signed into law in October 2003, districts or other agencies that grant charter authority must identify a contact person for charter schools, visit each charter school at least once a year, and ensure that charter schools submit all required reports (including fiscal reports that must be sent four times a year to the district and local county office of education). In addition, the district must monitor the fiscal condition of its charter schools and notify the State Department of Education whenever a charter is granted, denied, revoked, or the charter school will cease operation. AB 1137 also required that charter schools show a certain level of academic performance to have their charters renewed.

Countywide Benefit Charter Schools

Education Code Section 47605.6 provides for the creation of countywide benefit charter schools to operate at one or more sites within the geographic boundaries of a county and that provide instructional services that are not generally provided by a county office of education. A county board of education may approve a countywide charter only if it finds, in addition to the other requirements of the Charter School Law, that the educational services to be provided by the charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates in only one school district in the county.

The provisions governing denial of a charter petition for school district governing boards, also apply to the denial of petition to countywide benefit charters. A county board of education will deny a petition if it finds one or more of the following: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, and (v) the petition does not contain reasonably comprehensive descriptions of the educational program of the school, measurable pupil outcomes and certain other factors, as required by State law.

If a petition for a countywide benefit charter is denied, or the renewal of an existing countywide benefit charter is denied, the petition may not be submitted to the State Board of Education (“SBE”) for review.

Summit Denali operates pursuant to a countywide benefit charter. See “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Charter Schools Operated by Summit” attached hereto.

Statewide Benefit Charter Schools

Education Code Section 47605.8 provides for the creation of statewide benefit charter schools to operate at multiple locations throughout the State of California. A petition for the operation of a state charter school may be submitted to SBE and the SBE has the authority to approve a charter for the operation of a state charter school. The SBE may not approve a petition for the operation of a state charter school unless it finds that the proposed state charter school will provide instructional services of statewide benefit that cannot be provided by a charter school operating in only one school district, or only in one county. As a condition of charter petition approval, the SBE may enter into an agreement with a third party, at the expense of the charter school, to oversee, monitor, and report on, the operations of the charter school.

The provisions governing denial of a charter petition for county boards of education, also apply to the denial of a petition to statewide benefit charters. Petition denials include: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, and (v) the petition does not contain reasonably comprehensive descriptions of the educational program of the school, measurable pupil outcomes and certain other factors, as required by State law. Neither of the Schools operate pursuant to a statewide benefit charter. See “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Charter Schools Operated by Summit” attached hereto.

Charter Management Organizations

As the number of charter schools operating pursuant to the Charter School Law has increased over time, nonprofit organizations have been established, referred to as charter management organizations (“CMOs”), to manage the operations of several charter schools for the purpose of achieving certain economic and operational efficiencies. CMOs centralize or share certain functions and resources among multiple charter schools, including but not limited to accounting, human resources, marketing, purchasing, property management and administration. CMOs may operate at the regional or statewide level.

Summit functions as a CMO for the Schools, as well as other charter schools operated by Summit. See “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP” attached hereto.

Charter Revocation

A charter may be revoked if the charter granting authority finds, based on substantial evidence, that a charter school (i) has committed a material violation any of the conditions, standards or procedures set forth in its charter, or (ii) has failed to meet or to pursue any of the student outcomes identified in its charter, or (iii) has failed to meet generally accepted accounting principles, or engages in fiscal mismanagement, or (iv) has violated any provision of law. Prior to revoking a charter, the charter granting authority must notify the charter school of the violation, afford the charter school a reasonable opportunity to remedy the violation (unless the

authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils), and, upon failure to do so, give written notice of intent to revoke and notice of facts in support of revocation to the charter school and hold a public hearing on the matter. An adverse decision by a school district governing board may be appealed to the county board of education and an adverse decision by the county board, directly or on appeal, may be appealed to the SBE. See “CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters” herein.

In addition, the SBE, whether or not it is the charter granting authority, may take action based on the recommendation of the State Superintendent of Public Instruction, including but not limited to revocation of a school’s charter, upon a finding of (i) gross financial mismanagement that jeopardizes the financial stability of the charter school, (ii) illegal or substantially improper use of charter school funds for the personal benefit of any officer, director or fiduciary of the charter school, or (iii) substantial and sustained departure from measurably successful practices such that continuing departure would jeopardize the educational development of the school’s pupils. Regulations promulgated by the SBE that became effective February 13, 2011 require the California Department of Education to identify and notify the SBE of each charter school that is determined to warrant action pursuant to clause (iii) of the immediately preceding sentence by November 1 of each year. Under these regulations, charter schools so notified are required to be given an opportunity to submit written information as to why its charter should not be revoked. Any resulting action to revoke a charter is effective at the end of the fiscal year in which the action is taken, unless the SBE identifies departures at the school that are so significant as to be cause for immediate revocation and closure of the charter school. The regulations require the SBE to hold a public hearing to consider action including but not limited to charter revocation not later than March 31. See “CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters” herein.

The Schools have not received any notice from the SBE or their chartering authorities regarding any violation or proposal to revoke the Schools’ charters or of any other violation requiring corrective action. In addition, as noted above, any future adverse decision by a school district governing board authorizer may be appealed to the county board of education of the applicable County and any adverse decision by such a county board of education, directly or on appeal, may be appealed to the SBE.

The Santa Clara County Office of Education (“SCCOE”) conducted an oversight checklist review and site visit at Summit Denali and submitted their findings in a letter dated January 26, 2017 (the “Compliance Report”). In the Compliance Report, SCCOE identified certain challenges, including a projected negative ending cash balance and that certain non-core instructors did not provide credentials. Summit has conferred with SCCOE to provide updates and responses to the Compliance Report. Summit has informed SCCOE that they have sufficient monies and expect to cover all shortfalls, should any occur. In addition, Summit informed SCCOE that it is committed to ensuring that all non-core instructors receive their credentials. Since issuing the Compliance Report, SCCOE has entered into a 13-month facility sublease with Summit Denali to house its 6th grade. Summit expects its petition to renew the charter for Summit Denali to be approved by SCCOE and does not expect the issues raised in the Compliance Report to have an adverse effect on its petition. See “APPENDIX A- CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Charter Schools Operated by Summit – History of the Schools” attached hereto.

Summit Denali operates pursuant to a countywide benefit charter and, as such, does not have the ability to appeal to SBE in the event of a county board of education decision to not renew its charter. See “— Countywide Benefit Charter Schools” herein.

Amendments to the Charter School Law

The Legislature has amended the Charter School Law frequently since its initial adoption in 1992, and legislative and public attitudes are still evolving. Neither the Borrower nor any Charter School has any control over State legislative or regulatory decision making that could affect the operations or ongoing funding sources

for the California Schools. For example, Senate Bill 1290, signed into law by the Governor on September 26, 2012, requires the chartering authority to consider increases in pupil academic achievement for all groups of pupils as the most important factor in determining whether to grant a charter renewal or revoke a charter; and Assembly Bill 948, signed into law by the Governor on September 30, 2014, expanded eligibility for the Charter School Facility Grant Program.

In addition, currently pending legislation affecting the Charter School Law and/or related law includes Senate Bill 808 (“SB 808”), which, if enacted, would amend the Charter School Law to permit charter petitions to be approved and charters to be authorized only by school districts. By so restricting charter petition approval and appeal, SB 808 would repeal charter petitioners’ ability to, among other things, appeal a denied petition to a county board of education or SBE and petition a county or SBE directly to establish countywide benefit charter schools or statewide benefit charter schools. Under SB 808, any charter school currently operating pursuant to a charter authorized by a county or SBE would be unable to renew such charter with its existing authorizer upon its termination, and would instead have to apply with a school district for a charter renewal. Additionally, SB 808 would allow school districts to deny a charter school petition if the granting of such petition would impose financial hardship on the school district.

Neither the Borrower nor Summit makes any representation as to whether any proposed amendments to the Charter School Law will be enacted into law. For legislative updates see www.calcharters.org/advocacy/statewide/current-legislation.html. The parties to this transaction take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Growth in Charter Schools in California

California has the largest concentration of charter schools in the nation with more than 603,000 students enrolled in charter schools for the 2016-17 school year, according to the California Charter Schools Association. The California Charter Schools Association also reported that 56 new charter schools opened in the State of California in the 2016-17 school year, bringing the total number of charter schools in California up to 1,254.

TOTAL CHARTER SCHOOLS IN CALIFORNIA Fiscal Years 1998-99 Through 2016-17

<u>Fiscal Year</u>	<u>Number of Charter Schools</u>
2016-17	1,254
2015-16	1,228
2014-15	1,182
2013-14	1,130
2012-13	1,063
2011-12	982
2010-11	912
2009-10	809
2008-09	746
2007-08	682
2006-07	585
2005-06	560
2004-05	502
2003-04	443
2002-03	408
2001-02	349
2000-01	299
1999-00	235
1998-99	177

Source: California Charter School Association.

CALIFORNIA STATE FUNDING OF EDUCATION

General

The Charter School Law provides that the State legislature intended “each charter school be provided with operational funding that is equal to the total funding that would be available to a similar school district serving a similar pupil population . . .” As is true for school districts in the State, charter schools’ revenue is derived primarily from two sources: a State portion funded from the State’s general fund and a locally generated portion derived from each sponsoring school district’s share of the local *ad valorem* property tax. Decreases in State revenues, or in the legislative appropriations made to fund education, may significantly affect charter schools’ operations.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by the State Legislature no later than June 15, although this deadline has been breached in previous years. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State’s voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. This lower vote requirement also

applies to trailer bills that appropriate funds and are identified by the State Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2017-18 State budget on June 27, 2017.

Failure by the State to adopt a budget may restrict the State Controller’s ability to disburse State funds. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002 and later refined by a California Supreme Court decision in 2003, the State Controller may be able to disburse State funds after the beginning of the fiscal year prior to the adoption of the State budget bill or emergency appropriation if the expenditure, among other things, is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the Borrower might experience delays in receiving certain expected revenues. See “CERTAIN RISK FACTORS.”

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. A brief description of the adopted State budget for fiscal year 2017-18 is included below; however, no prediction can be made as to how State income or State education funding will vary over the entire term to maturity of the Bonds, and none of the Borrower, Summit or the Authority takes any responsibility for informing Beneficial Owners of the Bonds as to any such annual fluctuations. Information about the State budget and State spending for education is regularly available at various State maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the “LAO”) at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, currently located at www.treasurer.ca.gov, and the Electronic Municipal Market Access (“EMMA”) website of the Municipal Securities Rulemaking Board, currently located at <http://emma.msrb.org>. The information referred to is prepared by the respective entities maintaining each website and not by the Borrower, Summit or the Authority, and none of the Borrower, Summit or the Authority can take any responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

Aggregate State Education Funding. Under Proposition 98, a constitutional and statutory amendment adopted by the State’s voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is mandated for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs, including charter schools.

The Proposition 98 guaranteed amount for education is based on prior year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State’s share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget.

The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post year end revisions, as additional information regarding the various factors becomes available. Over the long run, the guaranteed amount may increase as enrollment and per capita personal income grow.

If, at year end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the mandated amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal years 2004-05, 2010-11, 2011-12 and 2012-13; and by proposing to amend the Constitution's definition of the guaranteed amount and settle up requirement under certain circumstances. The 2014-15 State Budget and 2015-16 State Budget reversed certain of these trends by, among other things, eliminating certain deferrals, authorizing payments of certain deferred amounts owed to schools subject to State General Fund Revenues and authorizing settle-up payments with respect deferred apportionments of the Proposition 98 minimum guarantee.

2017-18 Budget. On June 27, 2017, the Governor signed into law the State budget for fiscal year 2017-18 (the "2017-18 Budget"). The following information is drawn from the LAO's preliminary review of the 2017-18 Budget.

For fiscal year 2016-17, the 2017-18 Budget projects total general fund revenues and transfers of \$118.5 billion and total expenditures of \$121.4 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.4 billion, including \$642 million in the traditional general fund reserve and \$6.7 billion in the State's Budget Stabilization Account (the "BSA"). For fiscal year 2017-18, the 2017-18 Budget projects total general fund revenues of \$125.9 billion, reflecting a 6% increase over the prior year and driven primarily by a projected 5% increase in personal income, sales and use tax collections. The 2017-18 Budget authorizes expenditures of \$125.1 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$9.9 billion, including \$1.4 billion in the traditional general fund reserve and \$8.5 billion in the BSA.

With respect to education funding, the 2017-18 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2015-16 and 2016-17, as a result of lower-than-estimated general fund revenue

collections. The 2017-18 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at \$68.7 billion, a decrease of \$379 million from the prior year. However, total Proposition 98 funding exceeded the minimum guarantee by \$53 million as a result of various adjustments related to the LCFF and community college apportionments. The 2017-18 Budget revises the minimum funding guarantee for fiscal year 2016-17 at \$71.3 billion, reflecting a decrease of \$558 million from the prior year. Total spending in fiscal year 2016-17, however, exceeded the minimum funding guarantee by approximately \$29 million, as a result of a \$514 million “settle-up” payment related to an obligation created by understating the minimum guarantee in a prior year.

For fiscal year 2017-18, the 2017-18 Budget sets the minimum funding guarantee at \$74.5 billion, reflecting an increase of \$3.1 billion (or 4.4%) from the revised prior-year level. Fiscal year 2017-18 is projected to be a “Test 2” year, with the change in the minimum funding guarantee attributable to a 3.7% increase in per capita personal income and a projected 0.05% decline in K-12 attendance. With respect to K-12 education, the 2017-18 Budget sets Proposition 98 funding at \$64.7 billion, including \$45.7 billion from the State general fund, reflecting an increase of \$2.7 billion (or 4.3%) from the prior year. Per-pupil spending increases 4.3% to \$10,863.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – Approximately \$1.4 billion in Proposition 98 funding to continue the implementation of the LCFF. Total LCFF funding for school districts and charter schools is set at \$57.4 billion, a 2.7% increase from the prior year. The 2017-18 Budget projects that this funding will bring LCFF implementation to approximately 97%.
- *Discretionary Funding* – An increase of \$877 million in one-time Proposition 98 funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities.
- *Maintenance Factor; Settle Up Payment* – The 2017-18 Budget provides for an additional maintenance factor payment of \$536 million, after which the State’s outstanding obligation would be approximately \$900 million. The 2017-18 Budget also provides \$603 million to fund a settle-up payment related to an obligation created in fiscal year 2009-10 when revenue estimates understated the minimum funding guarantee. This reduces the State’s total settle up obligation to approximately \$440 million.
- *Career Technical Education (CTE)* – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The 2017-18 Budget provides \$200 million as the final installment of funding for this program. The 2017-18 Budget also provides the California Department of Education with \$15.4 million in on-going Proposition 98 funding to support efforts linking secondary and postsecondary CTE.
- *K-12 Educational Mandates* – An increase of \$3.5 million Proposition 98 funding to fund a 1.56% Cost of Living Adjustment (“COLA”) to the block grant program for State mandated K-12 educational programs and activities. The 2017-18 Budget establishes a statutory COLA for these programs moving forward. The 2017-18 also provides \$61 million to fund a 1.56% COLA to several other categorical programs.
- *Teacher Workforce Initiative* – The 2018-17 Budget funds a variety of teacher recruitment and training programs, including (i) \$25 million in one-time Proposition 98 funding for grants to assist classified school employees secure bachelor’s degrees and teaching credentials; (ii) \$11 million in federal Title II funds to establish a program to help local educational agencies attract and support

teachers, principals and other school leaders; and (iii) \$5 million in one-time Proposition 98 funding for a new program that would encourage teachers to obtain bilingual credentials and teach in bilingual settings.

- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires that, for a five-year period starting in fiscal year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The 2017-18 Budget allocates \$423 million of such funds to support school district and charter school energy efficiency projects in fiscal year 2017-18.
- *After School and Education Safety Program* – An increase of \$50 million in Proposition 98 funding (for a total of \$600 million) to increase per-child reimbursement rates for providers of local after school education and enrichment programs.
- *Proposition 56* – Passed by voters in November 2016, Proposition 56 increases the per-pack State sales tax on cigarettes by \$2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine products. The 2017-18 Budget allocates \$32 million of Proposition 56 revenues to support these programs.
- *Charter School Facility Grant Program* – Under this program, the State provides certain charter schools with grants to defray the cost of renting and leasing school facilities. The 2017-18 Budget increases the per-student funding rate to \$1,117 and provides an ongoing COLA for the program moving forward. See “ – Allocation of State Funding to Charter Schools – SB 740 Facilities Grant Program Funding” herein.
- *California Equity Performance and Improvement Program* – An increase of \$2.5 million in one-time Proposition 98 funding for two or more county offices of education to assist local educational agencies and the State Department of Education to promote equity in public schools.
- *Proposition 51* – A total allocation of \$593 million in Proposition 51 bond funds for K-12 school facility projects.
- *Refugee Students* – An increase of \$10 million in one-time Proposition 98 funding for the State Department of Social Services to provide grants to school districts that serve notable numbers of refugee students.

For additional information regarding the 2017-18 Budget, see the Legislative Analyst’s office website at <http://www.lao.ca.gov/>. However, the information presented on such website is not incorporated herein by reference.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (“ERAF”) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State’s voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as “Proposition 22.”

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects

and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment is to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 4, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years – such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State is more directly dependent upon the State's general fund.

Future Budgets and Budgetary Actions. The Borrower and the Authority cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the Borrower will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2017-18 and in future fiscal years. State budget shortfalls in future fiscal years could have a material adverse financial impact on the Borrower.

Allocation of State Funding to Charter Schools

General Purpose Entitlement. Under the Charter School Law, each charter school is calculated to have a “general purpose entitlement,” which has in the past been based on the statewide average amount of State aid, local property taxes and other revenue received by school districts of similar type and serving similar pupil populations. The general purpose entitlement is calculated on a per student basis at each of four grade level ranges (grades K-3, grades 4-5, grades 6-8, and grades 9-12) and is multiplied by the charter school's Average Daily Attendance (“ADA”) in each grade level range.

Each charter school's general purpose entitlement is funded from local funding in lieu of property taxes and, to the extent such funding is insufficient to fulfill the entire entitlement, from money appropriated by the State from the State's general fund for education. The local share, which must be transferred in monthly installments to the charter school by the sponsoring local educational agency in lieu of property taxes, is the average amount of property taxes per ADA received by the district, including charter school students, multiplied by the charter school's ADA.

Categorical Funding. In addition, each charter school has been entitled to a “categorical block grant.” School districts must qualify for categorical aid on the basis of the actual number of students in attendance who qualify for one or more special programs, and may only spend the aid for the restricted purposes of the program. Charter school students do not need to qualify individually for each program of certain categorical aid. Instead, a charter school “categorical block grant” is computed annually. Categorical block grant funding may be used for any purpose determined by the charter school. In addition, charter schools may apply for and receive separate categorical funds for many programs that are not included in the block grants, if otherwise eligible, but may not receive aid for programs exclusively or almost exclusively provided by a county office of education.

With the phasing in of the Local Control Funding Formula (discussed herein), most categorical funding for charter schools is being phased out.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”), enacted as part of the 2013-14 State budget, establishes a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) (“SB 91”).

Funding. The primary component of AB 97, as modified by SB 91, is the implementation of the Local Control Funding Formula (“LCFF”), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. Under the LCFF, State allocations will be provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans (identical to the grade spans previously used for charter school funding). Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of eight fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment will be calculated for each charter school, equal to such charter school’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, charter schools will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of the charter school’s respective funding gaps.

For fiscal year 2013-14, the Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. In each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. The LCFF also provides additional add-ons to charter schools that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

Charter schools that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. The LCFF authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for charter schools that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such charter schools’ respective percentages of unduplicated EL/LI student enrollment. Charter schools whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such charter school’s unduplicated EL/LI student enrollment in excess of the 55% threshold; provided that a charter school may not receive a Concentration Grant for a greater proportion of EL/LI than the highest percentage of any school district in which the charter school has a physical location.

For certain charter schools that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the general purpose funding such charter schools would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such charter schools in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding,

implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF.

The sum of a charter school's adjusted Base Grants, Supplemental Grants and Concentration Grants will be multiplied by the charter school's total current year ADA. This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district or charter school will amount to the difference between such total LCFF allocation and such entity's share of applicable local property taxes. Most school districts and charter schools receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts and charter schools.

Accountability. The SBE has adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts and charter schools increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts/schools on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts and charter schools can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts and charter schools are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. Charter school LCAPs are required to be included in charter petitions and updated annually. School district and charter school LCAPs must be annually updated and posted on the district or charter school's website using a State-mandated standard reporting format.

Lottery Funding. Charter schools receive funding from the State Lottery Fund, which receives all proceeds from, among other sources, the sale of lottery tickets. Lottery funding is allocated to charter schools per unit of ADA. Lottery funds are distributed quarterly by the State Controller's Office. Funding is based on annual average ADA. Lottery funds are identified as either "Proposition 20" funds or "non-Proposition 20" funds. Proposition 20 lottery funds may only be used to purchase instructional materials. Non-Proposition 20 lottery funds are unrestricted, except that they may not be used for acquisition of property, construction of facilities, financing of research, or for other non-instructional purposes. Lottery funding is not included in the charter school categorical block grant. Lottery funding is approximately 2% of public school revenues and is estimated at \$189 per unit of ADA for the 2016-17 fiscal year, of which approximately \$145 is "non-Proposition 20" and \$44 is "Proposition 20" funding.

SB 740 Facilities Grant Program Funding. In the 2017-18 fiscal year, charter schools that meet certain criteria are eligible to receive up to \$1,117 per unit of ADA to reimburse an amount up to 75% of their annual facilities rent and lease costs from amounts appropriated under the annual Budget Act (as defined below). This per-ADA amount may increase in future years based on cost of living adjustments. To be eligible for SB 740 benefits: (i) 55% or more of the charter school's students must be eligible for free or reduced priced meals; or (ii) the charter school must be located in the attendance area of a public elementary school in which 55% or more of students are eligible for free or reduced priced meals and the charter school must give a preference in admissions to students who are currently enrolled in that public elementary school and to students who reside in the elementary school attendance area where the charter school is located. See "APPENDIX A – OPERATING AND FINANCIAL INFORMATION – SB 740" attached hereto.

SB 740 facilities funding may be used for costs associated with facilities rents and leases (consistent with the definitions used in the California School Accounting Manual), and for costs associated with remodeling buildings, deferred maintenance, installing or extending service systems and other built-in

equipment, and improving sites. SB 740 facilities funding is not included in the charter school categorical block grant.

SB 740 funding is subject to the annual Budget Act. In the event insufficient funds are appropriated, the available funds are apportioned on a pro rata basis. In addition to the risk of underfunding, should there be any changes to the free and reduced-price meal eligibility data, the amount of grant funds, which is awarded in three disbursements, may be adjusted (or a reimbursement notice provided).

The SB 740 program is administered by the Authority. In prior years, the program has been “undersubscribed,” meaning that awards were not limited by the level of appropriation. However, the program is expected to be “oversubscribed” in the current fiscal year, with awards being reduced on a pro-rata basis. Set forth in the table on the following page are historical data regarding SB 740 funding and awards for the past four fiscal years, and a projection of such data for the current fiscal year.

HISTORICAL SB 740 GRANT AWARDS **Fiscal Years 2013-14 to 2017-18**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
A. No. of Schools Awarded	318	330	357	394	429
B. Total Amount Awarded	\$65,575,246	\$75,428,519	\$87,477,373	\$97,000,000 ⁽¹⁾	\$150,000,000 ⁽²⁾
C. Total Funds Appropriated to SB 740⁽³⁾	\$92,031,000	\$92,031,000	\$112,031,000	\$112,031,000	\$112,031,000
D. Subscription Percentage⁽⁴⁾	71%	82%	78%	87%	134%
E. Total Average Daily Attendance (“ADA”)⁽⁵⁾	109,564	116,865	131,412	140,389	161,139
F. Average Award Per ADA⁽⁶⁾	\$599	\$645	\$666	\$691	
G. Maximum Award Allowed Per ADA⁽⁷⁾	\$750	\$750	\$750	\$750	\$1,117

⁽¹⁾ Estimated 2016-17 amount awarded. The 2016-17 award amounts will be finalized by the end of September 2017

⁽²⁾ Estimated 2017-18 amount awarded. The 2017-18 award amounts will be finalized by the end of September 2018.

⁽³⁾ Funds annually appropriated by the State Legislature toward SB 740 grant awards.

⁽⁴⁾ From 2013-14 to 2016-17, the SB 740 Program has been undersubscribed. However, for 2017-18, the Authority anticipates the SB 740 Program will be oversubscribed based on 1st round applications it has received. Based on the additional applications received by the Authority from its 2nd round applications and schools seeking “other costs” reimbursement, the Authority expects the oversubscription number to grow. The Authority expects to make SB 740 awards by applying a pro-rata reduction in the award amount spread across all eligible applicants. For purposes of estimating SB 740 Program funding for Summit, projections assume receipt of up to 75% of the \$1,117 per ADA award (\$837.75 per ADA) for 2017-18. See Tables 29 and 30 in “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OBLIGATED GROUP PROJECTIONS AND COVERAGE RATIOS” attached hereto.

⁽⁵⁾ Total ADA from all schools awarded in each fiscal year. The 2017-18 ADA is a current estimate and subject to change.

⁽⁶⁾ Equal to the “Amount Awarded” divided by the “Total ADA.” The Average Award Per ADA is lower than the Maximum Award Allowed Per ADA because a significant number of schools do not qualify for the maximum amount allowed; instead they are capped at 75% of actual rent. For 2017-18, there is no figure reported because SB 740 applications are still being received and no awards have yet been made.

⁽⁷⁾ SB 740 Program grant awards are calculated at the lower of: (a) 75% of actual rent paid or (b) maximum award allowed per ADA by State law. From 2012-13 to 2016-17, the maximum award allowed per ADA by State law was \$750 per ADA. Pursuant to a change in State law passed by the State Legislature in June 2017, the maximum award allowed by State law was increased from \$750 per ADA to \$1,117 per ADA.

Source: The Authority.

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Annual Funding Components. The following tables describe ADA-based state funding of California charter school education for Fiscal Year 2013-14 through 2017-18:

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2013-14
(Dollars per unit of ADA)

	Grades			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$6,952	\$7,056	\$7,266	\$8,149
CTE/CSR Add-ons	723	--	--	219
Lottery	<u>154</u>	<u>154</u>	<u>154</u>	<u>154</u>
Total ⁽¹⁾	\$7,829	\$7,210	\$7,420	\$8,522

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2014-15
(Dollars per unit of ADA)

	Grades			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,011	\$7,116	\$7,328	\$8,490
CTE/CSR Add-ons	729	--	--	221
Lottery	<u>162</u>	<u>162</u>	<u>162</u>	<u>162</u>
Total ⁽¹⁾	\$7,902	\$7,278	\$7,490	\$8,873

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2015-16
(Dollars per unit of ADA)

	Grades			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,083	\$7,189	\$7,403	\$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery ⁽²⁾	<u>162</u>	<u>162</u>	<u>162</u>	<u>162</u>
Total ⁽¹⁾	\$7,982	\$7,351	\$7,565	\$8,962

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2016-17
(Dollars per unit of ADA)

	Grades			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,083	\$7,189	\$7,403	\$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery ⁽²⁾	<u>189</u>	<u>189</u>	<u>189</u>	<u>189</u>
Total ⁽¹⁾	\$8,009	\$7,378	\$7,592	\$8,989

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2017-18⁽³⁾
(Dollars per unit of ADA)

	Grades			
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,193	\$7,301	\$7,518	\$8,712
CTE/CSR Add-ons	748	--	--	227
Lottery ⁽²⁾	<u>194</u>	<u>194</u>	<u>194</u>	<u>194</u>
Total ⁽¹⁾	\$8,135	\$7,495	\$7,712	\$9,133

⁽¹⁾ Excludes special education, nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind or Every Student Succeeds Act, class size reduction, supplemental instruction, economic impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

⁽²⁾ Estimated.

⁽³⁾ The Fiscal Year 2017-18 funding amounts are preliminary, used for initial budgeting purposes in general. For specific projections with respect to the School, see "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OBLIGATED GROUP PROJECTIONS AND COVERAGE RATIOS" attached hereto.

Sources: California Charter Schools Association; California Department of Education.

For a description of the Schools' ADA and funding related thereto, see "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" attached hereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax will be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on: (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the ballot proposition, but only if certain accountability measures are included in the bond proposition. Charter schools may not conduct bond elections or issue bonds payable from property taxes, but may benefit from the proceeds of bonds issued by the school district in which the charter school is located.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed, renovated or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of local school districts.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior

Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place. Charter schools are not directly dependent on local property taxes. To the extent local property taxes fund the general purpose entitlement, losses in local property tax income are required to be made up by the State.

Proposition 30

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but not over \$300,000 for single filers (over \$340,000 but not over \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but not over \$500,000 for single filers (over \$408,000 but not over \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for joint filers). The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends through 2030 the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (“Proposition 51”) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. Summit makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be

required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The table below shows the expected use of bond funds under Proposition 51, as set forth in Sections 101122 and 101143 of the Education Code:

**PROPOSITION 51
Use of Bond Funds
(In Millions)**

<u>K-12 Public School Facilities</u>	
New construction	\$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	\$7,000
<u>Community College Facilities</u>	\$2,000
Total	\$9,000

Future Initiatives

Articles XIII A, Proposition 98, Proposition 30, Proposition 55, and Proposition 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting State and local revenues for education, and the ability or obligation of these government agencies to expend revenues for charter school purposes.

CERTAIN RISK FACTORS

Investment in the Bonds involves substantial risks. The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Certain factors which could result in a reduction of revenues available to the Obligated Group and a corresponding reduction in payments made to the Authority are discussed herein.

A number of factors could have an adverse impact on the ability of Summit to generate revenues needed to meet its obligations under the Leases, which could, in turn, have an adverse effect on the ability of the Borrower and Members of the Obligated Group to generate sufficient revenues to meet their respective obligations to make payments due under the Loan Agreement and Obligation No. 1. The ability of Summit to generate sufficient revenues to make payments under the Leases is dependent upon a number of elements, including State budget pressures, demand for charter schools, the ability of the Summit Schools 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, changes in immigration policy, litigation and the Schools' ability to achieve targeted enrollment levels. This, in turn, is affected by numerous circumstances both within and outside the control of the Obligated Group and Summit, including a continuation of governmental policies and programs with respect to public charter schools (see "CALIFORNIA CHARTER SCHOOLS" herein); the competitive appeal and perceived quality of the Schools' curriculum; and the ability and energy of the Schools' faculties and administration. There can be no assurance given that revenues of the Obligated Group or the revenues of Summit attributable to the Schools and Summit Home Office will not decrease. Any and all financial projections are only good faith estimates and are not intended as a representation or warranty as to the future financial condition of the members of the Obligated Group or Summit.

See "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" and "APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF SUMMIT AND AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2016" attached hereto.

Sufficiency of Revenues

The Bonds are payable primarily from Payments which are derived from payments received under the Loan Agreement and Obligation No. 1. The Members will also encumber the Facilities with the Mortgages as security for the obligation to make the payments under the Loan Agreement and Obligation No. 1.

The Members' primary expected source of the revenues to support the payment of debt service on the Bonds will be the Rent payments it receives from Summit pursuant to the Leases. The Leases provide that Summit will be obligated to pay rent thereunder only from revenues derived from operation of the Schools and Summit Home Office, as applicable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases" herein. Based on present circumstances, including the successful operating history of the Schools and the other Summit Schools, Summit believes it will generate a sufficient amount of such revenues to meet its payment obligations under the Leases representing the source of payment by the Members of the Obligated Group of debt service on the Bonds. However, the Schools' charters may be terminated or not extended or renewed, or the basis of the assumptions utilized by Summit and the Borrower to formulate such beliefs may otherwise change. No representation or assurance can be made that the Members of the Obligated Group generate or will continue to generate sufficient revenues to meet their obligations under the Loan Agreement and Obligation No. 1 with respect to the Bonds.

AS NOTED ELSEWHERE HEREIN, THE OBLIGATION OF SUMMIT TO MAKE PAYMENTS UNDER THE LEASES IS A SPECIAL OBLIGATION LIMITED SOLELY TO THE GROSS SCHOOL REVENUES OF THE SCHOOLS AND THE GROSS MANAGEMENT FEE REVENUE OF SUMMIT HOME OFFICE, WHICH REVENUES DERIVE SOLELY FROM THE OPERATION OF THE SCHOOLS (AND FEES DERIVED FROM THE SUMMIT SCHOOLS PURSUANT TO MASTER SERVICES AGREEMENTS), AND NOT THE OTHER CHARTER SCHOOLS OPERATED BY (EXCEPT ANY SUCH MANAGEMENT FEES PAID THEREBY) OR ANY OTHER REVENUES OF SUMMIT. EXCEPT AS STATED OTHERWISE HEREIN, NEITHER THE GENERAL REVENUES NOR THE REVENUES SUMMIT MAY DERIVE FROM THE OPERATION OF CHARTER SCHOOLS OTHER THAN THE SCHOOLS, NOR FROM ANY SCHOOLS SUMMIT MAY OPERATE IN THE FUTURE, ARE PLEDGED TO MAKE PAYMENTS WITH RESPECT TO THE LEASES OR THE BONDS. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” HEREIN.

Moreover, although in addition to the property subject to the Leases, the Borrower or the Members may own and lease other facilities through their affiliates to other charter schools, and Summit has established and operates, directly and through its affiliates, other charter schools, the obligations represented by the Loan Agreement and Obligation No. 1 are not secured generally by such properties of the Borrower’s or Members’ affiliates nor by the revenues of Summit that are not derived from operation of the Schools and Summit Home Office.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND INDENTURE, THE ACT OR OTHERWISE IS AN UNDERTAKING BY THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO FUND THE TRANSFERS DESCRIBED IN THE INTERCEPT NOTICES OR TO MAKE FUNDS AVAILABLE TO THE SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

Operating History; Reliance on Projections

See Appendix A for information regarding current and projected enrollment of the Summit Schools, including the Schools. No assurance is given that such projections will be met, or that the number of students attending the Summit Schools, including the Schools, may not diminish in the future. The projections of revenues and expenses contained in Appendix A are based upon the number of students projected to be enrolled at the Summit Schools, including the Schools, and were prepared by Summit for the Borrower and have not been independently verified by any party other than Summit.

No feasibility studies have been conducted with respect to operations of the Facilities pertinent to the Bonds. The projections are “forward-looking statements” and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified the Borrower’s projections set forth in Appendix A or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Bonds will be outstanding.

SUMMIT PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES AND THE SUMMIT SCHOOLS, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP" TO REVIEW THE PROJECTIONS, THEIR UNDERLYING ASSUMPTIONS, AND THE OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS. REFER TO "INTRODUCTION" ABOVE, FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors

California charter schools such as the California Schools may not charge tuition and have no taxing authority. The primary source of revenue generated by charter schools is aid provided by the State for all public schools. The amount of State aid received with respect to any individual school is based on a variety of factors. The amount of aid available in any year to pay the per pupil allowance is subject to appropriation by the California Legislature. The Legislature bases its decisions about appropriations on many factors, including the State's economic performance. Moreover, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. As a result, the Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, for the California Schools (including the Schools) and Summit Home Office to generate sufficient revenue to allow Summit to meet its obligations under the Leases representing debt service payments on the Bonds. No liability would accrue to the State in such event, and the State would not be obligated or liable for any future payments or any damages. If the State were to withhold State aid payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the California Schools (including the Schools) could be forced to cease operations.

Possible Offsets to State Apportionment

Section 41344 of the Education Code provides that if an audit or review requires the California Schools (including the Schools) to repay prior year apportionments because of significant audit exceptions, including penalty payments ("Audit Exceptions"), the Superintendent of Public Instruction (the "Superintendent") and the Director of the Department of Finance (the "Director"), or their designees, will jointly establish a plan for the annual repayment of Audit Exceptions (the "Audit Repayment Plan"), which under certain circumstances can extend for a period of up to eight equal annual payments. The State Controller withholds from the State School Fund the amounts specified in the Audit Repayment Plan. If the Superintendent and the Director do not establish an Audit Repayment Plan, the State Controller withholds the entire amount of the Audit Exceptions from the next apportionment.

Included in the principal apportionment is the general-purpose entitlement for charter schools, which are the "funds subject to intercept" pursuant to Section 17199.4 of the Education Code ("Section 17199.4").

Specifically, the funds subject to intercept are funds apportioned for purposes of the charter school block grant or the local control funding formula (as described in Section 17199.4) with respect to the California Schools.

Because the apportionments are the sum of multiple program entitlement calculations as well as prior adjustments, the amount available may be more or less than the calculated amount of funds subject to intercept. The amount available for intercept is therefore the lesser of periodic calculated funds subject to intercept and the amount of cash provided to Summit with respect to the California Schools by the State.

The State Controller may reduce the funding available in the payment schedules for these apportionments to offset for funds owing to the State. These offsets include, but are not limited to, the following: Charter School Revolving Loan (Education Code Section 41365), Class Size Reduction (Education Code Section 52124); Audit Repayment (Education Code Sections 41341, 41344); and Accounts Receivable (Government Code Section 12419.5), in addition to other possible authorized or required offsets, or additional offsets not yet authorized by legislation. None of the foregoing offsets are currently applicable to the California Schools.

No Fee Interest in Certain Facilities

Members of the Obligated Group do not hold fee interests in certain projects financed or refinanced with proceeds of the Bonds. 895 Campus Drive, LLC leases the Summit Shasta Site pursuant to the Shasta Ground Lease. EdFuture, LLC leases the New Summit Home Office Site pursuant to the Home Office Ground Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Ground Leases; Property Interests Conveyed Under the Leases.” Each of the Shasta Ground Lease and the Home Office Ground Lease (collectively, the “Ground Leases”) are terminable for certain defaults by the respective tenants thereunder, subject to any rights of the Trustee to cure certain defaults. Following an event of default, if the Master Trustee attempts to foreclose under a Mortgage on the leasehold interest under any Ground Lease, the Master Trustee may be unable or delayed in substituting a tenant under the corresponding Lease Agreement. The rights of the Master Trustee in such event will be limited by the terms of the corresponding Ground Lease. Copies of the Ground Leases are included as Appendices I and J hereto.

Default Under the Leases; No Assurance Regarding Subsequent Tenant

If there is a default by the Borrower under the Loan Agreement attributable to a default by Summit under any of the Leases, the initial Members of the Obligated Group will likely not have sufficient funds to satisfy their obligations under the Loan Agreement and Obligation No. 1 absent re-leasing – or in appropriate cases, selling – the applicable Facility. Were Summit to default under a Lease, there is no assurance that the applicable Lessor would be able to find a new tenant for the applicable Facility which could generate revenues in a sufficient amount to allow the Borrower and Members of the Obligated Group to make payments under the Loan Agreement and Obligation No. 1 to satisfy debt service on the Bonds or a buyer that would purchase such Facility for a sufficient amount to allow the Borrower to repay principal and interest with respect to the Loan Agreement. This risk is heightened by the fact that the Facilities have been improved specifically for use as either charter school campuses or administrative offices, and may be legally restricted to such uses. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases” herein.

Survival of Lease after a Bond Default and Foreclosure

The Borrower, the Lessors, Summit, and the Master Trustee will enter into a Subordination, Non-Disturbance and Attornment Agreements (each, an “SNDA”). The SNDAs address the priority of the rights between Summit and the Master Trustee. Each SNDA provides that Summit’s rights under the related Lease to the use, possession and enjoyment of the related Facility will not be disturbed by the Trustee so long as no event of default exists under such Lease. The non-disturbance portion assures Summit that its rights to the related Facility will be preserved (“nondisturbed”) on specified conditions within control of Summit if the Borrower defaults on its Loan with the Authority and the Master Trustee forecloses on such Facility. The

attornment component of the SNDAs provide that Summit will continue its obligations under each Lease if a new landlord takes over such Lease.

Additional Indebtedness and Additional School Indebtedness

The Master Indenture permits the issuance of Additional Indebtedness on a parity basis with Obligation No. 1 if certain conditions are met. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Limitations on Additional Indebtedness” herein. The Borrower may acquire, construct and equip additional charter schools in the future. If it does, or for certain other expenses, it may issue Additional Indebtedness which may or may not be on a parity basis with Obligation No. 1 and may or may not be issued through the Master Indenture. If secured on a parity basis, any such parity indebtedness would be entitled to share ratably with the holders of the Bonds and any other holder of parity debt in any moneys realized from the exercise of remedies in the event of a default by the Borrower to the extent provided in the Bond Documents. The amount of any such Additional Indebtedness is undetermined at this time. The issuance of Additional Indebtedness may adversely affect the investment security of the Bonds.

Under each Lease, Summit may also issue additional Obligated Group School Indebtedness, subject to certain conditions and limitations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Financial Covenants” herein. The issuance of such additional Obligated Group School Indebtedness may adversely affect the investment security of the Bonds.

Addition and Removal of Members

The Master Indenture permits the addition of Members under the Obligated Group, but it also permits the removal of Members, subject to certain conditions and limitations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Withdrawal from Obligated Group” herein. Any such withdrawal of Members from the Obligated Group may decrease the revenues available for payment of debt service on the Bonds and may adversely affect the investment security of the Bonds.

Reserve Account

The Bond Indenture establishes the Reserve Account within the Revenue Fund for payment of principal of and interest on the Bonds to the extent the Payments are insufficient to make such payments. Although the Borrower believes such reserve to be reasonable and anticipates that the Payments will be sufficient to cover the debt service on the Bonds, there is no assurance that funds on deposit in the Reserve Account and future Payments will be sufficient to cover debt service on the Bonds.

Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors

As described in the “NOTICE TO INVESTORS” that precedes the Table of Contents of this Limited Offering Memorandum, the Bonds are to be sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The Bond Indenture contains provisions limiting transfers of the Bonds and beneficial interests therein to Qualified Institutional Buyers or Accredited Investors. The face of each Bond will contain a legend indicating that the Bond is subject to transfer restrictions as set forth in the Bond Indenture. The Bonds will be issued in minimum denominations of \$25,000 and any integral multiple of \$5,000 in excess thereof. In light of these restrictions, purchasers should not expect that there will be an active secondary market for the Bonds.

There can be no assurance that there will be a secondary market for the purchase or sale of the Bonds, and there may be no market for the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrower. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Bonds.

Investors should be aware that they might be required to bear the financial risks of this investment for an indefinite period of time and/or that to the extent there is a secondary market for the Bonds, the secondary market price of the Bonds may be affected as a result of the restrictions. If a trading market for the Bonds develops, future trading prices of such Bonds will depend on many factors, including, among other things, prevailing interest rates and the market for similar instruments. Depending upon those and other factors, the Bonds may trade at a discount from their principal amount.

Tax Related Issues

Tax-Exempt Status of Interest on the Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings of Bond proceeds prior to expenditure, a requirement that certain investment earnings on Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the “IRS”). The Authority, the Borrower, and Summit have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by any of the foregoing to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance of the Bonds.

Maintenance of Tax-Exempt Status. The tax-exempt status of the Bonds depends upon the maintenance by the Borrower and Summit of their respective statuses as organizations described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including the operation for charitable and educational purposes and avoidance of transactions which may cause the assets of either to inure to the benefit of private individuals.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations and, in particular, charter schools. As a result, tax-exempt organizations are increasingly subject to a greater degree of scrutiny. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by the Borrower or Summit could potentially result in loss of tax exemption of interest on the Bonds and of other existing and future tax-exempt debt of members of the Obligated Group, if any, and defaults in covenants regarding the Bonds and other existing and future tax-exempt debt, if any, would likely be triggered.

Less onerous sanctions have been enacted which focus enforcement on private persons who transact business with a tax-exempt organization rather than the tax-exempt organization, but these sanctions do not replace the other remedies available to the IRS as mentioned above.

State Income Tax Exemption. The loss by Summit or the Borrower of federal tax exemption might trigger a challenge to its State income tax exemption. Such event could be adverse and material.

Unrelated Business Income. 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”). Summit and its affiliates currently report no UBTI. Summit and its affiliates may, however, participate in activities which generate UBTI in the future. If so, the Borrower and Summit believe such UBTI would be properly accounted for and reported; 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 the tax-exempt status of the Borrower or Summit, as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Exemption from Property Taxes. In recent years, State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt corporations with respect to their real property tax exemptions. The management of the Borrower and Summit believe that the Facilities will be exempt from California real property taxation.

Factors That Could Affect the Security Interest in the Facilities; Superior Liens

The Master Trustee's security interest in the Facilities may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal or state bankruptcy or insolvency laws that may affect the enforceability of the Loan Agreement, (vi) rights of third parties in amounts not in the possession of the Trustee, and (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the California Uniform Commercial Code as from time to time in effect.

Construction Risks

The construction of the Facilities 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, fire or other property or casualty damage, unanticipated subsoil conditions and financial difficulties on the part of or disputes with a 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 of the applicable Facility.

With respect to the Summit Denali Project and Summit Home Office Project, there can be no assurance that the required building permits will be obtained in order to permit construction to proceed. On December 31, 2019, if the required building permits for the Summit Denali Project or the Summit Home Office Project have not been received, all monies on deposit in the Denali Construction Sub-Account or Home Office Construction Sub-Account, respectively, will be transferred to the Redemption Fund and applied to redeem Bonds in accordance with the Bond Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture" and "THE BONDS – Redemption – Extraordinary Mandatory Redemption from Unspent Project Proceeds" herein.

Limitations of Appraisals

Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the appraised values set forth in "THE PROJECT" represent reliable estimates of what such leaseholds or Facilities would bring in liquidation following an Event of Default. The appraised values of the Summit Denali Project and the Summit Home Office Project are less than the estimated costs of those projects. Moreover, the appraised values for the Lessors' interests in the Facilities as reflected in the Appraisals, \$38,050,000, is equal to approximately 120%* of the original aggregate par amount of the Bonds. See "THE PROJECT – Appraisal" herein. In addition, the restrictions on use of the Summit Shasta Project and Summit Home Office Project pursuant to the Ground Leases may hinder efforts to locate suitable parties to assume such leasehold interests.

* Preliminary, subject to change.

Limitations on Value of the Facilities and to Remedies Under the Mortgages

Maintenance of Value. The Facilities are located in a region that has experienced significant real property market volatility over the past decade. There can be no assurance made that, should the Members of the Obligated Group default in making the payments due under Obligation No. 1, including in the event Summit defaults in making the Rent payments due under the Leases, the Facilities could be foreclosed upon and sold for the amounts owed under the Obligations.

Hazardous Substances. While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Borrower may be required by law to remedy conditions of the Facilities relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are stringent and similar to certain federal acts. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. The effect, therefore, should the Facilities be affected by a hazardous substance, is generally to reduce the marketability and value of the parcel by the cost of remedying the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling the hazardous substance. Any of these potentialities could significantly affect the value of the Project that would be realized upon a default and foreclosure. See “CERTAIN RISK FACTORS – Environmental Risks” below.

Foreclosure. There are two methods of foreclosing on a deed of trust or mortgage under California law, by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee’s sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and send a copy to the trustor, to any person who has recorded a request for a copy of the notice of default and notice of sale, to any successor in interest of the trustor and to certain other parties discernable from the real property records. The trustee then must wait for the lapse of at least three months after the recording of the notice of default and election to sell before establishing the trustee’s proposed sale date and giving a notice of sale (in a form mandated by California statutes). The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the trustee’s sale by at least 20 days. Such notice of sale must be posted on the property and sent, at least 20 days prior to the trustee’s sale, to the trustor, to each person who has requested a copy, to any successor in interest of the trustor, to the beneficiary of any junior deed of trust and to certain other parties discernable from the real property records. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. The trustor, any successor in interest of the trustor in the trust property, or any person having a junior lien or encumbrance of record may, during the statutory reinstatement period, which extends to five days prior to the sale date, cure any monetary default by paying any delinquent installments of the debt then due under the terms of the deed of trust and certain other obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys’ and trustees’ fees. Following a nonjudicial sale, neither the trustor nor any junior lienholder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

Should foreclosure under a deed of trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and may require several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs). In addition, in order to assure collection of any rents

assigned as additional collateral under either Deed of Trust, a receiver for the Facilities may be appointed by a court.

Damage, Destruction or Condemnation. Although the Borrower will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement and the Mortgages, there can be no assurance that any portion of the Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Borrower, as a result of damage or destruction to the Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Facilities, or any portion thereof, are damaged or destroyed, or are taken in a condemnation proceeding, the proceeds of insurance or any condemnation award for the Facilities, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Facilities or to redeem Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Facilities, or any portion thereof, or to redeem Bonds will be sufficient for that purpose, or that any remaining portion of the Facilities will generate revenues sufficient to pay the expenses of the Borrower and the Loan Repayments.

Seismic. The Facilities are located in a seismically active region of California. The occurrence of severe seismic activity could result in substantial damage to the Project, which could adversely affect the ability of Summit to operate the Facilities or make payments due under the Leases and/or the ability of the Borrower to make the Loan Repayments and could adversely affect the value of the Project and the Facilities. The Borrower is not obligated by the Loan Agreement or Master Indenture to maintain earthquake insurance on the Project and there can be no assurance that the Borrower will obtain such coverage in the future.

Flood. Pursuant to the Master Indenture, the Members of the Obligated Group have covenanted that, so long as any Facility is located in a special flood hazard area as designated by the Federal Emergency Management Agency, the Members of the Obligated Group will maintain, or cause to be maintained flood insurance coverage in an amount equal to or greater than the replacement value of such Facility. The Facilities are not located in a special flood hazard area.

Environmental Risks

There are potential risks relating to liabilities for environmental hazards with respect to the ownership of any real property. If hazardous substances are found to be located on a property, owners of such property may be held liable for costs and other liabilities related to the removal of such substances which costs and liabilities could exceed the value of the Facilities or any portion thereof. In connection with the Project, Summit obtained certain environmental inspections and reports described in the following paragraphs.

Summit Shasta Environmental Inspections. AEI Consultants (“AEI”) performed a Phase I Environmental Site Assessment of the Summit Shasta Site. In that connection, AEI prepared a report dated August 23, 2017 (the “Summit Shasta Phase I Report”). The Summit Shasta Phase I Report states its purpose was to assist Summit in identifying potential Recognized Environmental Conditions associated with the presence of any hazardous substances or petroleum products, their use, storage, and disposal at and in the vicinity of the subject property. Recognized Environmental Conditions, as defined in the Summit Shasta Phase I Report, means the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property; (i) due to any release to the environment; (ii) under conditions indicative of a release to the environment; or (iii) under conditions that pose a material threat of a future release to the environment.

AEI’s assessment consisted of (1) a review of federal, state, tribal and local databases that identify and describe underground fuel tank sites, leaking underground fuel tank sites, hazardous waste generation sites, and hazardous waste storage and disposal facility sites within a minimum search distance; (2) a property and surrounding site reconnaissance, and interviews with the past and present owners and current occupants and operators to identify potential environmental contamination; (3) a review of historical sources to help ascertain

previous land use at the site and in the surrounding area, and (4) preparation of a written report summarizing AEI's findings. The Summit Shasta Phase I Report is subject to a number of limitations and disclaimers.

The Summit Shasta Phase I Report did not identify evidence of Recognized Environmental Conditions or Controlled Recognized Environmental Conditions in connection with the subject property during the course of AEI's assessment, and AEI recommended no further investigation of the subject property at the time of the Summit Shasta Phase I Report.

The Summit Shasta Phase I Report speaks only as of its date, and AEI has not been asked to perform any additional assessment since the time of the assessment described in the Summit Shasta Phase I Report. Further, the Summit Shasta Phase I Report are subject to the limitations specified in such report. Potential investors may refer to the complete Summit Shasta Phase I Report for a full understanding of such limitations, and for additional information pertinent to the assessment. Copies of the Summit Shasta Phase I Report are available upon request from the Underwriter. Costs incurred by the Borrower, 895 Campus Drive, LLC or Summit with respect to environmental remediation or liability could adversely affect their respective financial conditions. See "CERTAIN RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgages – Hazardous Substances" above.

Summit Denali Environmental Inspections. PES Environmental, Inc. ("PES") performed a Phase I Environmental Site Assessment of the Summit Denali High School Site. In that connection, PES prepared a report dated June 14, 2017 (the "Summit Denali Phase I Report"). The Summit Denali Phase I Report states its purpose was to compile and evaluate available information to assess for Recognized Environmental Conditions associated with the site. Recognized Environmental Conditions, as defined in the Summit Denali Phase I Report, means the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property; (i) due to any release to the environment; (ii) under conditions indicative of a release to the environment; or (iii) under conditions that pose a material threat of a future release to the environment.

PES's assessment consisted of (1) reviewing Federal, State and local agency databases to identify nearby sites which have reported the use, storage or release of hazardous materials; (2) reviewing regulatory agency records regarding the site and adjacent properties; (3) obtaining and reviewing historical aerial photographs, Sanborn Fire Insurance maps, and historical topographic maps of the site and surrounding area; (4) reviewing previous environmental reports prepared for the subject property and vicinity; (5) interviews of individuals with knowledge of the site; (6) conducting inspection of the site and reconnaissance of surrounding properties to assess the potential for contamination of the site from onsite or offsite sources; and (7) preparation of the Summit Denali Phase I Report. The Summit Denali Phase I Report is subject to a number of limitations and disclaimers.

The Summit Denali Phase I Report identified one Recognized Environmental Condition. Groundwater monitoring between 1992 and 2002 revealed trichloroethylene ("TCE") in groundwater beneath the site. Data from 2002 indicate that TCE were significantly reduced, but the presence of TCE concentrations in groundwater in 2002 and the absence of groundwater data between 2002 and the date of the Summit Denali Phase I Report constitutes a Recognized Environmental Condition.

Additionally, the Summit Denali Phase I Report found that TCE concentrations in groundwater samples beneath the site in 2002, the data gap between 2002 and the date of the Summit Denali Phase I Report, and the detection of TCE in groundwater ten feet and up-gradient from the site boundary constitute a potential vapor encroachment condition for the Site.

Based on the findings of the Summit Denali Phase I Report and the long-time prior manufacturing operations at the site, PES performed a Phase II Subsurface Investigation and Building Condition Survey of the Summit Denali High School Site. In that connection, PES prepared a report dated June 16, 2017 (the "Summit Denali Phase II Report"). PES's subsurface investigation included collection of shallow soil, soil vapor, and grab groundwater samples at various locations across the subject property including beneath the

existing structure. The building condition survey completed for the subject property included the assessment of building materials for the presence of hazardous materials as well as an assessment of sub-slab vapor conditions that may have been affected by current and past tenant activities. The Summit Denali Phase II Report is subject to a number of limitations and disclaimers.

The Summit Denali Phase II Report found detections in soil vapor samples were limited to low concentrations of benzene, toluene, ethylbenzene and xylene (“BTEX”) and no detections of TCE above the laboratory reporting limit, with such BTEX detections not considered significant for Summit’s intended purposes at the site. The Summit Denali Phase II Report found that the presence of TCE in sub-slab vapor beneath the building slab was at concentrations below the sub-slab vapor intrusion human health risk level and TCE concentrations in groundwater beneath the subject property should be expected to be stable to decreasing in the future. The Summit Denali Phase II Report also found that the presence of low-level concentrations of pesticides in soil samples reflects the historical use of the property for agricultural purposes and are typically not of concern unless disturbed and require off-site disposal. The concentrations found at the subject property are below tier 1 environmental screening levels and hazardous waste criteria. The Summit Denali Phase II Report also identified petroleum hydrocarbons and selected metals present beneath the site at concentrations exceeding tier 1 environmental screening levels, however Summit doesn’t expect their presence to impact the Summit Denali Project because the subsurface beneath the site is currently encapsulated by the building slab and surrounding asphalt paved areas and the Summit Denali Project is not expected to disturb subsurface materials. PES recommended that during potential future renovations at the subject property, floor penetrations be sealed and consideration should be given to conducting periodic monitoring of the sub-slab vapor probes.

Additionally, PES identified certain lead-containing paint materials and lead-based paint, as well as asbestos-containing materials, in its building condition survey. PES also identified elevated concentrations of barium and petroleum hydrocarbons in the existing building. PES recommended that additional sampling be conducted to (1) further evaluate the extent and constituents of accumulated dust in areas inside the building; and (2) further characterize those previously identified areas of high barium concentration to confirm that the affected building materials, once removed, will not require management as a hazardous waste.

PES subsequently provided Summit with a Supplemental Hazardous Building Materials Survey Report, dated August 9, 2017 (the “Summit Denali Supplemental Survey” and, together with the Summit Denali Phase I Report and the Summit Denali Phase II Report, the “Summit Denali Environmental Reports”), regarding the Summit Denali High School Site. The Summit Denali Supplemental Survey included comprehensive testing and survey of the existing structure to identify and assess any lead-based paint and asbestos-containing materials, and recommend abatement measures. The Borrower and Summit intend to accomplish the recommended abatement procedures in conjunction with the Summit Denali Project.

The Summit Denali Environmental Reports speak only as of their respective dates, and PES has not been asked to perform any additional assessment since the time of the assessments described in the Summit Denali Environmental Reports. Further, the Summit Denali Environmental Reports are subject to the limitations specified in such reports. Potential investors may refer to the complete Summit Denali Environmental Reports for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the Summit Denali Environmental Reports are available upon request from the Underwriter. Costs incurred by the Borrower, 824 San Aleso, LLC or Summit with respect to environmental remediation or liability could adversely affect their respective financial conditions. See “CERTAIN RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgages – Hazardous Substances” above.

Summit Home Office Environmental Inspections. Stellar Environmental Solutions, Inc. (“Stellar”) performed a Phase I Environmental Site Assessment of the New Summit Home Office Site. In that connection, Stellar prepared a report dated August 16, 2017 (the “Summit Home Office Phase I Report”). The Summit Home Office Phase I Report states its objective was the development of environmental information

about the site. Such information could include Recognized Environmental Conditions, Historical Recognized Environmental Conditions, and De Minimis Conditions.

Tasks conducted as part of Stellar's assessment consisted of (1) evaluating historical land use; (2) evaluating the physical setting; (3) reviewing regulatory agency records and previous subject property environmental reports; (4) interviewing representatives of the property owner and current occupant; (5) conducting a site reconnaissance; and (6) preparing the Summit Home Office Phase I Report. Stellar's assessment did not include such tasks as sampling of asbestos, radon, lead-based paint, or lead in drinking water; regulatory compliance; evaluating ecological resources and risks to wetlands, cultural/historical, and endangered species; industrial hygiene; health and safety; indoor air quality; environmental lien searches; and high-voltage power line assessments. The Summit Home Office Phase I Report is subject to a number of limitations and disclaimers.

The Summit Home Office Phase I Report did not identify any historic or current Recognized Environmental Conditions.

The Summit Home Office Phase I Report stated that since the subject property was constructed circa mid-1950's, some of the interior materials likely contain asbestos and/or lead. Stellar recommended that an asbestos and lead survey be conducted prior to any building renovation and/or demolition. Stellar also recommended field testing of lighting tubes and ballasts (by means of confirming they bear labels indicating that they don't contain polychlorinated biphenyls) prior to disposal. Summit has contracted to receive a hazardous materials survey to identify any asbestos, lead-based paint or polychlorinated biphenyls and, if such materials are found, to prepare a budget for remediation.

The Summit Home Office Phase I Report speaks only as of its date, and Stellar has not been asked to perform any additional assessment since the time of the assessment described in the Summit Home Office Phase I Report. Further, the Summit Home Office Phase I Report is subject to the limitations specified in such report. Potential investors may refer to the complete Summit Home Office Phase I Environmental Report for a full understanding of such limitations, and for additional information pertinent to the assessment. Copies of the Summit Home Office Phase I Report are available upon request from the Underwriter. Costs incurred by the Borrower, EdFuture, LLC or Summit with respect to environmental remediation or liability could adversely affect their respective financial conditions. See "CERTAIN RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgages – Hazardous Substances" above.

Bankruptcy

The rights and remedies of the Beneficial Owners of the Bonds are subject to various provisions of the Federal Bankruptcy Code (the "Bankruptcy Code"). If the Borrower or Summit were to become a debtor in a bankruptcy case, its revenues and certain of its accounts receivable and other property created or otherwise acquired after the filing of such petition and for up to 90 days prior to the filing of such petition may not be subject to the security interest created under the applicable Mortgage for the benefit of the Beneficial Owners of the Bonds. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such entity, and its property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over such property. If the bankruptcy court so ordered, the property of the Borrower or a Member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such entity despite the security interest of the Trustee therein. While the Bankruptcy Code requires that the interest of the Trustee as lien owner be adequately protected before the collateral may be used by the Borrower or a Member, such protection could take the form of a replacement lien on assets acquired or created after the bankruptcy petition is instituted. The rights of the Trustee to enforce liens and security interests against the Borrower's or Member's assets could be delayed during the pendency of the rehabilitation proceedings.

The Borrower or Summit could file a plan for the reorganization of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Factors Associated with the School's Operations

There are a number of factors affecting schools generally that could have an adverse effect on the Summit Schools (including the Schools) and on Summit's financial position and ability to operate any of the Facilities as a charter school or administrative office and, consequently, on the Borrower's ability to make Loan Repayments necessary to make debt service payments on the Bonds. These factors include, but are not limited to: (i) failure to qualify for statutory reimbursement under state programs; (ii) increasing costs of compliance with federal, state or local laws or regulations, including, but not limited to, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; (iii) taxes or other charges imposed by federal, state or local governments; (iv) the ability to attract a sufficient number of students; (v) changes in existing statutes pertaining to the powers of the Summit Schools and disruption of the Summit Schools' operations by real or perceived threats against the Summit Schools, its staff members or students; and (vi) decline in the reputation of a Summit School or the ability of a Summit School and its management to provide educational services desired and accepted by the population it serves. Potential purchasers should be aware that the Summit Schools (including the Schools) face constant competition for students and there can be no assurance that such Summit Schools will continue to attract and retain the number of students that are needed to generate revenues sufficient to make payments on the Leases that are the source of revenue to debt service on the Bonds.

Neither the Borrower nor Summit can assess or predict the ultimate effect of the foregoing factors on its operations or financial results of its operations or on its ability to make payments required under the Leases, the Loan Agreement or Obligation No. 1.

State Financial Difficulties

Charter schools, like all public schools, depend on revenues from the State for a large portion of their operating budgets. The availability of State funds for public education is a function of constitutional and statutory provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State School Fund) and the annual State budget process. Decreases in State revenues may adversely affect education appropriations made by the Legislature. As noted, the Legislature bases its decisions about appropriations on many factors, including the State's economic performance, and, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. See "CERTAIN RISK FACTORS – Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors" above.

The State has previously experienced severe financial difficulties. In prior years, the State's response to its financial difficulties has had a significant impact on Proposition 98 funding and settle-up treatment, as further described in "CALIFORNIA STATE FUNDING OF EDUCATION." In the past, the State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. The State has also sought to avoid increases in the minimum guarantee through various mechanisms by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current-year increases; by deferring State aid payments from one fiscal year to the next; and by suspending

Proposition 98. Continued decreases in State revenues may adversely affect education appropriations made by the Legislature. None of the Borrower, Summit or any other party to the Bond transaction can predict how State income or State education funding will vary over the entire term of the Bonds. No party to the Bond transaction takes any responsibility for informing owners of the Bonds about any such changes.

Information about the financial condition of the State, as well as its budget and spending for education, is available and regularly updated on various State-maintained websites, including those of the LAO, the Department of Finance and the California State Controller. In addition, various State of California official statements, which contain summaries of current and past State budgets and the impact of those budgets on State education funding, may be found at the website of the California State Treasurer, www.treasurer.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

Budget Delays and Restrictions on Disbursement of State Funds during a Budget Impasse

The State Constitution specifies that an annual budget will be proposed by the Governor by January 10 of each year for the next fiscal year (the “Governor’s Budget”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues for the ensuing fiscal year. State law also requires the Governor to update the Governor’s Budget projections and budgetary proposals by May 14 of each year (the “May Revision”). The May Revision is normally the basis for final negotiations between the Governor and Legislature to reach agreement on appropriations and other legislation to fund State government for the ensuing fiscal year (the “Budget Act”).

The Budget Act must be approved by a majority vote of each House of the Legislature and must be in balance. The budget becomes law upon the signature of the Governor. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, currently under the heading “California Budget.” Analyses of budgets are prepared by the Legislative Analyst’s Office at www.lao.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

The State Legislature is required to approve a State Budget Act no later than June 15 of each year. The State Legislature has failed to approve the State Budget Act by the deadline therefor in a number of years. Failure by the State to adopt a Budget Act restricts the California State Controller’s ability to disburse State funds after the beginning of the ensuing fiscal year. See “CALIFORNIA STATE FUNDING OF EDUCATION – General – Adoption of Annual State Budget” herein regarding the ability of the State Controller to disburse State funds in such situations. Any State budget delay would delay the State’s appropriation of funds and could negatively impact Summit’s ongoing viability and its ongoing ability to make payments under the Leases.

Key Management

The creation of, and the philosophy of teaching in, charter schools generally initially may reflect the vision and commitment of a few key persons on the board of directors and/or the upper management of the charter school or its management organization (“Key Directors/Managers”). Loss of any such Key Directors/Managers, and the inability of the Borrower or Summit to find comparable qualified replacements, could adversely affect their respective operations or financial results. See Appendix A for more information regarding the management and leadership of the Borrower and Summit.

Other Limitations on Enforceability of Remedies

There exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other persons 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 uses.

In addition to the foregoing, the realization of any rights under the Loan Agreement, the Bond Indenture and the Mortgage upon a default depends upon the exercise of various remedies specified in the Loan Agreement, the Bond Indenture and the Mortgages. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement, the Bond Indenture and the Mortgages 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 Loan Agreement, the Bond Indenture or a Mortgage. Accordingly, the ability of the Authority or the Trustee to exercise remedies under the Loan Agreement, the Bond Indenture and the Mortgages upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Specific Risks of Charter Schools

Charter School Law. The Charter School Law is evolving. Amendments are made relatively frequently and legislative and public attitudes are still forming. Certain amendments have been described elsewhere in this Limited Offering Memorandum. It is likely that additional changes will be made in the future, some of which may be adverse to charter schools in general may affect the financial viability of the Summit Schools (including the Schools).

Non-Renewal or Revocation of Charters. The Charter School Law enables charter authorizers to grant five-year charters which may be renewed after evaluation and can be revoked at any time because of either educational non-performance or fiscal mismanagement. See "CALIFORNIA CHARTER SCHOOLS" herein. Management of Summit believes that it has stable relationships with the Authorizers of the Summit Schools' charters, and representatives on the State Board of Education, each of which, under appropriate circumstances, are authorized to grant charters under the Charter School Law. See "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Charter Schools Operated by Summit" herein.

Summit Denali operates pursuant to a countywide benefit charter and, as such, does not have the ability to appeal a County Board of Education decision to not renew its charter. See "CALIFORNIA CHARTER SCHOOLS – Countywide Benefit Charter Schools" herein.

Legal Challenges. In addition to non-renewal or revocation, a charter may also be subject to challenge by an interested third-party. No assurance can be given that a Summit School's charter will not be subjected to legal challenge. See "ABSENCE OF MATERIAL LITIGATION – the Borrower" herein and "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – No Material Litigation" attached hereto. Any failure of Summit to have a charter for the Summit Schools (including the Schools) in place could well have a material adverse effect on the Borrower and its ability to generate revenues necessary to make payments under the Loan Agreement and Obligation No. 1 which are expected to provide sufficient revenues to satisfy the debt service requirements for the Bonds.

Budgetary Constraints. Charter schools are funded primarily from State and local tax revenues and budgetary pressures at the State or local level may jeopardize future funding levels, which may adversely affect the ability of the Borrower and the other members of the Obligated Group to make payments under the Loan Agreement and Obligation No. 1. See “CALIFORNIA STATE FUNDING OF EDUCATION” above.

Enrollment Levels. Summit’s revenues and financial strength will depend in part upon maintaining certain enrollment levels at the Summit Schools. A reduction in enrollment for the Summit Schools will have a direct result of reducing revenues available to pay amounts due under the Leases. See “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – THE SCHOOLS” attached hereto.

Risk of Reduction in ADA Funding. Since the majority of funds for the California Schools’ operations come from the State on the basis of ADA, the California Schools (including the Schools) are subject to State funding reductions or restrictions that might affect all public school districts and charter schools. Among other such risks, over time the State may not increase ADA-based funding commensurate with increases in the cost of school operations, or the State may even decrease ADA-based funding.

ADA-based funding is determined by actual attendance, and not by student enrollment data. Regardless of the statewide level of ADA-based funding, the California Schools are subject to loss of revenue if enrollment should decrease, or if average daily attendance should decrease even if enrollment remains steady, whether due to student illness, truancy or other factors. Such a loss of revenues could adversely affect the ability of Summit to make Rent payments due under the Leases and, consequently, the ability of the Borrower and other members of the Obligated Group to make payments under the Loan Agreement and Obligation No. 1.

In addition, the Charter School Law prohibits a charter school from imposing fees or charges for its educational services. Therefore, the California Schools (including the Schools) are dependent upon receipt of ADA-based funding, as well as philanthropic support. There is little Summit or the Borrower can do to increase revenues, other than for the California Schools to admit larger numbers of students.

Compliance with the Elementary and Secondary Education Act. Prior to the adoption of the ESSA (defined below), the No Child Left Behind Act of 2001 (the “NCLB”) served as the primary federal law with respect to K-12 education. NCLB employed the concept of Adequate Yearly Progress (“AYP”) to measure and hold schools and school districts responsible for student achievement. In California, the NCLB subjected California schools to an annual AYP determination. AYP was calculated by using a formula set by the California Department of Education. It measured participation rates, math and reading performance, and graduation rate targets for the elementary, middle and high school levels. In connection with the adoption of ESSA, the federal government has repealed the AYP requirement.

Under California law, if a school received Title I funds and did not make AYP for two consecutive years, the school was placed on “Program Improvement” status and the school was required to develop a school improvement plan. If the school did not achieve AYP goals for a third year, “corrective action” was undertaken, which could include the provision of supplemental educational services for low-performing, low-income students. A school that continued to fail to make AYP was required to take corrective action and undergo restructuring plans. Failure to meet AYP for years subsequent to the second year carried further consequences under the NCLB. Under California law, the right to operate a charter school may be terminated if the school fails to make or meet reasonable progress toward achievement of goals, objectives, content standards, pupil performance standards or applicable federal requirements.

In March 2014, the State of California was granted a one-year waiver by the U.S. Department of Education from using test results of academic assessments to calculate AYP under the then-existing NCLB, in order to facilitate the state’s transition to the new California Assessment of Student Performance and Progress (“CAASPP”) system. In March 2015, the California State Board of Education requested another one-year

waiver from the U.S. Department of Education. In May 2015, the U.S. Department of Education granted the additional one-year waiver, with certain conditions.

In December 2015, the Every Student Succeeds Act of 2015 (“ESSA”) was passed by Congress and signed by the President in connection with the amendment and reauthorization of the Elementary and Secondary Education Act of 1965. With the passage of ESSA, states are no longer required to produce AYP, but are required to develop new accountability systems by 2017-18. See “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – THE SCHOOLS – Academic Outcomes for the Schools – California School Dashboard” attached hereto. ESSA, among other things, prohibits officers and employees of the federal government from mandating, directing or controlling a state, local education agency or school’s specific instructional content, academic standards and assessments, curriculum, or program of instruction, as a condition of eligibility to receive funds under ESSA.

Summit is currently reviewing the ESSA. However, Summit does not expect ESSA to impact its ability to make payments under the Leases representing debt service on the Bonds.

State Retirement Systems. Summit is currently a member employer of the State’s STRS retirement system (see “APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – Retirement Systems” attached hereto). Although Summit does not anticipate withdrawing from or otherwise terminating its membership in STRS, there can be no assurance that State law or Federal law under the Code, including IRS rulings and other guidance, will permit charter schools to continue to participate in the STRS Governmental Plan (as defined in Section 414(d) of the Code).

The STRS retirement system has substantial system-wide unfunded liabilities. If Summit were to withdraw from STRS, voluntarily or otherwise, it could be liable for its share of the unfunded liabilities of the system. Neither Summit nor the Underwriter can predict what liabilities, if any, would result if Summit’s member employer status in the retirement system were to terminate, or what impact any such a termination would have on Summit’s finances and operations.

Risks Related to Summit Home Office

The source of payment of Rent under the Home Office Lease is limited to Gross Management Fee Revenue, which is comprised of all revenue, income, receipts and money received by or on behalf of Summit, from all lawfully available sources attributable to or derived from any Management Agreements between Summit and any charter schools operated or managed thereby, licensing agreement or other revenue generating activity, excluding all revenue attributable to or derived from the operation of charter schools. Management fees paid to Summit under the Management Agreements are currently equal to approximately 16% of each Summit School’s projected revenues prior to the beginning of each school year, and Summit has covenanted in the Home Office Lease to adjust such fees in the future as necessary to ensure Gross Management Fee Revenue is sufficient to pay debt Rent coming due under the Home Office Lease.

The amount of management fees received from each Summit School is a function of revenues received by those schools and, therefore, is largely dependent on apportionments received from the State (for Summit Schools in California) and the State of Washington (“Washington State”) (for Summit Schools in Washington State). The ability of any Summit School to generate revenues sufficient to pay management fees in amounts sufficient for Summit to pay Rent under the Home Office Lease may be affected by any of the risks discussed herein.

Risks Associated with the Operation of Charter Schools in Washington State

In addition to the risks affecting charter schools laid out herein, the Washington Schools are subject to certain risks related to charter schools operating in Washington State. See “APPENDIX E – WASHINGTON CHARTER SCHOOLS, RELATED STATUTES, AND FUNDING” attached hereto for a brief overview of charter school laws in Washington State.

In August 2016, a group of plaintiffs (the “Plaintiffs”) filed a lawsuit in the King County Superior Court against the State of Washington (the “Defendant”) challenging the constitutionality of the Washington Charter School Act. In the State of Washington, in order to overcome the presumption of the constitutionality of state statutes, a plaintiff must prove that a statute is unconstitutional beyond a reasonable doubt.

Certain parents, students, and charter schools (the “Intervenors”) intervened on the behalf of the Defendant, and amicus curiae briefs were filed by a number of organizations in support of the Defendant, including the National Association of Charter School Authorizers, National Alliance of Public Charter Schools, National Center for Special Education in Charter Schools, and Black Alliance for Educational Options. Additionally, amicus curiae briefs were filed in support of the Defendant by former state Supreme Court Justice Philip A. Talmadge and a number of members of the Washington Legislature, as well as by several former Washington State Board of Education officials.

The Plaintiffs, the Defendant, and the Intervenors all motioned for summary judgment, and in an order dated February 17, 2017, the King County Superior Court granted the Defendant’s and Intervenor’s motions for summary judgment and dismissed the Plaintiffs’ claims.

The King County Superior Court concluding that the Plaintiffs have not demonstrated that the Washington Charter School Act is unconstitutional beyond a reasonable doubt. Specifically, the King County Superior Court held that the Plaintiffs have failed to show beyond a reasonable doubt that:

- (a) the list of public schools that the Washington Legislature may provide for is strictly limited to the “common schools, and such high schools, normal schools, and technical schools” delineated in the Washington Constitution;
- (b) the Washington Charter School Act does not meet the Washington Constitution’s uniformity requirement wherein schools must provide minimum and reasonably standardized educational opportunities and facilities, must be free and open to all students, and must have the ability to transfer schools without substantial loss of credit;
- (c) charter schools are either required to be under control of a locally elected school board or are not ultimately accountable to elected officials;
- (d) common schools are required to unconstitutionally spend restricted state funding to support charter schools;
- (e) the Washington Legislature impermissibly delegated its duty to define a program of basic education to charter schools;
- (f) the Washington Charter School Act displaces the state superintendent of public education’s supervising authority over charter schools to the Washington State Charter School Commission created by the Washington Charter School Act; or
- (g) the collective bargaining provisions of the Washington Charter School Act violate the provisions of Article II, Section 37 of the Washington Constitution requiring that any legislation fully set forth any changes it makes to existing laws.

The plaintiffs have since appealed the decision to the Washington Supreme Court, where the Washington Supreme Court's decision to take direct review of the trial court's dismissal is currently pending. If the Washington Supreme Court denies direct review of the dismissal, the Plaintiffs may appeal the trial court's dismissal to the Washington Court of Appeals.

Neither the Borrower nor Summit can predict what further actions will be taken by the Washington Supreme Court, the timeline of the litigation process, or what effect, if any, this case may have on Summit's operations or finances.

Claims and Insurance Coverage

Litigation could arise from the corporate and business activities of the Summit Schools, Summit or the Borrower. Such litigation may result as a result of either Summit's or the Borrower's status as an employer. Many of these risks are covered by insurance, but some are not. For example, claims arising from wrongful termination or sexual molestation claims and business disputes may not be covered by insurance or other sources. Such claims may, in whole or in part, constitute a significant liability of a Summit School, Summit or the Borrower if determined or settled adversely, as may any additional claims for other torts, accidents, or environmental enforcement actions, to the extent such claims exceed the limits of applicable insurance coverage.

The Borrower and Summit covenant and agree in the Loan Agreement and the Leases that they will maintain, or caused to be maintained, property, general liability and business interruption insurance with respect to the Facilities at levels set forth therein. The Borrower and Summit are not obligated by the Loan Agreement or the Leases to maintain earthquake insurance and there can be no assurance that the Borrower or Summit will obtain such coverage in the future. See "APPENDIX C – SUMMARY OF PRINCIPAL BOND DOCUMENTS – LOAN AGREEMENT" attached hereto.

Risk of Noncontinued Philanthropy or Grants

In the past, Summit has received income from unrestricted gifts and donations or grants to supplement operating revenues to finance operations and capital needs. Gifts, grants and donations are expected to continue. However, there can be no assurance that projections of this non-operating revenue will be realized or will not decrease, adversely affecting the financial condition of Summit. See "APPENDIX A – SUMMIT PUBLIC SCHOOLS – Philanthropy and Grants" attached hereto.

Risk of Noncontinued Operating Income Unrelated to Charter School Operation

In the past, Summit has received income unrelated to the operation of charter schools, including the operation of the Summit Learning Platform. See "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – SUMMIT PUBLIC SCHOOLS – Summit Learning Platform" attached hereto. Such revenues are expected to continue. However, there can be no assurance that projections of this operating revenue will be realized or will not decrease, adversely affecting the financial condition of Summit.

Failure to Provide Ongoing Disclosure

The Borrower and Summit will enter into a Continuing Disclosure Agreement with Wilmington Trust, National Association, as dissemination agent, pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule") in connection with the issuance of the Bonds. Any material failure to comply with the Continuing Disclosure Agreement and the Rule in the future may adversely affect the liquidity of the affected Bonds and their market price in the secondary market.

Use of Facilities

No assurance can be given as to whether a challenge to the educational use of the Facilities would result in an interruption of any School's or Summit Home Office's operations and have a material negative impact on the Gross Revenues. Any court order prohibiting the educational use of any of the Facilities would entitle the Trustee to submit a claim on the lender's title insurance policy. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

ABSENCE OF MATERIAL LITIGATION

The Authority

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 or otherwise pending or threatened 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, the validity or enforceability of the documents executed by the Authority in connection with the Bonds, the completeness or accuracy of the Limited Offering Memorandum or the existence or powers of the Authority relating to the sale of the Bonds.

The Borrower

To the knowledge of the Borrower, 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 Borrower seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Borrower taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Borrower in connection with the Bonds, the completeness or accuracy of the Limited Offering Memorandum or the existence or powers of the Borrower relating to the sale of the Bonds.

See "APPENDIX A – CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP – OPERATING AND FINANCIAL INFORMATION – No Material Litigation" for additional information regarding litigation related to Summit and the Borrower.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX H – FORM OF OPINION OF BOND COUNSEL" hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the

issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority, the Borrower and Summit have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied on, among other things, the opinion of Kutak Rock LLP, counsel to the Borrower, the Lessors and Summit (“Borrower’s Counsel”), regarding the current qualification of the Borrower and Summit as organizations described in Section 501(c)(3) of the Code and the intended operation of the facilities to be financed by the Bonds as substantially related to the Borrower’s charitable purpose under Section 513(a) of the Code. Such opinions are subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of Summit concerning the intended operation of the facilities to be financed by the Bonds as substantially related to Summit’s charitable purpose under Section 513(a) of the Code. Except as provided in this paragraph, neither Bond Counsel nor Borrower’s Counsel has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Borrower’s Counsel can give or has given any opinion or assurance about the future activities of the Borrower, Summit or the Lessors, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of either of the Borrower or Summit to be organized and operated in accordance with the IRS’s requirements for the maintenance of their respective status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Borrower’s or Summit’s charitable purposes under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, the Borrower, the Summit and the Lessors, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority, the Borrower and Summit have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Borrower, Summit or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Borrower, Summit and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority, the Borrower or Summit legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Borrower, Summit or the beneficial owners to incur significant expense.

APPROVAL OF LEGALITY

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by the Honorable Xavier Becerra, Attorney General of the State, the approval of certain matters for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's counsel, and the approval of certain matters by Kutak Rock LLP, as counsel to the Borrower and Summit. Bond Counsel, the Underwriter and its counsel, and counsel to the Borrower and Summit will receive compensation contingent upon the sale and delivery of the Bonds. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix H hereto. Neither Bond Counsel nor the Attorney General undertakes any responsibility for the accuracy, completeness or fairness of this Limited Offering Memorandum.

RATING

The Bonds have been assigned a rating of "Baa3" by Moody's Investors Service ("Moody's").

Such rating reflects only the views of Moody's and any desired explanation of the significance of such ratings should be obtained from the rating agency at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, NY 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

LIMITED OFFERING OF BONDS

The Bonds are exempt from registration under federal securities law but are being offered only to a limited number of sophisticated investors and will be sold only to purchasers who are Qualified Institutional Buyers or Accredited Investors. By purchasing the Bonds, each investor is deemed to have made the acknowledgments, representations, warranties and agreements set forth under the heading "TRANSFER RESTRICTIONS" herein.

CONTINUING DISCLOSURE

The Borrower, Summit and Wilmington Trust, National Association, as Dissemination Agent, will execute and deliver one or more Continuing Disclosure Agreements pursuant to which the Borrower and Summit will, for the benefit of the Beneficial Owners of the Bonds, periodically compile and deliver to the Dissemination Agent certain financial information and operating data relating to the operations of the Borrower, the Members of the Obligated Group, the Schools and Summit Home Office, and provide notices of the occurrence of certain enumerated events. These covenants have been made to assist the Underwriter in complying with the Rule. A form of the Continuing Disclosure Agreement is attached hereto as Appendix F.

Neither the Borrower nor Summit has previously entered into a continuing disclosure undertaking pursuant to the Rule.

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ (being the principal amount of the Bonds, plus/less aggregate net original issue premium/discount of \$_____, less an Underwriter's discount of \$_____). The Bond Purchase Agreement ("Bond Purchase Agreement") pursuant to which the Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement. The Underwriter may offer and sell the Bonds to certain dealers, institutional investors, banks, and others at prices different from the prices stated on the inside cover page of this Limited Offering Memorandum. The offering prices may be changed from time to time by the Underwriter. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Bonds and there may, in fact, be no market for the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrower and Summit.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Bonds and the Bond Indenture and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Limited Offering Memorandum. Copies, in reasonable quantity, of the Bond Indenture and Loan Agreement may be obtained during the offering period upon request directed to the Underwriter.

NONE OF THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM HAS BEEN SUPPLIED OR VERIFIED BY THE AUTHORITY OTHER THAN THE INFORMATION UNDER THE CAPTIONS “THE AUTHORITY” AND “ABSENCE OF MATERIAL LITIGATION – THE AUTHORITY.” THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AS TO THE ACCURACY (OTHER THAN IN THE SECTIONS IDENTIFIED ABOVE) OR COMPLETENESS OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM.

The distribution and use of this Limited Offering Memorandum has been approved by the Authority, the Borrower and the Lessee.

COMMUNITY HIGH SCHOOL FOUNDATION,
INC., as Borrower

By: _____
Olga Pulido-Crowe
President

SUMMIT PUBLIC SCHOOLS, as Lessee

By: _____
Diane Tavenner
Chief Executive Officer

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APPENDIX A

CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP

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APPENDIX A

CERTAIN INFORMATION REGARDING SUMMIT PUBLIC SCHOOLS, THE SCHOOLS, THE BORROWER AND THE OBLIGATED GROUP

Certain statements contained in this Appendix reflect forecasts, projections and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved. Actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Limited Offering Memorandum. Unless otherwise noted, all information, data, and projections in this Appendix were furnished by the Borrower. All capitalized terms in this Appendix A that are not defined herein will have such meaning as given to them in the forepart of this Limited Offering Memorandum.

SUMMIT PUBLIC SCHOOLS

The following section presents general information regarding Summit Public Schools (“Summit”) as a whole and includes information regarding charter schools operated by Summit other than Summit Public School: Shasta (“Summit Shasta”) and Summit Public School: Denali (“Summit Denali” and, together with Summit Shasta, the “Schools”). However, the obligation of Summit to pay amounts due under the Leases is limited to the sources of funds described within the respective Leases. See “INTRODUCTION – Security for the Bonds” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases” in the Limited Offering Memorandum to which this Appendix is attached.

The inclusion in this appendix of information regarding financial results of or the operation of any charter school other than the Schools does not indicate that such moneys are available for the satisfaction of obligations under the Leases, the Loan Agreement or Obligation No. 1 other than as expressly described herein and in this Limited Offering Memorandum. Beneficial Owners of the Bonds and the Trustee will not have any rights against the assets of Summit to pay any debt service on the Bonds, except as specifically provided in the documents governing the issuance of the Bonds and the Leases.

About Summit Public Schools

Summit Public Schools is a charter school management organization that operates and manages 11 free, open enrollment, public charter schools on 12 campuses in the San Francisco Bay Area and Washington State. Summit currently serves approximately 3,738 students in the San Francisco Bay Area and Washington State. Summit operates as a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). Summit manages its Washington State charter schools via Summit Public Schools Washington (“Summit Washington”), a Washington nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), the sole member of which is Summit. Summit and Summit Washington are managed by the same leadership team, however they are governed by separate boards of directors with no common board members.



Summit currently operates eight charter schools in northern California, serving 3,098 students in grades 6-12 in the 2017-18 school year, and manages three charter schools in Washington State, serving 640 students in grades 9-11 in the 2017-18 school year. In California, approximately 43% of Summit's students during the 2016-17 school year qualified for free and reduced priced meals, approximately 81% were minorities (non-white), and approximately 12% qualified as English-language learner students. In Washington, approximately 54% of Summit's students during the 2016-17 school year qualified for free and reduced priced meals, approximately 73% were minorities (non-white), and approximately 6% qualified as Transitional Bilingual. Summit currently does not have any other plans to open any new schools.

TABLE 1
SUMMIT PUBLIC SCHOOLS
Network Demographics
School Year 2016-17

	California Schools (8 Schools)	Washington Schools (2 Schools) ⁽¹⁾
% of Free-Reduced Price Meals ⁽²⁾	43%	54%
% of English-Language Learners ⁽³⁾	12	6
% of Minority Students (Non-White)	81	73

⁽¹⁾ Summit's third Washington school, Summit Atlas, began operations in the 2017-18 school year.

⁽²⁾ Summit schools in California typically qualify for SB 740 funding by providing a lottery preference to students residing within the boundaries of a local elementary school of which at least 55% of its student body qualifies for free and reduced price meals. For more information, see page A-67 herein.

⁽³⁾ Categorized as "Transitional Bilingual" in Washington.

Source: Summit.

Summit is the holder of all school charters and the recipient of all state and federal revenue related to the operation of the charter schools, except for those schools operating in Washington. The charters for the Summit charter schools operated in Washington are held by Summit Washington.

Charter Schools Operated by Summit

Summit operates or manages eleven free public charter schools in the San Francisco Bay Area (in the cities of El Cerrito, Daly City, Redwood City, Richmond, San Jose and Sunnyvale) and Washington State (in the cities of Seattle and Tacoma). Below is the list of all the charter schools operated and managed by Summit (listed in the order in which they were opened):

- Summit Preparatory Charter High ("Prep") – Opened Fall 2003 in Redwood City, California
- Everest Public High ("Everest") – Opened Fall 2009 in Redwood City, California
- Summit Public School: Ranier ("Ranier") – Opened Fall 2011 in San Jose, California
- Summit Public School: Tahoma ("Tahoma") – Opened Fall 2011 in San Jose, California
- **Summit Public School: Shasta ("Shasta") – Opened Fall 2013 in Daly City, California**
- **Summit Public School: Denali* ("Denali") – Opened Fall 2013 in Sunnyvale, California**
- Summit Public School K2 ("K2") – Opened Fall 2014 in El Cerrito, California
- Summit Public School: Olympus ("Olympus") – Opened Fall 2015 in Tacoma, Washington
- Summit Public School: Sierra ("Sierra") – Opened Fall 2015 in Seattle, Washington
- Summit Public School: Tamalpais ("Tamalpais") – Opened Fall 2016 in Richmond, California
- Summit Public School: Atlas ("Atlas") – Opened Fall 2017 in Seattle, Washington

Schools highlighted in bold font indicate Summit schools which are part of the Obligated Group.

* Summit Denali was authorized by the Santa Clara County Office of Education as a single charter school serving grades 6-12. Summit plans to operate Denali on two separate campuses (middle school serving grades 6-8 and high school serving grades 9-12). For more information see "THE PROJECT – Summit Denali Project" in the forepart of this Limited Offering Memorandum.

The following table summarizes the schools operated by Summit and information about their respective charters.

TABLE 2
SUMMIT PUBLIC SCHOOLS
Summary of Charter Schools

School	Location	School Year Established	Grades Served (2017-18)	Projected Enrollment (2017-18)	Projected Full Enrollment	No. of Charter Renewals	Charter Expiration	Charter Authorizer*
OG Schools								
Shasta	Daly City, CA	2013-14	9-12	460	460	-	6/30/18	Jefferson UHSD
Denali	Sunnyvale, CA	2013-14	6-10 ⁽²⁾	483	750	-	6/30/18	Santa Clara COE
Total				943	1,210			
Other Schools								
Prep	Redwood City, CA	2003-04	9-12	408	410	3	6/30/22	Sequoia UHSD
Everest	Redwood City, CA	2009-10	9-12	412	410	1	6/30/19	Sequoia UHSD
Rainier	San Jose, CA	2011-12	9-12	355	410	1	6/30/21	East Side UHSD
Tahoma	San Jose, CA	2011-12	9-12	340	395	1	6/30/21	Santa Clara COE
K2	El Cerrito, CA	2014-15	7-10 ⁽³⁾	415	622	-	6/30/19	Contra Costa COE
Tamalpais	Richmond, CA	2016-17	7-8 ⁽³⁾	225	639	-	6/30/21	West Contra Costa USD
Olympus ⁽¹⁾	Tacoma, WA	2015-16	9-11 ⁽⁴⁾	180	380	-	8/17/21	Washington SCSC
Sierra ⁽¹⁾	Seattle, WA	2015-16	9-11 ⁽⁴⁾	300	400	-	8/17/21	Washington SCSC
Atlas ⁽¹⁾	Seattle, WA	2017-18	6&9 ⁽⁵⁾	160	700	-	8/22/22	Washington SCSC
Grand Total				3,738	5,576			

* "UHSD" Union High School District, "COE" County Office of Education, "USD" Unified School District, "SCSC" State Charter School Commission.

⁽¹⁾ Washington Schools are operated by Summit Public Schools Washington, a separate 501(c)(3) corporation the sole member of which is Summit Public Schools. All California Schools are operated by Summit.

⁽²⁾ Expected to expand to grades 6-12 by the 2019-20 school year.

⁽³⁾ Expected to expand to grades 7-12 by the 2019-20 school year.

⁽⁴⁾ Expected to expand to grades 9-12 by the 2018-19 school year.

⁽⁵⁾ Expected to expand to grades 6-12 by the 2020-21 school year.

Source: Summit.

History of the Obligated Group (OG) Schools. Two of the eleven Summit schools have new school facilities that will be financed with proceeds from the Bonds: (1) Shasta is a high school (serving grades 9-12) located in Daly City, California, and (2) Denali is a middle/high school (serving grades 9-12) located in Sunnyvale, California. Only revenues attributable to the high school operations (grades 9-12) of Denali, along with a security interest in the new Summit Denali High School Site, will be a source of security for the Bonds; revenues attributable to the operations of the middle school (grades 6-8) of Denali, located at the existing Summit Denali Middle School Site, will not be a source of security for the Bonds other than the portion of Gross Management Fee Revenue attributable thereto. For more information about Denali's operations, see "THE PROJECT – Summit Denali Project" in the forepart of this Limited Offering Memorandum.

Shasta – Summit opened Shasta in 2013 in Daly City, California, under a charter authorized by the Jefferson Union High School District ("Jefferson UHSD"). In its first year school year (2013-14), Shasta served 105 students in grade 9, and has since expanded to serve 460 students in grades 9-12 during the 2017-18 school year and is now at full enrollment.

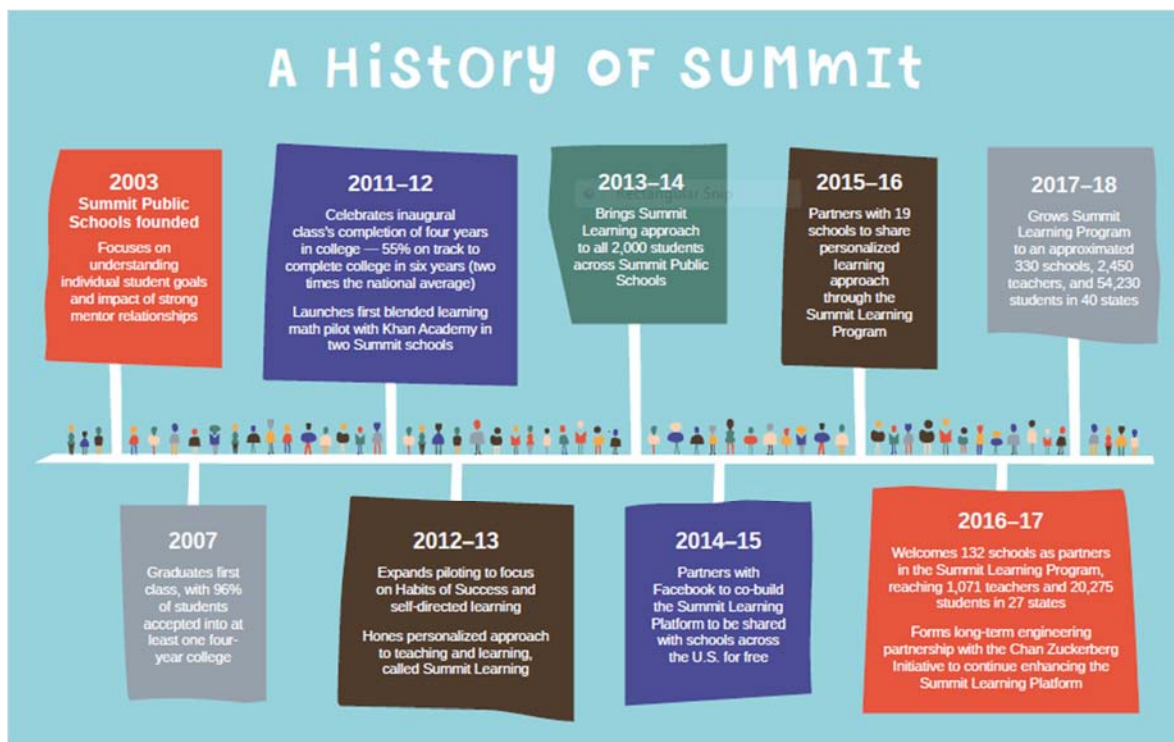
Summit expects to submit a renewal petition relating to the Shasta charter to Jefferson UHSD in September, 2017, and expects that Jefferson UHSD will act on the renewal petition by the end of November, 2017. Summit expects the charter to be renewed for an additional five years.

Denali – Summit opened Denali in 2013 in Sunnyvale, California, under a countywide benefit charter authorized by the Santa Clara County Office of Education (“Santa Clara COE”). In its first year school year (2013-14), Denali served 134 students in grade 6, and has since expanded to serve 483 students in grades 6-10 during the 2017-18 school year (203 of the 483 students are enrolled in grades 9-10). By school year 2019-20, Denali is expected to serve 400 students in grades 9-12, which represents over 94% of full enrollment for their high school.

Summit expects to submit a renewal petition relating to the Denali charter to the Santa Clara COE in October 2017, and expects that Santa Clara COE will act on the renewal petition by the end of January 2018. Summit expects the charter to be renewed for an additional five years. See “CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters” in the forepart of this Limited Offering Memorandum.

Mission Statement and Educational Philosophy

Founding Story. Summit was founded in 2000 by a group of 130 parents in various communities on the San Francisco Peninsula in the San Francisco Bay Area who sought options for opening a new innovative and replicable model for secondary education. After analyzing different forms that such a school could take, such as a charter school, magnet school, or independent school, they selected the charter school option and in 2002 recruited Diane Tavenner, then the Assistant Principal at Mountain View High School, to lead the new school as its founding principal. The mission of the school was to prepare a heterogeneous group of students for success in college and life, through the implementation of progressive academic policies that were in use at Mountain View High School and other innovative public schools.



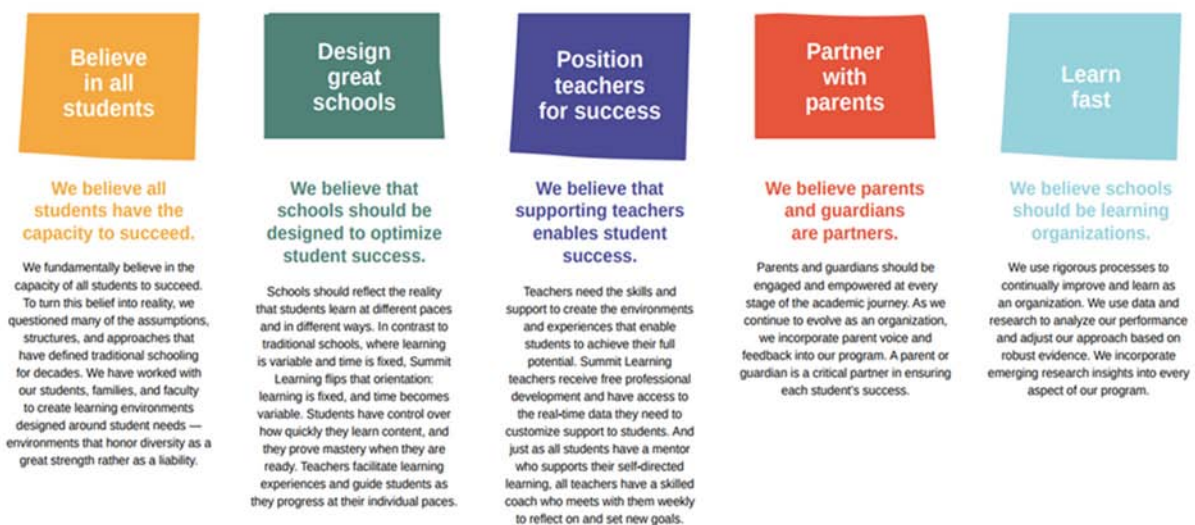
Summit Prep, Summit’s first charter school, graduated its first class of high school seniors in June 2007 and remained the sole Summit school until Summit Everest opened for the 2009-10 school year. Early on, Summit’s leadership had purposely waited many years before expanding in order to create a successful academic model that could be replicated at new Summit schools.

In the initial years of its operations, like many high-performing charter management organizations such as KIPP, Green Dot and the Alliance for College Ready Schools, Summit’s primary goal was to help its graduating students meet the college entrance requirements to be accepted into four-year colleges and universities. In 2011-12, Summit reviewed the percentage of its former students from their first graduating classes that had graduated from college within six years and found that 55% of its students had graduated from college (more than 40% higher than the national average). However, such percentage was below the expectations of the Summit leadership team. Upon this realization, Summit began the process of thoroughly analyzing its pedagogical approach to determine how it could be improved to increase the likelihood that its future graduates would finish college in four years.

Over the next several years, Summit began to use more technology in the classroom to begin differentiating instruction to students and using real-time assessments to track progress. In 2011-12, Summit launched its first blended learning math pilot program with Khan Academy at two of their schools. Summit also began working on piloting programs at their schools to focus on self-directed learning and Habits of Success (as described herein). This culminated in Summit putting together all its practices and piloted programs together into their own personalized learning system which they branded as the Summit Learning Program (the “Program”). In 2013-14, Summit rolled out the Program to all 2,000 students at Summit Public Schools. For more information on the “Summit Learning Program”, see Page A-12 herein.

In 2014-15, Summit partnered with Facebook to co-develop the Summit Learning Platform (the “Platform”) which is the online learning software that serves as the digital backbone for the Summit Learning Program. Facebook provided software engineers to design and create the software working very closely with the Summit executive team, principals, teachers and students. In 2015-16, Summit piloted the dissemination of the Summit Learning Program to non-Summit schools (the dissemination pilot was known as “Summit Basecamp”), with 19 schools in the first year. The program grew to 132 schools in 2016-17 and is expected to be used in approximately 330 schools in 2017-18 at no cost to participating schools. For more information on the Platform, see Page A-12 herein.

Mission. Summit’s mission is to prepare a diverse student population for success in a four-year college or university and to be thoughtful, contributing members of society. Summit’s core belief is that every student has the capacity to succeed and supporting that student’s education and growth through a personalized learning environment is the best way to achieve its mission. Summit’s personalized learning approach (known as “Summit Learning”) embodies the following beliefs:



Summit's philosophy is to treat each student as a whole individual person and encourage each student to share his or her passions, goals and interests with his or her teachers, mentors and parents. The student's vision for his or her future and his or her life goals are placed at the center of the discussion. The educational program is tailored for each student and helps each student connect their daily learning tasks and projects with their future goals and objectives. Summit empowers students to take control of and responsibility for their learning and helps each student to track their progress through the educational program and more importantly in meeting their college/life goals.

The Three Pillars of the Summit Learning Program. The following section briefly introduces the three pillars of the Summit Learning Program. More thorough discussions of each aspect of the Program may be found later in this Appendix A.

1:1 Mentoring – From the beginning of a student's career at Summit to the time that the student graduates, every student is assigned a mentor. Each mentor is responsible for helping the students they are mentoring with developing a **Personalized Learning Plan** ("PLP") that aligns their passions, interests and goals with their everyday learning.



At Summit, all students engage in 1:1 mentoring each week (at least 10 minutes). This time is focused on setting goals, developing action plans, and reflecting on progress. Mentors carefully review the data on the Platform for each of their mentees, and help identify students who are struggling and who might need additional support and/or interventions. Even though a mentor usually only teaches one subject area, s/he is responsible for overseeing a student's comprehensive academic and social experience at school. Mentors monitor how students are doing in all subject areas and in all domains of social and emotional development. At Summit, all teachers serve as mentors for 15-20 students over the span of four years, in addition to being core academic teachers.

This time, called **Mentor Time**, is spent on positive identity formation, academic belonging, attachment, and explicit instruction of **Habits of Success**. Habits of Success are the social and emotional skills that enable students to be successful at both academic and non-academic pursuits. Habits of Success fall in one of 5 categories: (1) **Healthy Development** (e.g. attachment, stress management, self-regulation), (2) **School Readiness** (e.g. self-awareness, social awareness/relationship skills, executive functions), (3) **Mindsets for Self and School** (e.g. growth mindset, self-efficacy, sense of belonging, relevance of school), (4) **Perseverance** (e.g. resilience, agency, academic tenacity), and (5) **Independence and Sustainability** (e.g. self-respect, curiosity, civic identity). The Habits of Success framework was designed with an understanding that foundational skills are prerequisites for high-order skills; skill development happens on a developmental pathway that integrates cognitive, social and emotional skills. Since children do not always get the same start in life and do not follow an identical path, Summit uses the Habits of Success framework to guide teachers on how to support students who have experienced trauma and other adverse circumstances.

Real-World Projects – Personalizing learning at Summit also means engaging students to use newly gained knowledge and/or cognitive skills to solve real-world problems. These projects challenge students to apply all the skills, content, habits/mindsets they've developed in the classroom or during 1:1 mentor time, community time with their peers or personalized learning time working at their own pace on the online Platform to tackle interesting issues. Each project takes anywhere from 2-6 weeks to complete and requires a student to complete a series of complex, but inter-related tasks which could include reading a book, conducting research, solving a real world math problem with multiple dimensions or preparing for and participating in a Socratic seminar.



Over the course of a 7 year academic career (grades 6-12) at Summit, a student will complete approximately 200 projects as part of their academic curriculum. This rich and complex body of project experience solidifies and ingrains the deep content knowledge Summit students learn in their core subject areas (e.g. English, math, science, history, etc.), along with reinforcing cognitive skills (e.g. creating an argument,

hypothesizing, modeling, making an oral presentation, etc.) that are applied to complete each project. These projects can also help students enrich a personal narrative for a college application essay/interview or extracurricular activity or internship.

Along with these projects, a Summit student also participates in the **Expeditions** program which is Summit's elective coursework. Expeditions are immersive experiences where Summit students take a 2-week break from their core classes and focus on their electives for 2-week segments four (4) times a year (for a total of 8 weeks). Expedition electives include courses on: Art & Design, Business & Media, Leadership & Society, Robotics, Computer Programming, College Readiness, Future Planning and many others. The Expeditions offered at each school will vary based on the local partnerships with other educational institutions, corporations and governmental/non-profit agencies. In the 12th grade, Expeditions enable students to pursue independent studies or pursue internships with local companies/organizations in Silicon Valley.

The real world projects and Expeditions electives help students learn more about the world, develop civic awareness and further refine their life goals and interests in a way that lectures, tests and homework alone could not achieve.

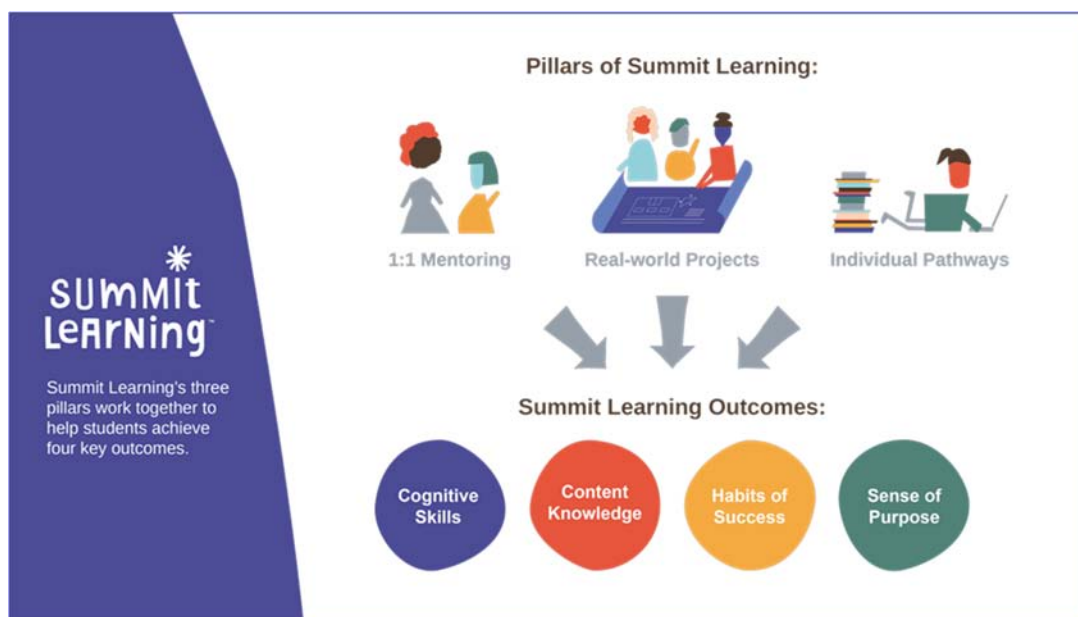
Individual Pathways – Summit places students at the center of their learning journey, empowering them to set and track goals, learn content at their own pace and complete deeper learning projects. The **Summit Learning Platform** is the online software platform that serves as the technological backbone to support how Summit students learn during different learning times. Broadly speaking, Summit organizes each student's learning time into 3 major categories: (1) Personalized Learning Time ("PLT"), (2) Project Time, and (3) 1:1 Mentor Time. PLT are 90 minute blocks of time scheduled throughout the school week when a student progresses through "playlists" (or specific content knowledge) at his or her own pace. 1:1 Mentor Time is weekly mentoring meetings spent reviewing a student's academic progress and coaching a student in the Habits of Success. Project Time is the 90 minute blocks of time during the school day a student works on projects in his or her core classes. For more detailed information on the Platform, PLT, 1:1 Mentor Time and Project Time see pages A-13 through A-19 herein.



The Platform is an online software platform that provides comprehensive curriculum developed by teachers in classrooms to each student. The base curriculum is aligned with the Common Core and Next Generation Science Standards, and each course includes meaningful projects, playlists of content and assessments, all of which can be customized. Teachers can adapt or create new playlists and projects to meet their students' needs and interests. Students build content knowledge by working at their own pace and take assessments on demand. Teachers, along with mentors, help students set short-term and long-term goals and connect these back to their daily actions in their classes.

Students build and demonstrate cognitive skills and apply what they're learning by working through authentic, meaningful projects. Teachers facilitate these hands-on projects, and the Platform provides tools to customize projects or create new ones. Teachers can understand how their students are performing on a daily basis and use that data to personalize instruction and provide additional support through mentoring and coaching. On the Platform, teachers have access to a robust teacher guide with resources and trainings about how to implement personalized learning in the classroom. In addition, teachers join a national community of practice around personalized learning through the Summit partnership of schools.

THE PILLARS OF SUMMIT LEARNING HELP STUDENTS REACH KEY OUTCOMES



Source: Summit.

The graphic above depicts how 3 pillars of the Summit Learning Program help students achieve learning outcomes that are critical to Summit fulfilling its mission to each of its students.

The Summit Curriculum

Summit's curriculum is based on its mission to prepare all students for success in college and career. Summit's academic program exceeds the requirements to apply for a 4-year university and college, including the University of California's A-G subject requirements. As a result, 100% of Summit graduates typically meet the A-G subject requirements. While most students take the same courses in the same grade level, Summit deeply values personalized learning and each course supports students individually and aligns their daily work with their long-term goals.

Each school year, Summit students receive 180 days of instruction over a 43-week year. The 43 weeks comprise 30 weeks of core class instruction, 8 weeks of Expedition electives, and 5 full weeks of school breaks, with another 10 holidays and teacher professional development days throughout. During the Expeditions coursework, which is taught by a separate group of teachers that travel from school to school, core subject teachers at the school are provided professional development and training.

In middle school, each Summit student is required to take 3 years each of English, history, math and science as shown in the table on the following page entitled "Middle School Curriculum." Four electives are taken as half-year courses through the Expeditions elective program (as described herein, the "Expeditions Program"). In high school, each Summit student is required to take four years each of English, history, math, and science, as well as a minimum of 2 years of Spanish. Two electives are taken each year through the intensive Expeditions Program. In the table entitled "High School Curriculum" below, the courses marked as "AP" are aligned to the respective Advanced Placement frameworks. All Summit students are required to take a minimum of six AP courses to graduate since all core subjects roll up to an AP course in 11th or 12th grade.

TABLE 3
SUMMIT PUBLIC SCHOOLS
 Middle School Curriculum (Grades 6-8) ⁽¹⁾

Subject	6 th Grade	7 th Grade	8 th Grade
ENGLISH	English 6	English 7	English 8
MATH	Math 6	Math 7	Math 8
HISTORY	Ancient Civilizations	Medieval History	US History
SCIENCE	Science 6	Science 7	Science 7

⁽¹⁾ Does not include elective courses offered by the Expeditions Program.
 Source: Summit.

TABLE 4
SUMMIT PUBLIC SCHOOLS
 High School Curriculum (Grades 9-12) ⁽¹⁾

Subject	9 th Grade	10 th Grade	11 th Grade	12 th Grade
ENGLISH	English 9	English 10	AP English Language	AP English Literature
MATH	Algebra I/Math I	Geometry/Math II	Algebra 2/Math III	AP Statistics
HISTORY	Modern World 1	Modern World 2	AP US History	AP Government
SCIENCE	Biology	Physics	Chemistry	AP Environmental Science
LANGUAGE	Spanish 1	Spanish 2	Spanish 3	AP Spanish Language

* Classes highlighted in **BOLD** indicate AP coursework. Each Summit student takes a minimum of six AP courses by the time of graduation. AP Spanish Language is optional for Summit students.

⁽¹⁾ Does not include elective courses offered by the Expeditions Program.
 Source: Summit.

Summit employs a block schedule to mirror college/university settings. Each day is composed of three 90-minute blocks for Project Time or Personalized Learning Time, two 30-minute blocks for Summit Reads and Summit Solves (which are targeted literacy and math interventions, respectively, further discussed herein), as well as lunch, breaks, and a 10-minute mentor period. The 90-minute class periods minimize the disruptions associated with class transitions and allow students to immerse themselves in their personalized learning environments. Each class period is used either for Personalized Learning Time or Project Time. In Personalized Learning Time (approximately 8 hours per week), students focus on learning content through a variety of different online formats, while in Project Time (approximately 20 hours per week), teachers facilitate deeper learning activities designed to develop cognitive skills.

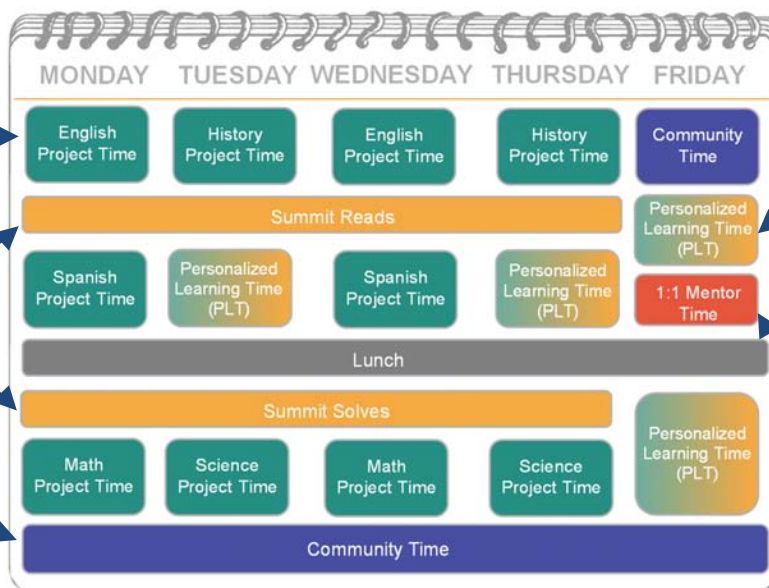
No Project Time classes are held on Friday, as the majority of the day is devoted to Personalized Learning Time, including interventions if needed, as well as Community Time and weekly one-on-one check-ins with mentors.

SAMPLE WEEKLY SCHEDULE (FOR A PROTOTYPICAL HIGH SCHOOL STUDENT)

Project Time – Students complete 200+ **projects** across their core subjects in their Summit career. These projects utilize **cognitive skills**, application of **content knowledge** and work in individual/group settings.

Summit Reads/Solves – 30 minutes of dedicated reading or math work.

Community Time – Students meet with their peers (**Community Group**) to reflect, give each other support and feedback, develop life skills and build relationships.



Personalized Learning Time – Students learn content online on the **Summit Learning Platform** using existing **“playlists”** (i.e. complete lesson plans with written content, videos, on-demand assessments, real-time feedback from teachers/mentors) and work

1:1 Mentor Time – Students work with their mentors to set **long-term** and **short-term goals**, receive feedback on their progress and build **Habits of Success**.

⁽¹⁾ Does not include elective courses offered by the Expeditions Program.
Source: Summit.

The Summit Learning Program and Summit Learning Platform

The Program is a comprehensive personalized learning system that has developed over the past 15 years and is used in every Summit school (and Summit Learning partner school). The Program is an innovative learning system that emphasizes a personalized learning approach that centers instruction around the student (versus the traditional teacher-centered approach to instruction). The Program encourages students to set academic and life goals based on their passions and interests, and with the encouragement of and input from their mentors, teachers and mentors. Based on these goals, a Personalized Learning Plan is created that includes a comprehensive tailored curriculum that is carefully curated by teachers for each student based on their skill level and interests.

The Program uses a proprietary online software platform, known as the Summit Learning Platform, which houses all the curriculum, instruction, and assessment and enables students, teachers, and parents to manage every aspect of a student’s progress throughout the school year. Students and teachers use the Platform as the technological backbone to deliver and teach content, work on projects, complete assignments, take assessments, receive real-time feedback on student work and track student performance.

The Program organizes a student’s daily and weekly activities around a specially designed curriculum that is broken up into special sessions that are led by different types of teachers (Core Subject teachers, Community teachers, Expeditions teachers and Mentors) that enable each teacher to maximize his or her classroom effectiveness and tailor instruction for each student based on active feedback.

The Program was designed over the past 15 years using academic work from leading education researchers and close working partnerships with the Stanford Center for Assessment, Learning & Equity (“SCALE”), Harvard Graduate School of Education, Carnegie Foundation for the Advancement of Teaching, and other academic institutions.

For more information on the Program, see the Summit Learning Program's website at www.summitlearning.org. However, the information presented on such website is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum.

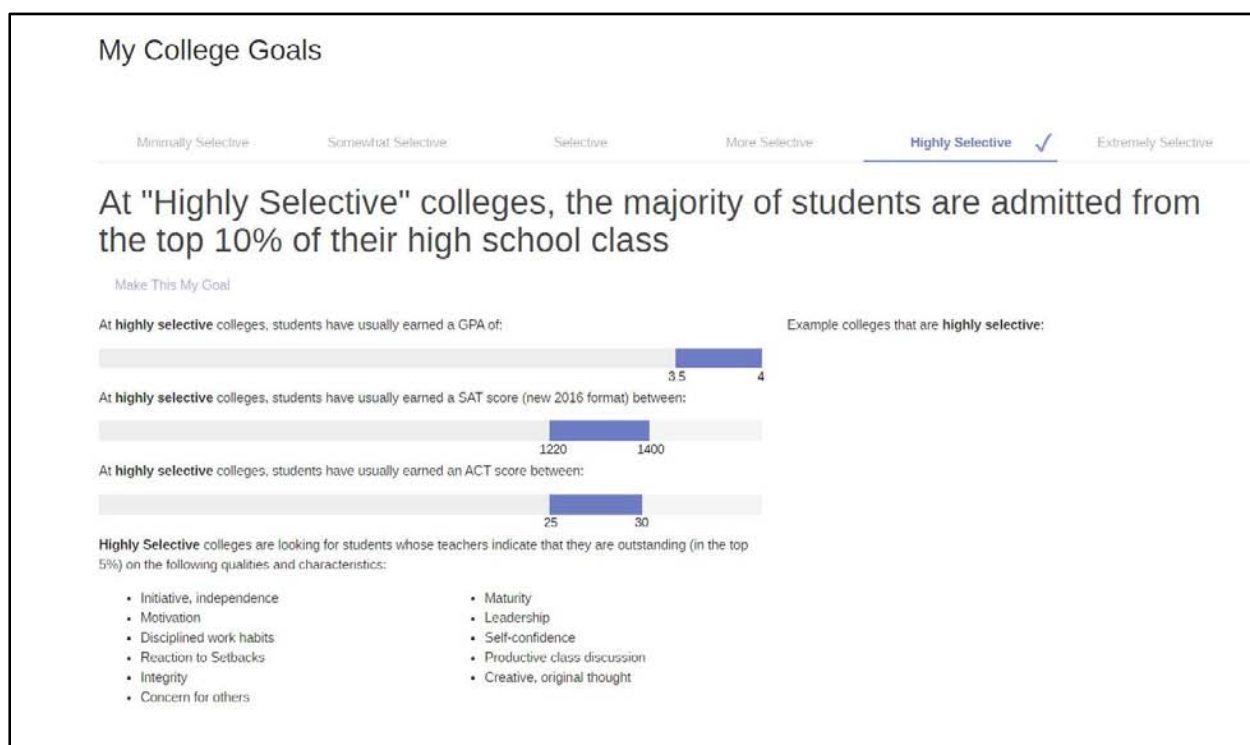
COMPONENTS OF THE SUMMIT LEARNING PROGRAM

Components	Brief Description
1. Personalized Learning Time ("PLT")	Individual learning time when a student works on the online Platform to learn content knowledge, take assessments, receive online feedback from teachers and work on projects.
2. Project Time	Daily 1.5 hours classroom sessions led by a Core Subject teacher during which time a teacher facilitates completion of projects and provides subject-specific instruction that is differentiated based on skill level. Project Time is held daily in each core subject which includes: English, math, history, science and Spanish (in grades 9-12). Students complete 4-9 projects in every subject each year (200+ projects are completed between grades 6-12).
3. 1:1 Mentoring Time	Weekly sessions between mentors and students to discuss future goals/plans, track progress on a student's PLP and coach a student on Habits of Success.
4. Community Time	Daily sessions (4 days a week) between a small cohort of 15-20 students ("community group") and a Community teacher to foster social/emotional development and discuss Habits for Success.
5. Summit Solves/Reads	30-minute sessions (4 times per week) dedicated to reading and math where tutors help students individually to make progress at their current skill level.
6. Expeditions Program	Elective courses taken in 2-week sessions (4 times per year) that students choose which expose students to immersive experiences in STEM, arts, college readiness and internships.

Personalized Learning Time. During this time, students make their way through content via a range of resources (playlists) to become college-ready, choosing the subjects they want to learn and how they access that content. Students learn content largely via the Platform and all with the support of their teacher. Students are able to move at their own pace and learn how they best learn because they have different options to learn the same information. Unlike in traditional lectures, the Summit Learning Program is designed so students are not pushed too far ahead of what they are ready for, nor bored because they already know it. The series of graphics on the following pages show sample views of how a Summit student would interact with the Platform.

Following is a view of the goal-setting view from the Platform. This view shows a student, teacher/mentor or parent what the college goals are for a student. The Platform informs the viewer what academic achievements the student must attain to reach these college goals, and more importantly what progress the student has made to date toward that goal. This goal-setting view is enables Summit teachers and mentors to have meaningful discussions with each student during class and 1:1 mentor time about how to reach these goals and what modifications in behaviors may be required to keep making progress, or if appropriate, what changes to a student's goals should be made.

A STUDENT'S "MY COLLEGE GOALS" VIEW ON THE PLATFORM



Source: Summit.

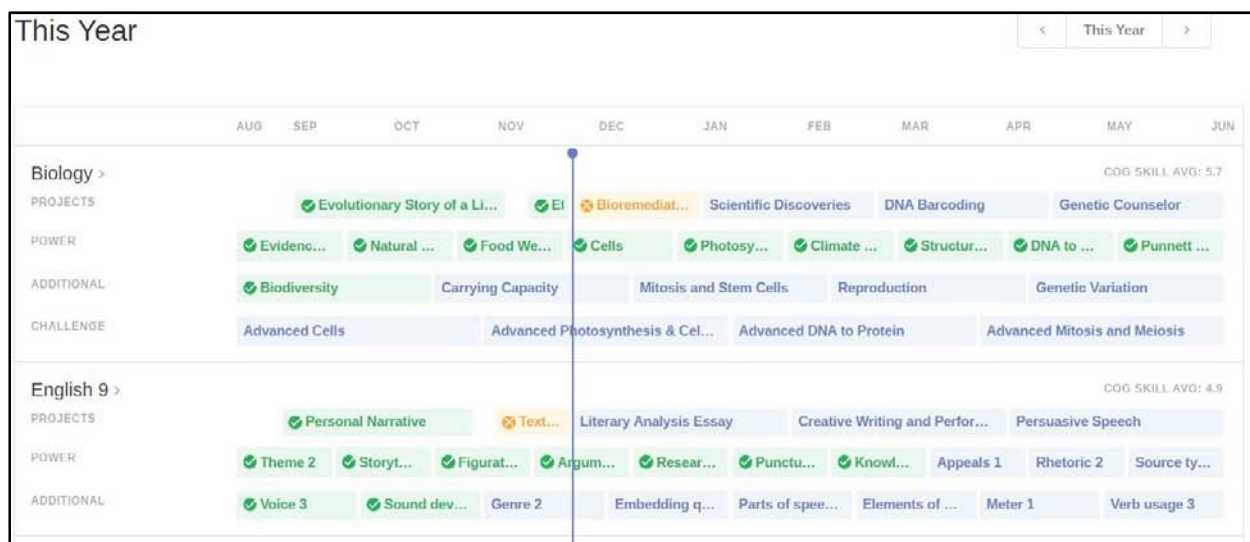
Personalized Learning Time is devoted to learning content on school-issued Google Chromebook laptops. Each student logs into the Platform and sees the required content for each course they take. All the content for every course from grades 5 through 12 is housed on the Platform, which means that at any time in any subject a student can either go forward to more advance topics or move back to more remedial topics (if needed). The Platform tracks their progress by providing assessments and requiring assignments to be completed and reviewed by the teacher. Feedback on assignments is submitted back to the student via the Platform and students are not allowed to progress unless they have demonstrated mastery of the lesson.

When a student clicks on any of the coursework (whether "Projects", "Power", "Additional", or "Challenge"; each type of coursework is discussed in more detail on Page A-15 herein) they are taken to a "playlist" that breaks down specific objectives of the assignment and provides an array of text, presentations, videos, exercises, and progress checks tailored to the content area. Teachers pick and choose the items on each student's playlist based on their stated college goals and their individual learning preferences. Students spend as long as they need working through this content, reviewing as many items on the playlist as they need to master the content. When they feel ready, they click an on-demand "content assessment" at the end of each playlist. A teacher approves the assessment, and if the student gets an 8/10 or higher they "pass," and they move on to the next focus area.

The following graphic is taken from a sample Personalized Learning Plan for a hypothetical 9th grade student and shows the playlists for Biology and English 9. As students go through their playlists for each subject, the Platform helps them track their progress through the year. A vertical Status Bar shows the student where he should be at any given time of the year in all his or her subjects in order to meet his or her predetermined goals. Furthermore, a student can see through color coding which playlists or projects have been completed at a satisfactory level ("green"), which ones have been completed but require review and improvement ("orange") and which ones have yet to be tackled ("purple"). This tracking system is intended to help students, but also enables teachers and his or her mentor to have a meaningful conversation during Project

Time or 1:1 Mentor Time on how to help the student reach their goals and be mentored on the mindsets and habits (i.e. Habits of Success) required to persevere and overcome any challenge.

SAMPLE “THIS YEAR” VIEW FOR BIOLOGY AND ENGLISH THROUGH THE PLATFORM (9TH GRADE)



Source: Summit.

For each class, the Platform contains three to four types of assignments: (1) Projects, (2) Power, (3) Additional, and (4) Challenge. Assignments in green font with a checkmark have been completed successfully. Assignments in orange with an “X” mark were not completed successfully, and assignments in purple have not yet been started.

- **Projects.** These are the individual and group projects that are used to apply content and learn cognitive skills. In this example, the student has six Biology projects for the year and five English projects. Project assignments account for 70% of a student’s overall grade for the year, and each project is graded on a point scale from 0 to 8 for all the cognitive skills used in each particular project.
- **Power.** These are individual assignments to teach the core, required content of each class, which are necessary for every student to master. Power assignments account for 21% of a student’s overall grade for the year, and they are graded as “pass/incomplete.”
- **Additional.** These are individual assignments to teach extra content for each class, which include advanced topics. They are primarily completed online. Additional assignments account for 9% of a student’s overall grade for the year, and they are graded as “pass/incomplete.” Though Additional content assignments are optional, completing these help students improve their grade for the class.
- **Challenge.** These are honors/AP-level content assignments for some classes, which are completed online. Challenge assignments are not included in a student’s overall grade for the year, but are helpful for students that are planning to take the AP exam in the subject. In the above example, students who choose to take the AP Biology exam would take on Challenge assignments which would prepare students for passing the AP exam. The 2 AP English exams are not taken until grades 11 and 12, and so no “Challenge” assignments are included for English 9.

The activities that occur during Personalized Learning Time vary substantially depending on the student and the content. While much learning is self-directed, there are also significant amounts of peer-to-peer tutoring, group projects, and small group instruction. Teachers use real-time data and feedback provided by the Platform to carefully track each student's progress and plan how to best move the student forward during PLT. For students that are excelling, a teacher may mean asking those students to move forward in the playlist to the next task within project or take a "challenge" assignment to deepen their mastery of the topic. For struggling students, a teacher may craft a special workshop that will be given during PLT to help these students better understand the lesson and help them move forward; in other cases a teacher may ask a student whose demonstrated mastery to help a struggling classmate – which can serve as a way to help both parties deepen their knowledge.

Throughout the school year, students have to navigate their way through the Platform. Some prefer to work sequentially through focus areas while others jump around. Though students work at their own pace, each assignment has a specific deadline for completion, and the Platform tracks which assignments have been completed on time versus those that have not. Teachers have over 700 playlists to choose from and can tailor the learning program based on each student's passions, interests and future career goals. Students inevitably progress at different speeds – a few students even finish all the content for a given course and move on to the next one. Within each playlist, students learn differently, as well. While many students find interactive practice problems the most engaging, some prefer to learn through videos, and others like detailed descriptive text. For Summit students, each of these learning choices they make – about which topics to tackle, what resources to pursue, and when to take assessments – are intended to build an awareness of *how* to learn along with the *skills* to learn better in the future.

On the next page, an actual sample Project from the 10th grade English curriculum at a typical Summit high school is displayed. The title of the Project is "Dystopian Project" which encourages students to read classic dystopian texts such as *A Brave New World*, *Fahrenheit 451* or *The Handmaid's Tale* and use what they learned to practice textual analysis, essay writing, creative writing and to engage in a Socratic seminar with fellow students to discuss the key elements of dystopian novels but also identify signs of dystopia in the world today.

A SAMPLE “PROJECT” ON THE PLATFORM (10TH GRADE ENGLISH PROJECT)

ENGLISH 10

Dystopian Project

★

FINAL PRODUCT

Dystopian Discussion

As we read, participate in this Socratic discussion about the Dystopian elements in the novel and signs of dystopia in today's world.

★

FINAL PRODUCT

Timed Literary Analysis Essay

Write an essay that analyzes how the dystopian society of your novel is developed through plot, characters, and setting. You will complete this essay in a timed setting, with a total of 75 minutes.

★

FINAL PRODUCT

Dystopian Short Story

Create your own dystopian society based on a current world issue and write a 5-10 page short story that takes place in that society.

CHECKPOINTS

1

Dystopian Novel Exploration

Read a dystopian novel and participate in a variety of activities to better comprehend the novel and recognize its elements of dystopia.

View 7 Activities + 2 Resources

2

Dystopian Discussion Preparation

Prepare for the Socratic discussion by gathering evidence from the novel as well as related informational texts.

View 1 Activity + 2 Resources

3

Timed Write Outline

Organize the main elements of your essay before the day of the timed write. Prepare a thesis, theme, topic sentences, and evidence.

View 3 Activities + 5 Resources

4

Dystopia Prewriting

Design the key elements of your dystopian society and map out the plot for your story.

View 2 Resources

ADDITIONAL RESOURCES

RESOURCE

What is Dystopia? Entry Event

Dive into our new project!

RESOURCE

Narrative Openings

A resource that lists possible strategies for starting your dystopian narrative.

RESOURCE

Narrative Endings

A resource that lists possible strategies for ending your dystopian narrative.

RESOURCE

Formatting Dialogue

A resource that explains how to format dialogue.

ACTIVITY

Scene Planner

A tool to support you as you plan your narrative scene-by-scene.

RESOURCE

Proofreading Checklist

A list of proofreading expectations for the final narrative.

Project Info

ESSENTIAL QUESTION

How can we apply patterns from the past to current events in order to better understand our possible future? What would happen to society if a cur... See All

ENDURING UNDERSTANDING

Literature can be used as a powerful tool to highlight a real-world issue and communicate a warning for the future.

DESCRIPTION

There's no question about it: dystopia is totally "in" right now. The popularity of books like The Hunger Games shows that tons of people — teenagers and j... See All

COURSES

English 10

Teaching Materials

Project Guide

Supplies

TIMELINE

The project should take roughly 8 weeks or 16 90-minute project blocks.

ADDITIONAL RESOURCES

<https://docs.google.com/document/d/1NCrGsws3CA...>

Cognitive Skills

Theme/Central Idea

Development

Informational / Explanatory Thesis

Narrative

Integration of Evidence

Discussion / Contribution

Preparation

Norms / Active Listening

Conventions

View Rubric

Focus Areas

POWER

Point of View 10

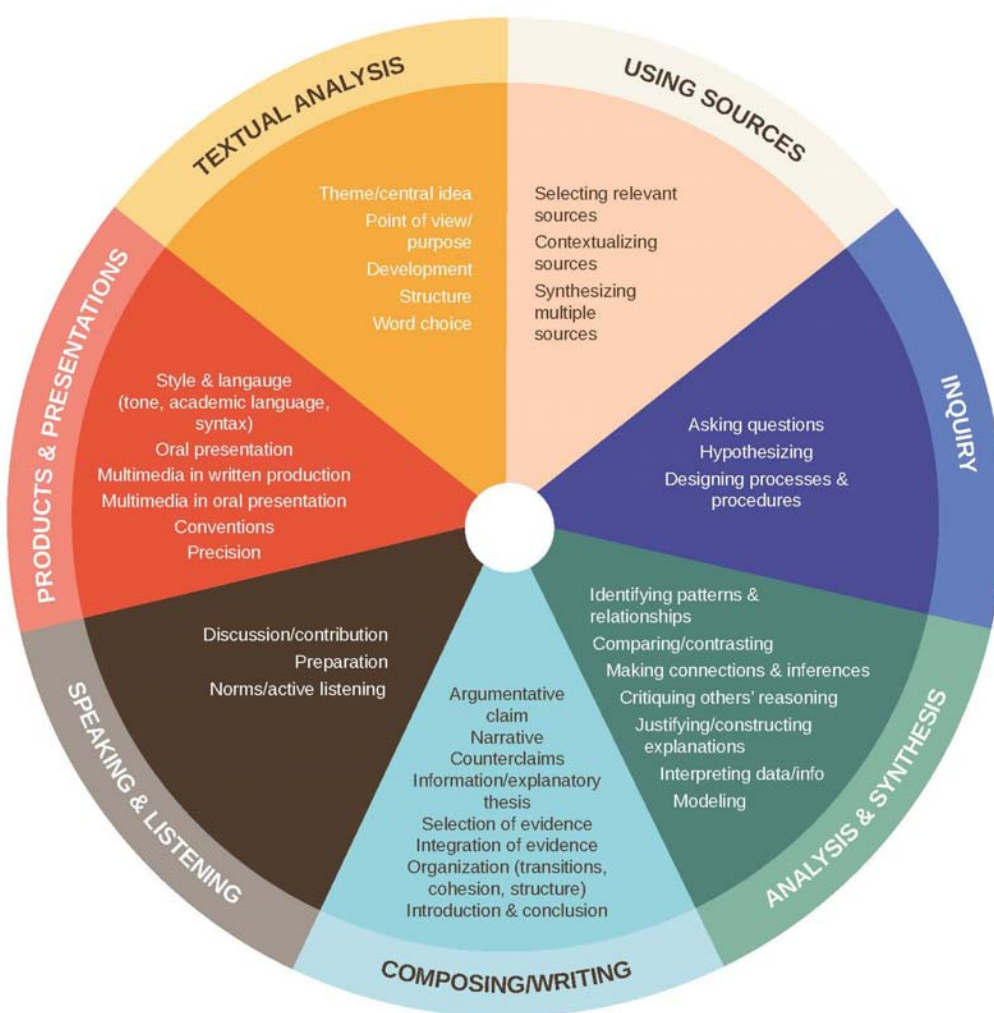
ADDITIONAL

Plot Devices 10

A-17

Project Time. In Project Time, teachers facilitate deeper learning activities designed to develop the 36 cognitive skills identified by the Stanford Center for Assessment, Learning & Equity (“SCALE”) and to apply the content learned in Personalized Learning Time. Throughout the year, students work on approximately four to nine projects for each subject, each lasting four to six weeks, with topics ranging from a joint English-Chemistry project on the merits of nuclear technology, to designing physics experiments, to creating mathematical models on the costs and benefits of college. The projects are a mix of individual and group assignments, have all been developed and refined centrally by Summit R&D curriculum team and are used system-wide to ensure consistency of curriculum. The full complement of more than 200 Summit projects are aligned with the appropriate standards or frameworks (Common Core Standards for English and math; Next Generation Science Standards; State history standards, and AP frameworks) and collectively take into account standardized testing needs for the various subjects so that students can simultaneously prepare for standardized tests while working in a project-based format.

36 COGNITIVE SKILLS TAUGHT BY SUMMIT



Source: Summit.

Summit believes that the 36 cognitive skills represent universally applicable skills needed for anyone to succeed in college and career. The matrix of skills and the assessment rubric used by Summit were developed in collaboration with SCALE. Summit’s premise is that if students can master these skills, they will

be able to learn subject-matter content in most any environment, in essence “learning how to learn.” Subject matter content is also important to Summit, but is secondary to the acquisition of these cognitive skills. Each cognitive skill is assessed through a rubric on a scale of one through eight with very specific attributes defining each grading level. Teachers receive significant professional development throughout the year on grading and calibration, to help ensure that grading on cognitive skills is consistent among the faculty.

Students use the Platform to track their progress through a given project, and to access a set of playlists with the underlying content knowledge needed to complete that project successfully. All the students in a class begin each project concurrently and generally progress in parallel, and many components of the project occur in groups of varying sizes. Each project contains several “checkpoints” or assessments on project progress, and the activities and resources under each checkpoint are customized to each student. At the end of a project, students must demonstrate what they have learned through written, oral, or multimedia performance tasks. Teachers coach students along the way, and assess each performance task using a cognitive skills rubric for skills such as critical thinking, problem solving, synthesis, and communication.

Effective projects give students an opportunity to apply the habits of self-directed learning to complex challenges and in heterogeneous group settings. By using Personalized Learning Time for content, and concentrating teacher time on cognitive skills, Summit inverts the traditional, content-first approach to schooling. Summit believes that the continual reinforcement of cognitive skills also helps students be much more aware of their own strengths and challenges as learners – abilities that they will apply both to Personalized Learning Time and well after they graduate from Summit.

1:1 Mentor Time. Each student has a 10-minute check-in with their mentor on Fridays. Mentors at Summit are teachers who serve as trusted confidants and coaches in the process of learning how to learn. Mentor conversations often start on a personal note, but center on student goal setting and reflection on their growth as self-directed learners. By doing so, mentor conversations at Summit encourage the social and emotional skills that students will need to thrive in college. Five skills in particular – challenge-seeking, persistence, strategy shifting, appropriate help-seeking, and response to setbacks – make up the “behaviors of self-directed learning” that Summit seeks to instill in its students. In addition to mentor time, Summit holds teacher-led seminars for students on these 5 behaviors and teachers reinforce them regularly in their classrooms.

Community Time. Every Summit student is assigned a Community Group, made up of a diverse group of 15-20 students in the same grade. Led by a specially trained Community Teacher, who teaches them about the Habits of Success, these groups gather both daily and for one longer period each week. Students and the Community Teacher discuss these habits, explore their thoughts and feelings, and engage in other activities designed to help them become self-directed learners and build meaningful relationships with one another. This group meets throughout a student’s middle school or high school years at Summit.

Summit Reads. Summit Reads is a dedicated 30-minute period each Monday through Friday for students to strengthen their reading skills. Students who enter Summit reading below grade-level must make accelerated progress because college readiness hinges on the ability to read strongly. Students who enter Summit reading at or above grade-level practice their skills in order to stay on-track for college readiness. During the daily Summit Reads period, every Summit student reads a book or article of their choosing, or practices specific literacy skills. Depending on their reading level, students may use a program like Newsela or Reading Plus. While students are reading, tutors check in with students, read alongside them, and ask questions. The online programs provide tutors with data that they use to monitor student progress, target specific instruction, and differentiate reading materials to meet student needs.

Summit Solves. Summit Solves is a dedicated 30-minute period each Monday through Friday for students to strengthen their core math and numeracy skills. Practice improves skills for students who are behind grade-level in numeracy skills and for those who are already performing at a college-ready level. During the daily Summit Solves period, students work with targeted math curricula based on their skill level.

While students are working on the targeted curricula, tutors coach them on relevant learning strategies. Instruction is often supplemented with small group learning or other strategies that give students quick, targeted feedback. Depending on their level, students may use a program designed for these targeted math remediation and acceleration including Khan Academy, ST Math or Pearson.

Expeditions Elective Courses. Expeditions are Summit’s elective courses, and are immersive experiences where students take a break from their core classes and focus on elective courses for 2-week segments 4 times a year. Students choose 1-2 electives per year (depending on grade level), and take those same classes throughout the year at each Expedition time. Each high school Expedition class includes a full year of content in which students receive letter grades that appear on their transcripts and affect their overall GPA. Most Expeditions classes are UC-approved electives that count towards A-G subjects and college application requirements. The table on the next page lists some of the commonly offered Expeditions elective classes.

TABLE 5
SUMMIT PUBLIC SCHOOLS
Select Expeditions Electives

Arts	STEM	Future Planning	Well Being	Leadership & Society
Film/Video	Design Engineering	College Readiness ⁽¹⁾	Yoga	Sociology of Law
Choir	Computer Science	Internships	Psychology	Outdoor Education

⁽¹⁾ Mandatory for all 11th graders.

Source: Summit.

Summit chose to structure its electives through the Expeditions Program in order to allow students to take a break from their core courses and immerse themselves in electives built around a variety of subject areas meant to be engaging, relevant, and life-changing for them. From introductory workshops for middle school to internships for seniors, a major goal of the Expeditions Program is for every student to find, explore, and deepen their interests and passions. Summit believes that passions help students become more actively engaged in their learning and that engagement will help them in all their classes and throughout their life. Summit believes that the exposure of students to many different electives, taught primarily by teachers who are or were professionals in these fields, will help students identify career and life choices.

Expeditions teachers are trained to teach content, cognitive skills and habits of success that will be transferrable to other areas of life and are essential for college and career success. Often, students will take material learned in core classes and apply it in a real-world setting in Expeditions classes, such as:

- Applying Algebra 2 content to design a product in Design Engineering in order to create a video game in Computer Science.
- Using a story written in English class as the basis for a project in Film and Video Production.
- Applying content learned in World Studies to the In-Depth Study of the Holocaust class.
- Applying interest and content learned in the fields of politics or physics by interning with a state senator or a cutting-edge engineering firm.

A dedicated Expeditions Team teaches electives in intensive 2-week periods rotating among a group of four schools over a 10-week cycle. Each Expeditions Team has a full school staff, including teachers and leaders, that takes over each school site for two weeks at a time. When the Expeditions Team is on site, the site staff (teachers and leaders) has time for other activities, including professional development and parent visits.

TABLE 6
SUMMIT PUBLIC SCHOOLS
Sample 10-Week Learning Cycle at a Summit School

	Weeks 1-2	Weeks 3-4	Weeks 5-6	Weeks 7-8	Weeks 9-10
School #1	Normal Classes	Expeditions Classes	Normal Classes	Normal Classes	Normal Classes
School #2	Normal Classes	Normal Classes	Expeditions Classes	Normal Classes	Normal Classes
School #3	Normal Classes	Normal Classes	Normal Classes	Expeditions Classes	Normal Classes
School #4	Normal Classes	Normal Classes	Normal Classes	Normal Classes	Expeditions Classes
Expeditions Team	Professional Development	School #1	School #2	School #3	School #4

Source: Summit.

In 12th grade, students also have the opportunity to pursue internships and independent studies during their Expedition time. Summit has matched students with internships in a range of industries and roles, including large businesses such as Facebook and IBM, government agencies such as NASA, technology start-ups, local nonprofits and schools, and more.

Homework and Grading

Homework. Due to the personalized learning approach, Summit schools do not assign homework in the traditional sense. Instead, students work at home each night, typically two hours, on mastering content or making progress on their Projects. The specific amount of time worked at home by each student is a function of the progress they make on content and projects during school, as well as the aggressiveness of their academic goals.

Grading. Summit students are assigned traditional letter grades of A through F on each of their courses. Teachers assign grades based on a combination of project work (70%) and content acquisition (30%). Project work is graded on quality, while content acquisition is on a pass/incomplete basis. Approximately 2/3 of the content component of a class grade is for required content, while the remaining approximate 1/3 of the content component is optional content above and beyond the requirements. “Challenge” content is also available for students who seek the highest level of learning. For more information on “Power, Additional and Challenge” content on the Platform, see Page A-15 herein.

Dissemination of the Summit Learning Program; Summit Learning

In the 2013-14 school year, Summit formalized the Summit Learning Program for use at all of its high schools, and then began offering the Program to other schools in the 2015-16 school year. The following year, Summit started a pilot program known as “Summit Basecamp” which began disseminating the Program to 19 non-Summit schools. In the 2016-17 school year, Summit renamed the pilot program “Summit Learning” and increased its distribution to 132 non-Summit schools, reaching more than 1,100 teachers and 20,000 students across 27 states. In the 2017-18 school year, 330 schools in 40 states are expected to participate, reaching approximately 54,230 students.

Development of the Platform and Summit Learning was originally supported through a partnership among Summit, the technology company Facebook and its founder Mark Zuckerberg. For school year 2017-18, the Chan Zuckerberg Initiative will be Summit's long-term engineering and philanthropic partner for Summit Learning.

The Summit Learning program, which is provided currently at no cost to partner schools, consists of 4 distinct components:

- 1) The Summit Learning Platform, Summit's proprietary online teaching system;
- 2) Curriculum in all subjects in grades 5 to 12, including subject-matter projects;
- 3) Training and professional development; and
- 4) On-going technical support.

Summit Learning enables Summit to disseminate its best practices and teaching system to schools nationwide. In turn, Summit Learning collects data and best practices from all its partner schools which enables Summit to improve the Program and the Platform continuously for students at all its participating schools (including Summit network schools).

Summit Learning is part of Summit's overall operations. Summit Learning is paid for 100% by philanthropy provided by major philanthropists (primarily the Chan Zuckerberg Initiative). Summit Learning's financial operations have grown significantly over the past several years, from an annual budget of \$3.9 million in 2014-15 to \$40 million in 2017-18. The majority of this growth has funded additional staff to serve as Summit Learning trainers and consultants, in addition to pay for online/in-person workshops, in-person consultations and technical training for partner schools. Beginning with its 2016-17 audited financials and continuing from there, Summit intends to display Summit Learning's operations separately from the rest of Summit's financial operations from an income and balance sheet perspective. Philanthropic gifts received by Summit are not a source of payment for debt service on the Bonds.

The Role of Teachers at Summit

Summit employs a variety of different types of teachers, and the roles of Summit teachers are different than that of teachers in traditional schools. Summit teachers can be core teachers, community teachers, tutors, Expeditions elective teachers, or special education teachers.

Core teachers have the dual roles of teaching the Project Time core classes and serving as mentors. Community teachers teach students about the Habits of Success during regular Community Time meetings. Tutors provide students with direct, individualized support as needed during Personalized Learning Time, Summit Reads, and Summit Solves sessions (see Page A-19 herein). Expeditions elective teachers rotate among Summit campuses during the four two-week Expeditions courses students take to immerse themselves in particular subjects and learning opportunities outside of Summit. Special educators teach some subjects and coordinate communications and resources for a caseload of special education students.

- **Project Time.** During Project Time, Summit core teachers facilitate the subject project and monitor student progress – in part through reviewing assessment results and assignments submitted via the Platform, and in part by roaming around the room to check in with students as they are working. Where necessary, teachers coach students through the knowledge and skills they need to complete tasks and the project's deliverables, and then assess the final projects against a cognitive skills rubric to determine whether students have demonstrated mastery. Students complete between 4-9 projects in every core subject each year. For more information on "Projects" see Page A-18 herein.

- Personalized Learning Time. Summit tutors plan and implement Personalized Learning Time, Summit Reads and Summit Solves and provide targeted, personalized content and academic literacy support to students. During Personalized Learning Time, tutors assess students' progress directly or through work they've submitted via the Platform, or instruct individuals or groups of students who are struggling to learn a concept or skill. For more information on "Personalized Learning Time" see Page A-13 herein.

Summit Reads and Summit Solves are 30-minute dedicated sessions in reading and math during the week, where students are provided tailored instruction that is appropriate to their skill level. These periods are particularly helpful to Summit students who are struggling or fallen behind. Summit tutors monitor student work to ensure everyone is on task and making progress. While students are working on the targeted curricula, tutors coach them on relevant learning strategies. Instruction is often supplemented with small group learning or other strategies that give students quick, targeted feedback. These tutors also roam the classroom, helping individual students or small groups as needed.

- 1:1 Mentor and Community Time. Every Summit teacher is responsible for acting as a mentor for 15-20 students. Mentorship skills are a key part of all Summit professional development. All Summit teachers also have their own leadership coach, who helps them improve as mentors as well as in other aspects of instruction. For more information on "1:1 Mentor Time or Community Time" see Page A-19 herein.
- Expeditions. While Summit students are immersed in Expeditions, Summit teachers participate in eight weeks of teacher-led professional development. For more information on the "Expeditions" program see Page A-19 herein.
- Summit Learning Platform. Teachers use the Platform on a daily basis to organize all of their work with students, first by helping students to set goals, and then working backwards to identify and plan the actions they need to take and the knowledge they need to master to attain goals. Teachers also use the Platform to organize their own work, including tailoring curriculum by creating or adding resources to playlists, and creating or modifying projects. Through the Platform, teachers can monitor individual student and class-wide performance and progress, and tailor instruction accordingly, as well as provide direct feedback and, ultimately, grades. Finally, teachers use a version of the Platform for their own personalized professional development. Just like students, teachers direct their own professional learning and use the Platform to set goals, create plans, access playlists of instructional resources, and track their own progress on content and skills. For more information on "Summit Learning Platform" see Page A-12 herein.

Professional Development

Summit teachers have access to an extraordinary amount of professional development – at least 50 days a year (up to 80 days if teachers participate in paid teacher development during the summer).

- On-Campus: 8 weeks of professional development on campus, while students are immersed in Expeditions. During this time, teachers take a step back to reflect on their growth and learning related to the long-term goals they set for themselves for the year. This allows teachers to maximize time with students when they are on campus and use the Expeditions time to process and plan, both independently and with their coach.
- Organization-Wide: 2 weeks of organization-wide professional development during the year, which brings all Summit teachers together for collaborative professional development and to work towards collective goals.

- Summer: Up to 30 days of paid professional development during the summer which teachers can choose to attend.

Professional development time at Summit is modeled after the way the students learn. Just like Summit students, teachers have access to a coach, with whom they meet weekly to set goals and sort through challenges. Some coaching and professional development addresses the teacher's skills and experiences in teaching their project-based class, while other times the teacher may focus on their role as a mentor.

Summit teachers also use a version of the Platform to manage their own goals, plan their professional development time, access resources related to their own knowledge and skill needs, and track progress.

Recognition and Awards

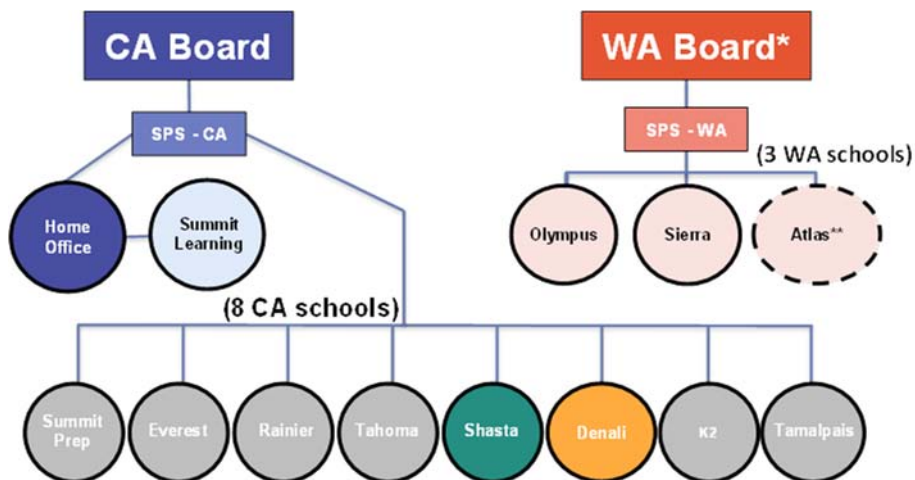
Summit has enjoyed industry recognition and strong financial support for its academic results and innovative schools. Notable awards and recognition include:

- College Acceptance: 99% of Summit's Class of 2017 have been accepted into at least one four-year college, with graduates being accepted into 217 colleges nationwide, including 23 of the top 50 colleges as ranked by US News & World Report (Harvard, Stanford, Yale, Cornell and Brown) and all nine University of California campuses;
- U.S. News & World Report: Two Summit schools were named among Best High Schools of 2017: Summit Prep (#21 in California and #162 National out of 28,496 public high schools that were reviewed) and Summit Everest (#24 in California and #170 National). Additionally, Summit Prep and Summit Everest were both named Gold Medal Schools, and Summit Shasta was named a Bronze Medal School;
- XQ Super School Competition: In Fall 2016, Summit was selected as one of ten winners from among 1,000 applicants to the XQ Super School Challenge - a national competition awarding \$10 million grants for innovative ideas for redesigning the 21st century high school;
- Charter School Growth Fund: Summit is one of 43 charter school networks nationwide that is funded by the Charter School Growth Fund ("CGSF"), a nationally-renowned, non-profit social venture fund that invests in the best charter schools in the country. CGSF is funded by the largest charter school philanthropists in the country including the Bill & Melinda Gates Foundation, Walton Family Foundation, Broad Foundation, and many others. Summit has been cited as one of the top performers in the CSGF portfolio of charter school networks.
- Washington Post: Summit Prep and Summit Everest were ranked among America's Most Challenging High Schools in 2015;
- Newsweek: Ranked among the top 10 most transformative schools in the nation;
- Fast Company: In 2015, Summit was named a top 10 most innovative organization in education; and
- Waiting for Superman: Summit was one of several schools featured in the 2010 documentary film that won the Audience Award for Best Documentary at the Sundance Film Festival.

Organizational Structure and Leadership Team

Summit currently employs 456 personnel, the large majority being school-specific staff. Approximately 185 employees serve in an administrative or support function at its national headquarters in Redwood City, California, including 135 employees focused on the Summit Learning Program.

Summit also has a regional office in Seattle, Washington. School and administrative staff supporting Summit's charter schools in Washington are employed by Summit Washington. Summit Washington currently employs 57 personnel. Pursuant to its bylaws, the sole Member of Summit Washington is Summit, and Summit may vacate and fill any position on the Summit Washington board of directors without cause.



* Summit CA Board appoints WA Board members.

** Opens in Fall 2017.

Source: Summit.

Executive Team. Summit’s CEO and Co-Founder, Diane Tavenner, is the current chair of the California Charter Schools Association and leads an experienced team of professionals shown below. Biographies of each executive team member follow:

SUMMIT PUBLIC SCHOOLS
Executive Team Summary

Team Member	Key Experience/Responsibilities
Diane Tavenner <i>Co-Founder/CEO</i>	<ul style="list-style-type: none"> Board Chair, California Charter Schools Association Former Assistant Principal at Mountain View High School BA – <i>University of Southern California</i>; MA – <i>Stanford University</i>
Mira Browne <i>Chief External Officer</i>	<ul style="list-style-type: none"> Leads partnerships with external stakeholders, including Summit Learning Program schools Worked in the Bloomberg administration (NYC) and in public relations BA – <i>George Washington University</i>
Adam Carter <i>Chief Academic Officer</i>	<ul style="list-style-type: none"> Leads Academic and Research & Development Team Former high school English teacher at Summit and other schools BA – <i>Presbyterian College</i>; MA – <i>Stanford University</i>
Lizzie Choi <i>Chief Program Officer</i>	<ul style="list-style-type: none"> Manages the implementation of Summit Learning Program Started at Summit as algebra teacher BA, MA – <i>Stanford University</i>
Andrew Goldin <i>Chief of Schools</i>	<ul style="list-style-type: none"> Manages the 11 school sites to ensure they have all necessary resources Former teacher and administrator at YES Prep in Texas BA – <i>University of Pennsylvania</i>; MBA – <i>Harvard Business School</i>
Kristen McCaw <i>Chief Operation Officer/ Chief Diversity Officer</i>	<ul style="list-style-type: none"> Has led new school development advocacy at Summit Former Director of School Development, California Charter Schools Association BA – <i>New York University</i>; MPA – <i>University of Southern California</i>
Joyce Montgomery <i>Chief Financial Officer</i>	<ul style="list-style-type: none"> Former Education Finance & Policy Specialist, Charter Schools Development Center (CSDC) Former CFO of Leadership Public Schools BA – <i>CSU Long Beach</i>; MBA – <i>Notre Dame de Namur University</i>
Jason Solomon <i>Chief Legal Counsel/Senior Director of Advocacy & Engagement</i>	<ul style="list-style-type: none"> Former law professor, and counselor to the president of Harvard University BA – <i>Harvard College</i>; JD – <i>Columbia Law School</i>
Sam Strasser <i>Chief Information Officer</i>	<ul style="list-style-type: none"> Leads Analytics Team and design of the Summit Learning Platform Former Software Engineer and Product Manager at Facebook 30 Under 30: Education – <i>Forbes</i> magazine (2015) BA – <i>Yale University</i>

Source: Summit.

Diane Tavenner, Co-Founder and Chief Executive Officer. Ms. Tavenner is the Co-Founder and CEO of Summit. Ms. Tavenner also serves on the board of Transcend, The Primary School and the Carnegie Foundation for the Advancement of Teaching. Ms. Tavenner is currently the Board Chair of the California Charter Schools Association representing the majority of California’s more-than 1,250 charter schools. Ms. Tavenner is a member of the Spring 2013 cohort of the Pahara-Aspen Education Fellowship, a leadership program within the Aspen Institute, and a fellow in the Broad Academy. Prior to co-founding Summit, Ms. Tavenner was a public school teacher, administrator and leader in traditional urban and suburban public schools throughout California. Ms. Tavenner holds a bachelor’s degree in psychology and sociology from the University of Southern California and a master’s degree in administration and policy analysis from Stanford University.

Mira Browne, Chief External Officer. Ms. Browne joined Summit in 2012 and serves as its Chief External Officer. Ms. Browne leads Summit's External Engagement team, which includes communications, marketing and external relations for Summit. Ms. Browne helped to launch, and continues to support, the Summit Learning Program. Previously, Ms. Browne led Summit's development, communications and strategic partnerships work. Prior to Summit, Ms. Browne worked at Larson Communications, working with public charter schools and education reform organizations nationwide to raise visibility of their efforts to educate underserved students and eliminate the achievement gap. Ms. Browne brings a diverse background in nonprofit and government communications, having worked in the administration of Mayor Michael R. Bloomberg in New York City, and a nonprofit focused on civic and political engagement. Ms. Browne previously served on the Advisory Board for the New Leaders Council Silicon Valley, as well as the Equity Advisory Committee of the San Francisco Human Rights Commission. Ms. Browne holds a B.A. from the George Washington University.

Adam Carter, Chief Academic Officer. Mr. Carter began his career in public education as a high school English teacher, receiving the California Alliance for Arts Education's Outstanding New Teacher Award. In 2003, Mr. Carter became the founding English teacher at Summit Prep. Mr. Carter has taught in schools in Indonesia and Argentina, and he founded and directed the Innovative Schools Programme with a non-governmental organization in Jakarta. Mr. Carter returned to Summit in 2011 where, in his role as Chief Academic Officer, he leads Summit's Research & Development team, which works to ensure that students and educators across the nation have the tools and support they need to be empowered, self-directed learners. Mr. Carter holds a B.A. from Presbyterian College and an M.A. from Stanford University.

Lizzie Choi, Chief Program Officer. Since joining Summit as an algebra teacher, Ms. Choi has experimented with a variety of innovations, from technology-based resources to standards-based grading. Ms. Choi left the classroom in 2012 to project manage Summit's optimized personalized learning pilot and project managed the implementation of Summit's personalized learning model across the organization. Ms. Choi now leads the Summit Learning Program. Ms. Choi received her B.A. in Public Policy, with an emphasis on Education Policy, from Stanford University and her M.A. from the Stanford Teacher Education Program.

Andrew Goldin, Chief of Schools. Mr. Goldin started his career teaching middle school science in the Bronx, New York as a Teach for America corps member. Mr. Goldin later joined YES Prep Public Schools in Houston, Texas as the principal of two YES campuses and later a manager of school leaders. In his role as Chief of Schools at Summit, Mr. Goldin supports site directors across the network. Mr. Goldin holds a B.A. from the University of Pennsylvania, an M.S.Ed. from Bank Street College of Education and an M.B.A. from the Harvard Business School.

Kristen McCaw, Chief Operating Officer/Chief Diversity Officer. Ms. McCaw was named as Chief Operating Officer/Chief Diversity Officer of Summit in August 2017. Before being named to her current positions, Ms. McCaw served as the Chief of Staff of Summit. Prior to that, Ms. McCaw had been responsible for opening new schools, executing on the organization's policy agenda, and leading advocacy efforts as Summit's Director of Growth & Policy. Prior to joining Summit, Ms. McCaw served as Director of School Development at the California Charter Schools Association. In this role, Ms. McCaw crafted a regional growth strategy and provided guidance on all aspects of the school design and development process that supported the launch of 24 new schools. Ms. McCaw has also managed special education and assessments at a network of charter schools in Harlem, New York, led the implementation of systems designed to improve teacher and student performance, conducted research on school-transformation policies, and launched college preparation programs for students living in New York City public housing. Ms. McCaw holds a B.A. in Politics from New York University and an M.P.A. from the University of Southern California. She is a Pahara Institute NextGen Fellow.

Joyce Montgomery, Chief Financial Officer. Ms. Montgomery was appointed to serve as the Chief Financial Officer for Summit in August 2017. Prior to her appointment, Ms. Montgomery served as Acting Chief Financial Officer and previously Vice President of Finance/Schools. Ms. Montgomery has over 8 years in the charter school finance industry and over 20 years in education finance. Prior to joining Summit, Ms. Montgomery spent 2.5 years at the Charter School Development Center (“CSDC”). During her tenure at CSDC, Ms. Montgomery managed and lead the Charter School Business Officer Training Program, a program dedicated to training individuals to serve as Chief Business Officers. In addition to leading and managing the CBO program, Ms. Montgomery helped a number of charter schools by providing in depth reviews of their programs, interceding and supporting and defending charters during the chartering, appeal and revocation processes, assisting with developing policies and providing executive search functions for charter schools recruiting Chief Financial Officers.

Prior to CSDC, Ms. Montgomery was the first CFO of Leadership Public Schools, a well-established CMO network located in the San Francisco East Bay Area. Ms. Montgomery developed and still moderates a Bay Area centric group of Charter School Business Officers who meet on a regular basis to discuss challenges, problems and develop best practices. Prior positions had Ms. Montgomery serving as CFO in the private school sector managing the finances, operations, and facilities for the Howard School in Atlanta, Georgia and Crystal Springs Uplands School in Hillsborough California. Ms. Montgomery has an M.B.A. in Finance receiving the Dean’s award (Sigma Beta Delta induction, Who’s Who of American Colleges and Universities) from Notre Dame de Namur’s University, B.A. from CSU Long Beach (Magna Cum Laude) and an A.A. from Skyline Community College (with Highest Honors). In addition to her education, finance and operations background, Ms. Montgomery also has senior management experience in advertising, technology and banking. Ms. Montgomery is active in many community organizations and served as the Chair of the Finance Commission for the City of Belmont.

Jason Solomon, Chief Legal Counsel/Senior Director of Advocacy and Engagement. Mr. Solomon joined Summit in 2017 as Chief Legal Counsel and Senior Director of Advocacy and Engagement, after more than a decade in higher education. Most recently, Mr. Solomon was Associate Dean for Academic Affairs at Stanford Law School, and earlier served as Chief of Staff and Counselor to the President at Harvard University. From 2005-2013, Mr. Solomon was a law professor at William & Mary Law School and the University of Georgia School of Law. Before going into education, Mr. Solomon worked in politics and government, including as an aide at the White House and U.S. Treasury Department, on statewide and national political campaigns. Mr. Solomon graduated from Harvard College with a B.A. in Social Studies and from Columbia Law School with a J.D.

Sam Strasser, Chief Information Officer. Mr. Strasser joined Summit to design and build the Platform in 2013. After a few years working on the Platform at Facebook as both a software engineer and product manager, Mr. Strasser is now the Chief Information Officer at Summit and leads the Analytics team. Before Summit, Mr. Strasser co-founded Junyo, a technology company providing data-analytical solutions to K-12 students, and worked at several other education technology startups. Mr. Strasser began his career as a software development engineer at Microsoft. Mr. Strasser graduated from Yale University with a B.S. in Computer Science.

Real Estate and Finance. Summit's real estate and finance team includes the following:

SUMMIT PUBLIC SCHOOLS
Real Estate & Finance Team

Name	Title
Norman LoPatin	Senior Director of Real Estate and Facilities
Gavin Kwong	Controller
Cam Johnson	Finance Manager

Source: Summit.

Norman LoPatin, Senior Director of Real Estate and Facilities. Prior to joining Summit as the Senior Director of Real Estate and Facilities in 2017, Mr. LoPatin served as the Capacity of Development Consultant/Owner's Representative on behalf of numerous public school academies in the States of Ohio, Indiana, and Illinois. During that time he has completed 12 Charter School projects with a combined enrollment of approximately 10,000 students ranging from kindergarten through high school. For the past twenty eight years, Mr. LoPatin has been a Real Estate Professional/Attorney with a proven track record of completing successful, highly complex, real estate and construction transactions. Mr. LoPatin is a graduate of the University of Michigan, Ann Arbor and received his Juris Doctor Degree from The University of Detroit Mercy, School of Law.

Gavin Kwong, Controller. Mr. Kwong joined Summit in October 2012 as the Controller. Prior to joining Summit, Mr. Kwong served as the Business Manager at Lighthouse Community Charter School, overseeing the school's financial, human resource, operational, and technology activities. Before working in charter school administration, Mr. Kwong taught high school math and business for five years in the San Francisco East Bay. Mr. Kwong received his B.A. from the University of California, Berkeley and a dual M.B.A. /M.A. Educational Studies from the University of Michigan, Ann Arbor.

Cam Johnson, Finance Manager. Mr. Johnson joined Summit in July 2015 as a participant in Education Pioneers' Analyst Fellowship, a leadership development program that matches data-savvy professionals with critical opportunities to make a difference in education. Prior to joining Summit, Mr. Johnson was employed at Regions Financial Corporation, where he worked in corporate financial planning & analysis, investor relations, and SEC reporting. Mr. Johnson graduated from Auburn University with a B.S. in Finance. Currently Mr. Johnson serves as the Finance Manager specializing in supporting the facilities finance team and special projects.

Summit Board of Directors

Summit is governed by a Board of Directors (the “Summit Board”) comprising between three and fifteen members. There are currently seven members on the Summit Board. Except for the initial members of the Summit Board, members of the Summit Board hold office for three years and until a successor has been designated and qualified. Pursuant to the Summit corporate bylaws, all members of the Summit Board are designated by the existing members thereof at the annual meeting of the Summit Board. The Summit Board has four committees, each of which meets approximately four times annually: the School Board Committee, the Finance Committee, the Audit and Governance Committee, and the Compensation Committee.

Brief biographies of the seven members of the Summit Board follow.

Name	Title	Joined Summit Board	Term Expires	Occupation
Robert J. Oster	Chairman	2009	2020	Private venture investor; former VP of Finance, Oracle Corporation
Diego Arambula	Director	2013	2021	Executive Director of GO Public Schools; former Chief Growth & Innovation Officer, Summit
Steven Humphreys	Director	2009	2019	CEO of Identiv, Inc.
Diane Tavenner ⁽¹⁾	Director	Founding	n/a ⁽²⁾	Co-Founder and CEO, Summit
Andrew Thompson	Director	2014	2020	President, CEO and Co-Founder, Proteus Digital Health
Blake Warner	Director	2009	2021	Founder and Managing Partner, Silicon Valley Partners LLC
Meg Whitman	Director	2011	2021	CEO of HP Enterprises; former CEO of eBay

⁽¹⁾ See “Organizational Structure and Leadership Team – Leadership Team” above for a brief biography.

⁽²⁾ As an initial member of the Summit Board, Ms. Tavenner’s term does not expire.

Source: Summit.

Robert J. Oster, Chairman. A private venture investor since 1987, Mr. Oster has worked with both institutional and other private investors in all phases of venture investing. Prior to venture investing, Mr. Oster worked as a professional economist and in several high-level finance positions, the last being Vice President of Finance and Administration for Oracle Corporation, where he spearheaded Oracle’s initial public offering. In addition to chairing the Summit Board, Mr. Oster is Vice-Chairman of the Board and Chairman of the Nominating Committee of the Board of Overseers of the Hoover Institution of Stanford University. Mr. Oster received his B.A. in economics with honors from Occidental College and an M.A. and Ph.D. in economics from the University of California at Berkeley.

Meg Whitman. Ms. Whitman is one of the most highly regarded businesswomen in the United States; she has also been involved in state and national politics, most recently having run for the office of Governor of California. Ms. Whitman became Chief Executive Officer of Hewlett Packard in 2011, and currently serves as Chief Executive Officer of HP Enterprises. From 1998-2008, Ms. Whitman served as CEO of eBay, growing the iconic Silicon Valley company from \$4 million to \$8 billion in revenues. Before eBay, Ms. Whitman worked as a high level executive at several other well-known companies including Stride Rite, Hasbro, and the Walt Disney Company. Ms. Whitman was inducted into the U.S. Business Hall of Fame in 2008 and more than once was named one of the “Top Five Most Powerful Women in Business” by Fortune Magazine. Ms. Whitman is currently a member of the Boards of Directors of Procter & Gamble, Teach for America, SIEPR and Zipcar. Ms. Whitman received her B.A. from Princeton University and her M.B.A. from Harvard Business School.

Diego Arambula. Mr. Arambula was a member of Summit's faculty for over a decade, before shifting his focus toward creating transformative change in his hometown of Fresno, California as the Executive Director of GO Public Schools. Mr. Arambula joined Summit Prep as a social science teacher at the beginning of its third year of operation and taught for six years. After stepping out of the classroom, Mr. Arambula helped launch Summit's first high school that integrated a blended learning model, Summit Public School: Rainier, in East San Jose. After a year as the founding Executive Director of Summit Public School: Rainier, Mr. Arambula moved into the role of Chief Growth & Innovation Officer, helping to expand Summit and infuse innovation throughout the organization. Prior to coming to Summit, Mr. Arambula served as Communications Director for Congressman Cal Dooley, after serving as Deputy Campaign Manager. Mr. Arambula holds a B.A. in Government, with honors, from Harvard University and a M.A. in Education from Stanford University.

Steven Humphreys. Mr. Humphreys has served as CEO or President of four high technology companies, some of which he grew from early-stage. Most recently Mr. Humphreys served as CEO of Klear Semiconductor Corporation, growing its revenues more than 10 times in 18 months. Mr. Humphreys began his career at General Electric Company where he worked in a variety of manufacturing and information technology positions. In addition to serving on the Summit Board, Mr. Humphreys is a trustee of the Portola Valley School District, Chairman of the Board of Organ-I AB and Organ-I, Inc., and a member of the Board of Directors of Identive Group, Inc., a publicly traded information security company. Mr. Humphreys received a B.S. from Yale University and an M.S. and M.B.A. from Stanford University.

Andrew Thompson. Mr. Thompson is President, Chief Executive Officer and co-founder of Proteus Digital Health. Mr. Thompson is a veteran of Silicon Valley bio-medical startups, formerly serving as President, Chief Executive Officer and co-founder of FemRx and Chief Financial Officer of CardioRhythm. As a consultant and venture capital investor, Mr. Thompson contributed to several successful healthcare companies including Cell Genesys, Cytotherapeutics, Northstar Neuroscience and QRx Pharmaceuticals. Mr. Thompson holds an M.A. in engineering from Cambridge University and was a United Kingdom National Engineering Scholar from 1982 to 1985. Mr. Thompson also holds an M.A. in education and an M.B.A. from Stanford University. Mr. Thompson was a founding board member and Foundation President of Summit Prep.

Diane Tavenner. See Ms. Tavenner's biography on page A-26 herein.

Blake Warner. Mr. Warner is a Founder and Managing Partner of Silicon Valley Partners LLC, a firm that provides strategic merger and acquisition advisory services focused on the growth sectors of the digital economy. Prior to this, Mr. Warner spent ten years at Thomas Weisel Partners LLC, where he provided investment banking services for the software, media, and communications sectors. In addition to serving on the Summit Board, Mr. Warner is currently the Chairman of the Governance Council of Summit Everest, providing oversight as well as helping set strategic goals and operational objectives. Mr. Warner received his B.A. from the University of California, Santa Barbara, and his M.B.A. from the University of Southern California.

Management Services Provided to Summit's Charter Schools

Summit Home Office provides administrative services similar to those that might be provided by a school district's central office. These functions include: (1) charter authorization/renewal, (2) student data management, (3) enrollment/lottery/waitlist support, (4) testing & survey support, (5) special education program management, (6) finance & business operations including: accounting, budgeting, auditing, payroll, treasury management, transactional support, benefits administration, insurance, financial modeling/strategic analysis, (7) human resources including recruitment, HR training, compliance, evaluation, (8) facilities development & maintenance, (9) fundraising, (10) federal/state/local educational agency reporting & compliance, (11) community & parental engagement and (12) public relations programs & outreach.

In addition to this comprehensive menu of services, the Summit Home Office provides all curriculum design and development provided by a dedicated research and development team of curriculum specialists and an engineering team dedicated toward the development of Summit's proprietary online learning platform known as the Summit Learning Platform (see Page A-12 herein for more information).

All charter schools operated by Summit, including the Schools and the Non-Obligated Schools (collectively, "Summit Schools"), receive these services from Summit Home Office pursuant to Master Services Agreements by and between each California School and Summit, and with regard to the Washington Schools, by and between Summit and Summit Washington. For a comprehensive list of services the Summit Home Office provides to each of its schools, see a form of the Master Services Agreement between Summit and its schools that can be found in Appendix K attached to this Limited Offering Memorandum.

For those services, each California School enters into a Master Services Agreement with Summit for the provision of services, in return for which such school pays approximately 16% of its state education apportionment revenues, based on estimated enrollment prior to the beginning of each school year. Each Washington School also pays approximately 16% of its revenues, based on estimated enrollment prior to the beginning of each school year, in return for the provision of services pursuant to an agreement between Summit Washington and Summit.

Pursuant to master services agreements for the 2016-17 and 2017-18 school years, Summit schools paid, and have agreed to pay, the following amounts for Summit Home Office services:

TABLE 7
SUMMIT PUBLIC SCHOOLS
Gross Management Fee Revenues
2016-17 and 2017-18

	2016-17	2017-18
Denali	\$483,709	\$634,600
Shasta	<u>554,161</u>	<u>582,101</u>
Subtotal – Obligated Group	\$1,037,870	\$1,216,701
Prep	\$580,602	\$590,258
Everest	555,336	610,902
Summit Rainier	518,278	511,738
Tahoma	388,724	506,805
K2	410,269	553,206
Sierra	320,000	541,884
Olympus	320,000	422,624
Tamalpais	300,000	423,330
Atlas ⁽¹⁾	<u>n/a</u>	<u>519,283</u>
Total Network	\$4,431,079	\$5,896,731

⁽¹⁾ Summit Atlas began operations in the 2017-18 school year.

Source: Summit.

Philanthropy and Grants

In the past, Summit has received substantial income from unrestricted gifts and donations or grants to supplement operating revenues to finance operations and capital needs. Summit's strategic partners and funders allow Summit to continue to open new schools and provide more students with a high-quality education. 100% of the expenses related to Summit Learning operations are paid for through philanthropy. Summit's previous and current supporters include the Charles and Helen Schwab Foundation, Next Generation Learning, Doris & Donald Fisher Fund, Michael & Susan Dell Foundation, Girard Education Foundation, Silicon Schools, Charter School Growth Fund, XQ Institute, and Chan Zuckerberg Initiative. Additionally,

Summit was among the first charter school organizations to be funded by the Bill & Melinda Gates Foundation.

Summit received \$10,407,889 in philanthropic support and grants during the 2014-15 school year, \$12,684,628 during the 2015-16 school year, and \$28,309,418 during the 2016-17 school year. Summit has budgeted to receive \$40,452,955 during the 2017-18 school year.

Summit assumes that philanthropic support in the amounts and for the purposes designated in previous years will not change year-to-year, however, Summit can provide no assurance that such support will continue to be received. See “CERTAIN RISK FACTORS – Risk of Noncontinued Philanthropy or Grants” in the forepart of this Limited Offering Memorandum. Philanthropic gifts received by Summit are not a source of payment for debt service on the Bonds.

Accreditation

Summit Denali and Summit Shasta were evaluated by the Western Association of Schools and Colleges (“WASC”) in 2015 and 2016, respectively, and each was granted three-year accreditations through the 2018-19 school year, with reviews prior to June 30, 2019.

Enrollment, Demographics and Student Retention

The following table presents historical and projected enrollment at each of Summit’s existing charter schools.

TABLE 8
SUMMIT PUBLIC SCHOOLS
Historical & Projected Enrollment⁽¹⁾
2013-14 through 2021-22

<u>School</u>	<u>Historical</u>					<u>Projected</u>			
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Shasta	105	220	325	425	460	462	463	460	442
Denali	<u>134</u>	<u>207</u>	<u>321</u>	<u>411</u>	<u>483</u>	<u>590</u>	<u>725</u>	<u>745</u>	<u>750</u>
Subtotal – Obligated Group	239	427	646	836	943	1,052	1,188	1,205	1,192
Prep	401	388	412	428	408	405	410	410	410
Everest	409	384	376	404	412	407	410	410	410
Rainier	269	269	360	370	355	365	360	390	410
Tahoma	277	326	275	301	340	370	390	395	395
K2 ⁽²⁾	--	125	224	321	415	514	612	622	617
Sierra ⁽³⁾	--	--	111	190	300	400	400	400	400
Olympus ⁽³⁾	--	--	103	134	180	305	320	380	380
Tamalpais ⁽⁴⁾	--	--	--	117	225	327	434	538	639
Atlas ⁽⁵⁾	--	--	--	--	<u>160</u>	<u>400</u>	<u>600</u>	<u>700</u>	<u>700</u>
Total Network	1,595	1,919	2,507	3,101	3,738	4,545	5,124	5,450	5,553

⁽¹⁾ For school years 2013-14 through 2016-17: for all California Schools, reflects certified enrollment as of the fall census day (the first Wednesday in October), as reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year; for Washington Schools, reflects enrollment as of October 1 of each school year.

⁽²⁾ First year of instruction was 2014-15.

⁽³⁾ First year of instruction was 2015-16.

⁽⁴⁾ First year of instruction was 2016-17.

⁽⁵⁾ First year of instruction is 2017-18.

Source: Summit.

Certain student demographics for Summit's charter schools are presented in the following table.

TABLE 9
SUMMIT PUBLIC SCHOOLS
Student Demographics
2016-17

<u>School</u>	<u>Total Students⁽¹⁾</u>	<u>Percentage FRPM⁽²⁾</u>	<u>English Learner Percentage</u>	<u>% African American</u>	<u>% Latino</u>	<u>% (Non-White)</u>
Shasta	425	22.8%	4.5%	2.1%	24.7%	78.4%
Denali	<u>411</u>	<u>27.3</u>	<u>9.2</u>	<u>1.0</u>	<u>33.6</u>	<u>69.6</u>
Subtotal – Obligated Group	836	25.0%	6.8%	1.6%	29.1%	74.1%
Prep	428	49.1%	13.3%	0.5%	63.3%	83.9%
Everest	404	57.9	17.6	0.5	61.1	79.0
Rainier	370	43.5	11.1	2.4	51.9	89.2
Tahoma	301	42.2	8.0	2.7	44.2	81.1
K2	321	50.5	14.0	21.2	34.0	85.4
Sierra	190	47.1	4.2 ⁽⁴⁾	42.6	6.3	75.8
Olympus	134	64.7	8.6 ⁽⁴⁾	19.4	27.6	68.7
Tamalpais	117	65.0	22.2	16.2	52.1	94.9
Atlas ⁽³⁾	--	--	--	--	--	--
Total Network	3,101	43.7%	11.0%	7.4%	42.1%	80.4%

(1) Enrollment as of October 2016.

(2) Percent of students eligible for free and reduced priced meals.

(3) First year of instruction is 2017-18.

(4) Categorized as “Transitional Bilingual.”

Source: Summit.

Student Retention. The following table sets forth, for the periods shown, the percentage of students enrolled from the prior school year that returned as students in the latter school year (without regard to graduating students). From the 2016-17 school year to the 2017-18 school year, approximately 91% of Summit Shasta students and 85% of Summit Denali students were retained.

TABLE 10
SUMMIT PUBLIC SCHOOLS
Historical Student Retention⁽¹⁾
2014-15 through 2016-17

	<u>Shasta</u>	<u>Denali</u>	<u>Subtotal - Obligated Group</u>	<u>Prep</u>	<u>Everest</u>	<u>Rainier</u>
2013-14 to 2014-15	91%	81%	96%	68%	64%	77%
2014-15 to 2015-16	95	99	97	74	68	75
2015-16 to 2016-17	95	87	91	78	74	76

	<u>Tahoma</u>	<u>K2</u>	<u>Sierra</u>	<u>Olympus</u>	<u>Tamalpais</u>	<u>Atlas</u>
2013-14 to 2014-15	88%	--	--	--	--	--
2014-15 to 2015-16	56	91%	--	--	--	--
2015-16 to 2016-17	72	90	91%	80%	--	--

⁽¹⁾ Reflects CALPADS enrollment for the 2013-14 to 2014-15 through 2015-16 to 2016-17 periods for the California Schools, and October enrollment for the Washington Schools. For the 2016-17 to 2017-18 period, data reflect estimated enrollment as of September 11, 2017.

Source: Summit.

Wait List. Some of Summit's charter schools maintain waitlists of applicants who wish to attend but exceed the available number of seats at the schools. The following table sets forth the number of students at each school who were on the wait list to enroll for the 2017-18 school year, as of July 15, 2017.

TABLE 11
SUMMIT PUBLIC SCHOOLS
Wait List
2017-18

<u>School</u>	<u>Wait List⁽¹⁾</u>
Shasta	61
Denali	<u>360</u>
Subtotal – Obligated Group	421
Prep	64
Everest	68
Rainier	--
Tahoma	--
K2	156
Sierra	14
Olympus	--
Tamalpais	59
Atlas	<u>--</u>
Total Network	782

⁽¹⁾ As of July 15, 2017.

Source: Summit.

Historical Attendance Rate

The following table presents the historical attendance rates at each of Summit's existing charter schools in California and Washington.

TABLE 12
SUMMIT PUBLIC SCHOOLS
Historical Attendance Rates⁽¹⁾
2013-14 through 2016-17

<u>School</u>	<u>Location</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>Historical Average</u>
Shasta	Daly City, CA	96.7%	95.5%	94.9%	94.9%	95.2%
Denali	Sunnyvale, CA	<u>97.8</u>	<u>96.6</u>	<u>96.9</u>	<u>96.4</u>	<u>96.7</u>
Subtotal – Obligated Group		97.2	96.0	95.9	95.6	95.9
Prep	Redwood City, CA	96.5%	95.0%	95.6%	93.9%	95.2%
Everest	Redwood City, CA	95.0	95.4	94.5	94.8	94.9
Rainier	San Jose, CA	95.5	95.0	95.4	94.3	95.0
Tahoma	San Jose, CA	97.3	97.0	95.8	94.3	96.1
K2 ⁽²⁾	El Cerrito, CA	--	95.4	95.6	95.4	95.5
Sierra ⁽³⁾	Seattle, WA	--	--	N/A ⁽⁴⁾	90.2	90.2
Olympus ⁽³⁾	Tacoma, WA	--	--	N/A ⁽⁴⁾	83.4	83.4
Tamalpais ⁽⁵⁾	Richmond, CA	--	--	--	96.4	96.4
Atlas ⁽⁶⁾	Seattle, WA	--	--	--	--	--
Total Network		96.5%	95.7%	95.5%	93.4%	93.9%

⁽¹⁾ Reflects P-2 ADA divided by average enrollment during the school year through P-2.

⁽²⁾ First year of instruction was 2014-15.

⁽³⁾ First year of instruction was 2015-16.

⁽⁴⁾ Due to, among other things, changes in Washington law with respect to charter schools and the related impact on charter school operations, the attendance rates for Summit Sierra and Summit Olympus for the 2015-16 school year are not available. See "Appendix E – Washington Charter Schools, Related Statutes, and Funding – General" attached to the Limited Offering Memorandum.

⁽⁵⁾ First year of instruction was 2016-17.

⁽⁶⁾ First year of instruction is 2017-18.

Source: Summit.

Teacher Retention

The following table sets forth the rate of retention of teachers at each of Summit's existing charter schools in California and Washington, showing for each period the percentage of teachers teaching in the initial school year who (a) returned to teach at the same Summit school in the latter school year, and (b) either returned to the same Summit school in a non-teaching position or moved to a different Summit school in the latter school year.

TABLE 13
SUMMIT PUBLIC SCHOOLS
Teacher Retention
2014-15 through 2017-18

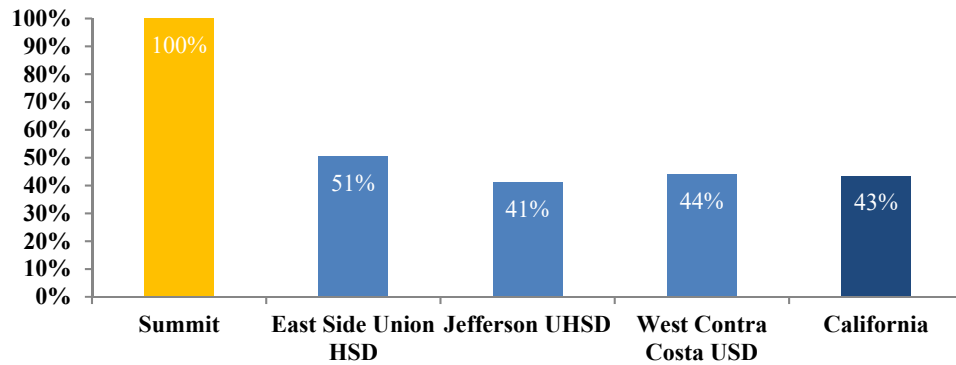
	<u>Shasta</u>	<u>Denali</u>	<u>Subtotal - Obligated Group</u>	<u>Prep</u>	<u>Everest</u>	<u>Rainier</u>
2014-15 to 2015-16						
Returning as teacher	45.5%	36.4%	41.0%	76.2%	65.0%	76.5%
Moving to different Summit position	<u>36.4</u>	<u>18.2</u>	<u>27.3</u>	<u>0.0</u>	<u>10.0</u>	<u>5.9</u>
Total	81.9	54.6	68.3	76.2	75.0	82.4
2015-16 to 2016-17						
Returning as teacher	60.0%	26.7%	43.4%	45.0%	33.3%	70.0%
Moving to different Summit position	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>0.0</u>	<u>16.7</u>	<u>15.0</u>
Total	80.0	46.7	63.4	45.0	50.0	85.0
2016-17 to 2017-18						
Returning as teacher	70.6%	72.2%	71.4%	64.7%	37.5%	72.2%
Moving to different Summit position	<u>11.8</u>	<u>11.1</u>	<u>11.5</u>	<u>11.8</u>	<u>12.5</u>	<u>11.1</u>
Total	82.4	83.3	82.9	76.5	50.0	83.3
	<u>Tahoma</u>	<u>K2</u>	<u>Sierra</u>	<u>Olympus</u>	<u>Tamalpais</u>	<u>Atlas</u>
2014-15 to 2015-16						
Returning as teacher	61.1%	87.5%	--	--	--	--
Moving to different Summit position	<u>11.1</u>	<u>12.5</u>	--	--	--	--
Total	72.2	100.0	--	--	--	--
2015-16 to 2016-17						
Returning as teacher	66.7%	50.0%	100.0%	33.3%	--	--
Moving to different Summit position	<u>20.0</u>	<u>20.0</u>	<u>0.0</u>	<u>0.0</u>	--	--
Total	86.7	70.0	100.0	33.3	--	--
2016-17 to 2017-18						
Returning as teacher	42.9%	38.5%	72.7%	33.3%	57.1%	--
Moving to different Summit position	<u>28.6</u>	<u>15.4</u>	<u>0.0</u>	<u>0.0</u>	<u>14.3</u>	--
Total	71.5	53.9	72.7	33.3	71.4	--

Source: Summit.

Academic Outcomes for Summit Schools

One of Summit's goals is to prepare every student for college, equipping them with powerful and enduring skills needed to succeed. The following figure shows the percentages of four-year college readiness as measured by the percentage of students completing the required coursework for admission to University of California or California State University System campus for Summit's California Schools, compared against the same measure for the school districts in which its schools are located and for California as a whole.

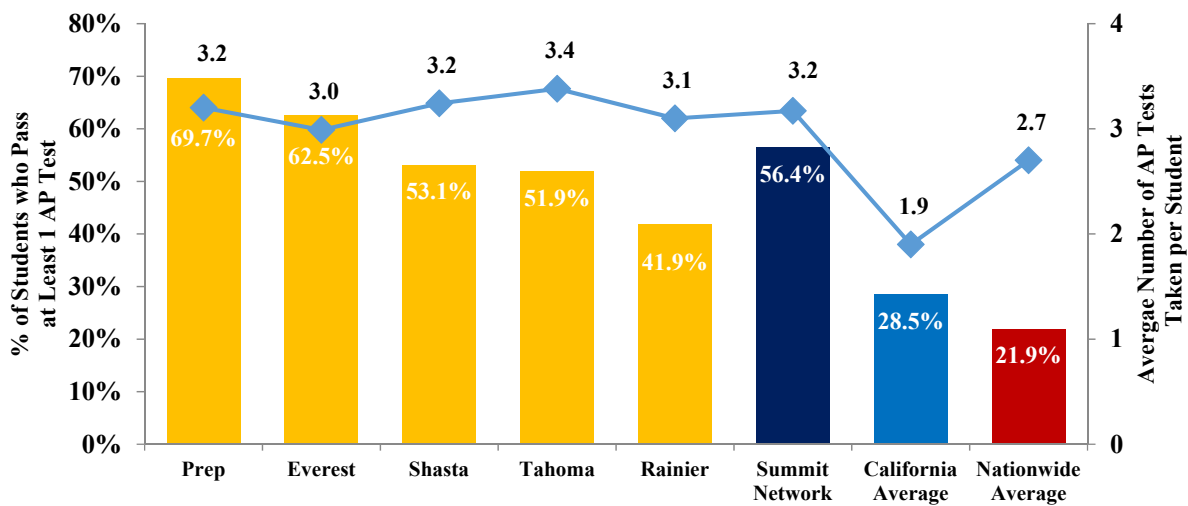
FIGURE 1
SUMMIT CALIFORNIA SCHOOLS
 UC/CSU Subject “A-G” Coursework Completion ⁽¹⁾
 2015-16



⁽¹⁾ Reflects the percentage of Summit California high school seniors that complete the required coursework for admission to University of California or California State University System campuses.
 Source: Summit.

The following figure shows the percentage of Summit seniors passing at least one Advanced Placement (“AP”) exam, compared with the percentage of students in California and nationwide. Every Summit high school student is required to take at least six AP classes and at least one AP exam prior to graduation. Unlike other schools nationwide, in which only a small and select group of students take the AP course, at Summit all students take AP classes and the vast majority take more than one AP exam.

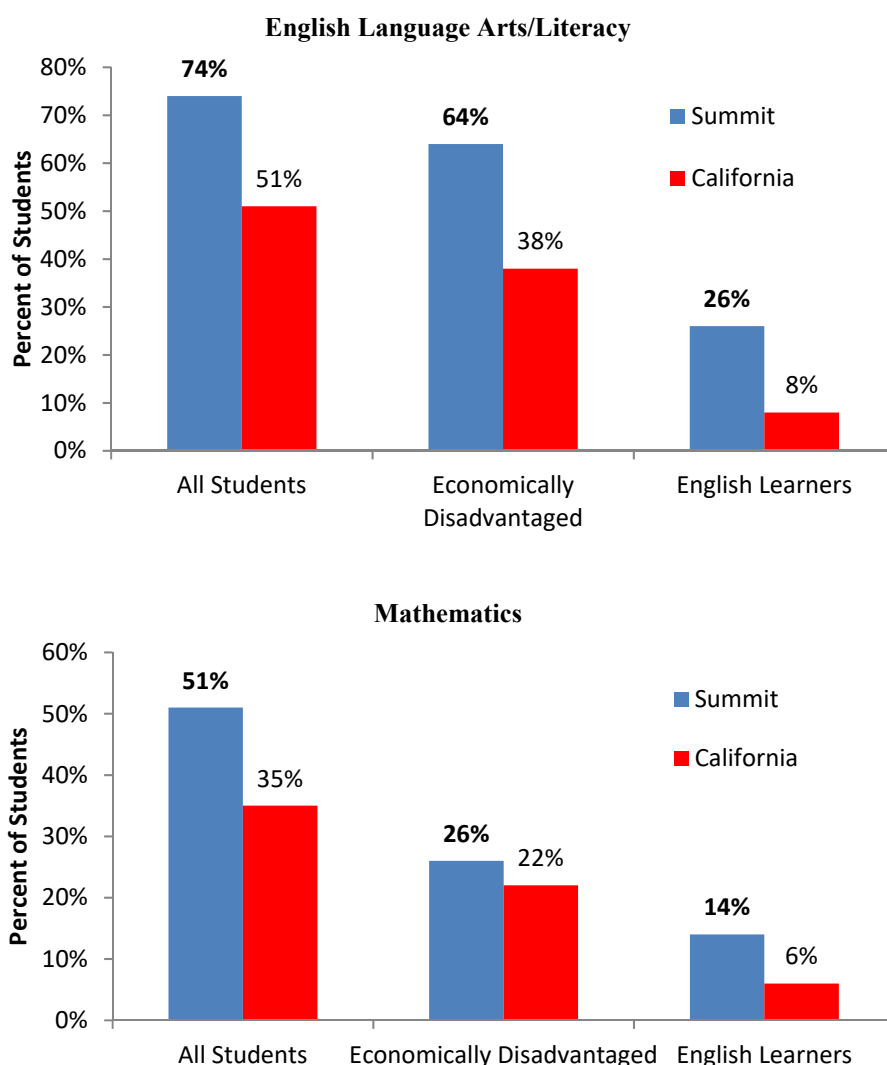
FIGURE 2
SUMMIT CALIFORNIA SCHOOLS
 Advanced Placement Test Performance ⁽¹⁾
 2016-17



⁽¹⁾ Reflects the percentage of students scoring a “3” or higher on at least one Advanced Placement exam.
 Source: Summit.

The following figure summarizes the performance of Summit's California charter schools on CAASPP Smarter Balanced Assessments for ELA and mathematics in 2015-16, compared against statewide averages in California. See "THE SCHOOLS – Academic Outcomes for the Schools – CAASPP" herein for more information on the CAASPP Smarter Balanced Assessments.

FIGURE 3
SUMMIT CALIFORNIA SCHOOLS
 2015-16 Smarter Balanced Assessment Consortium (SBAC) Results⁽¹⁾
 Percent of Students Met or Exceeded Standard



⁽¹⁾ Percentages shown are percentages of 6th, 7th, 8th and 11th grade students indicated as "Standards Met" and "Standards Exceeded" in Smarter Balanced Assessment results for the 2015-16 school year.

Source: Summit.

For the 2016-17 school year, 72% of students at Summit's California charter schools met or exceeded standards on the CAASPP Smarter Balanced Assessments in ELA, and 65% of students met or exceeded standards in mathematics. Neither comparative data nor subgroup results are yet available for the 2016-17 school year.

The mathematics results for 2016-17 do not include students at Summit Prep, as 11th grade students did not complete and receive credit for the 2016-17 mathematics CAASPP assessments due to errors in the implementation of the testing. Summit has reviewed its processes to ensure this error does not occur again in the future. Many schools throughout California experienced this error in implementing the 2016-17 CAASPP Smarter Balanced Assessments.

Campus Service Areas and Competitive Schools

Competing Schools. The following table presents a summary of the certain demographics and test results for schools located in the vicinities of all Summit schools in California that the management of Summit regards as possible competing schools, as well as such data for the school district in which each school is located and Statewide, indicating for each school the enrollment, the percentages of English Learners (“EL”), recipients of Free and Reduced Price Meals (“FRPM”) and the percentages of students meeting or exceeding standards for English language arts and literacy (“ELA/L”) and mathematics on the State’s Smarter Balanced Assessment tests.

TABLE 14
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2015-16

Summit Shasta						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded ⁽¹⁾	2015-16 Met/Exceeded ⁽¹⁾	Miles ⁽²⁾	2015-16 Enrollment ⁽³⁾	2015-16 FRPM % ⁽³⁾	2015-16 EL % ⁽³⁾
Shasta	90%	66%	--	325	32%	5%
Westmoor High School	48%	30%	1.4	1,669	39%	16%
Jefferson High School	57%	23%	2.2	1,162	59%	21%
Oceana High School	81%	52%	3.8	622	34%	8%
Terra Nova High School	68%	44%	7.5	1,012	19%	3%
Jefferson Union High School District	56%	32%	--	--	40%	13%
California	59%	33%	--	--	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2015-16.

⁽²⁾ Indicates distance from Summit Shasta in miles.

⁽³⁾ Represents students in grades 9-12.

Source: California Department of Education.

TABLE 14 (continued)
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2015-16

Summit Denali						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded⁽¹⁾	2015-16 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2015-16 Enrollment⁽⁴⁾	2015-16 FRPM %⁽³⁾	2015-16 EL %⁽⁴⁾
Denali^{(Su)(SC)}	67%	60%	--	321	34%	13%
Columbia Middle School ^(Su)	43%	27%	1.2	714	60%	28%
Marian A. Peterson Middle School ^(S)	66%	62%	4.1	899	28%	17%
Don Callejon ^(S)	44%	39%	4.5	389	33%	20%
Juan Cabrillo Middle School ^(S)	45%	40%	5.3	894	53%	22%
Sunnyvale Middle School ^(Su)	70%	60%	7.4	1,173	25%	16%
Buchser Middle School ^(S)	52%	42%	7.6	1,044	46%	17%
Cupertino Middle School ^(C)	84%	82%	7.8	1,485	7%	8%
Sam H. Lawson Middle School ^(C)	90%	92%	10.2	1,249	2%	6%
Santa Clara Unified School District	53%	46%	--	--	52%	26%
Cupertino Union School District	87%	88%	--	--	4%	5%
Sunnyvale School District	60%	48%	--	--	41%	21%
California	48%	36%	--	--	61%	17%

(1) Represents percentages of test-taking students in grades 6-8 that met or exceeded testing standards for 2015-16.

(2) Indicates distance from Summit Denali in miles.

(3) Represents students in grades 6-8 for all schools except Summit Denali and Don Callejon. Represents students in grades 6-10 for Summit Denali and grades K-8 for Don Callejon.

(4) Represents students in grades 6-8.

(S) Indicates school is located within Santa Clara Unified School District boundaries.

(Su) Indicates school is located within Sunnyvale School District boundaries.

(C) Indicates school is located within Cupertino Union Middle School District boundaries.

(SC) Summit Denali is authorized by the Santa Clara County of Education as a county-wide benefit charter.

Source: California Department of Education.

Summit Prep						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded⁽¹⁾	2015-16 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2015-16 Enrollment⁽³⁾	2015-16 FRPM %⁽³⁾	2015-16 EL %⁽³⁾
Prep	89%	47%	--	412	55%	10%
Sequoia High School	56%	44%	1.6	2,143	42%	21%
Woodside High Schools	57%	34%	3.5	1,781	41%	14%
Menlo-Atherton High School	61%	49%	3.7	2,275	33%	14%
Carlmont High School	70%	60%	6.3	2,147	11%	4%
Sequoia Union High School District	59%	46%	--	--	41%	15%
California	59%	33%	--	--	58%	12%

(1) Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2015-16.

(2) Indicates distance from Summit Prep in miles.

(3) Represents students in grades 9-12.

Source: California Department of Education.

TABLE 14 (continued)
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2015-16

Summit Everest						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded⁽¹⁾	2015-16 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2015-16 Enrollment⁽³⁾	2015-16 FRPM %⁽³⁾	2015-16 EL %⁽³⁾
Everest	83%	46%	--	376	60%	16%
Menlo-Atherton High School	61%	49%	2.0	2,275	33%	14%
Sequoia High School	56%	44%	2.7	2,143	42%	21%
Woodside High Schools	57%	34%	3.4	1,781	41%	14%
Carlmont High School	70%	60%	7.7	2,147	11%	4%
Sequoia Union High School District	59%	46%	--	--	41%	15%
California	59%	33%	--	--	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2015-16.

⁽²⁾ Indicates distance from Summit Everest in miles.

⁽³⁾ Represents students in grades 9-12.

Source: California Department of Education.

Summit Rainier						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded⁽¹⁾	2015-16 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2015-16 Enrollment⁽³⁾	2015-16 FRPM %⁽³⁾	2015-16 EL %⁽³⁾
Rainier	75%	41%	--	360	54%	12%
Mt. Pleasant High School ⁽⁴⁾	60%	26%	--	1,380	64%	18%
James Lick High School	51%	18%	1.9	1,137	76%	22%
Independence High	63%	36%	5.4	2,968	52%	18%
East Side Union High School District	62%	39%	--	--	58%	19%
California	59%	33%	--	--	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2015-16.

⁽²⁾ Indicates distance from Summit Rainier in miles.

⁽³⁾ Represents students in grades 9-12.

⁽⁴⁾ Summit Rainier is co-located on the Mt. Pleasant High School Campus.

Source: California Department of Education.

Summit Tahoma						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded⁽¹⁾	2015-16 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2015-16 Enrollment⁽³⁾	2015-16 FRPM %⁽³⁾	2015-16 EL %⁽³⁾
Tahoma	81%	31%	--	275	49%	7%
Oak Grove High School ⁽⁴⁾	57%	28%	--	1,812	53%	17%
Independence High	63%	36%	10.4	2,968	52%	18%
James Lick High School	51%	18%	10.7	1,137	76%	22%
East Side Union High School District	62%	39%	--	--	58%	19%
California	59%	33%	--	--	58%	12%

⁽¹⁾ Represents percentages of test-taking students in grade 11 that met or exceeded standards for 2015-16.

⁽²⁾ Indicates distance from Summit Tahoma in miles.

⁽³⁾ Represents students in grades 9-12.

⁽⁴⁾ Summit Tahoma is co-located on the Oak Grove High School Campus.

Source: California Department of Education.

TABLE 14 (continued)
SUMMIT CALIFORNIA SCHOOLS
Competing Schools
2015-16

Summit K2						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded⁽¹⁾	2015-16 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2015-16 Enrollment⁽⁴⁾	2015-16 FRPM %⁽³⁾	2015-16 EL %⁽⁴⁾
K2	66%	44%	--	224	61%	16%
Fred T. Korematsu Middle	47%	35%	0.7	589	55%	16%
Lovonya DeJean Middle	7%	6%	1.5	529	95%	39%
Helms Middle School	23%	12%	4.9	985	93%	41%
Crespi Junior High	40%	22%	6.5	530	76%	22%
West Contra Costa Unified School District	31%	21%	--	--	75%	26%
California	48%	36%	--	--	60%	15%

⁽¹⁾ Represents percentages of test-taking students in grades 7-8 that met or exceeded standards for 2015-16.

⁽²⁾ Indicates distance from Summit K2 in miles.

⁽³⁾ Represents students in grades 7-8 for all schools except Summit K2. Represents students in grades 7-10 for Summit K-2.

⁽⁴⁾ Represents students in grades 7-8.

Source: California Department of Education.

Summit Tamalpais						
	ELA %	Math %	Distance	Demographics		
School	2015-16 Met/Exceeded⁽¹⁾	2015-16 Met/Exceeded⁽¹⁾	Miles⁽²⁾	2015-16 Enrollment⁽³⁾	2015-16 FRPM %⁽³⁾	2015-16 EL %⁽³⁾
Tamalpais⁽⁴⁾	--	--	--	--	--	--
Helms Middle School	23%	12%	2.2	985	93%	41%
Crespi Junior High	40%	22%	2.4	530	76%	22%
Pinole Middle School	33%	24%	2.6	573	67%	15%
Lovonya DeJean Middle	7%	6%	4.8	529	95%	39%
West Contra Costa Unified School District	31%	21%	--	--	75%	26%
California	48%	36%	--	--	60%	15%

⁽¹⁾ Represents percentages of test-taking students in grades 7-8 that met or exceeded standards for 2015-16.

⁽²⁾ Indicates distance from Summit Tamalpais in miles.

⁽³⁾ Represents students in grades 7-8.

⁽⁴⁾ Summit Tamalpais' first year of operations was 2016-17.

Source: California Department of Education.

THE SCHOOLS

General

Summit Shasta currently operates in temporary facilities located at the Existing Summit Shasta Site at 699 Serramonte Boulevard, Daly City, California, in space leased from Jefferson UHSD pursuant to the Settlement Agreement. Summit Shasta began operations in the 2013-14 school year, serving only students in grade 9 in its first year. Summit Shasta moved into its current temporary facility located at the Existing Summit Shasta Site beginning in the 2015-16 school year and has since grown to full capacity, serving 460 students in grades 9 through 12 in the 2017-18 school year.

The Borrower has been provided a long-term ground lease for the property comprising the Summit Shasta Site by Jefferson UHSD pursuant to the Shasta Ground Lease. Concurrently or prior to the issuance of the Bonds, the Borrower will assign its interest in the Shasta Ground Lease to the Shasta Landlord. See

“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Ground Leases; Interests Conveyed Under the Leases” in the forepart of this Limited Offering Memorandum. The Summit Shasta Site and Existing Summit Shasta Site are adjacent to one another, on a separate portion of the same 40 acre site owned by Jefferson UHSD. Upon completion of the Summit Shasta Project, Summit Shasta will move into the Summit Shasta Facility, located on the Summit Shasta Site.

Summit Denali currently operates at the Summit Denali Middle School Site at 539 E. Weddell Drive, Sunnyvale, California, in facilities leased from Sunnyvale International Church. This facility is expected to remain the long-term site for Summit Denali’s middle school grades. Upon the completion of the Summit Denali Project, Summit Denali’s high school grades will be relocated to the Summit Denali Facility, located at 824 San Aleso Avenue, Sunnyvale, California, owned by San Aleso LLC and leased to Summit. Summit Denali began operations in the 2013-14 school year, serving 134 students in grade 6 in its first year. Summit Denali served 411 students in grades 6 through 9 in the 2016-17 school year, and at full capacity expects to serve 735 students in grades 6-12. Due to current space limitations, Summit Denali’s 6th grade is located at a temporary leased space in Mountain View, California, for the 2017-18 school year. See “OPERATING AND FINANCIAL RESULTS – Facilities Leases and Use Agreements” herein. For more information on the Summit Shasta Facility and Summit Denali Facility, see “THE PROJECT – Summit Shasta Project” and “THE PROJECT – Summit Denali Project” in the forepart of this Limited Offering Memorandum.

Although information relating to all grades operated by Summit Denali is presented herein, only revenues attributable to grades 9-12 of Summit Denali are a source of payment for Rent under the Summit Denali Lease and for debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in the forepart of this Limited Offering Memorandum.

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Enrollment, Attendance & Student Retention

Enrollment. The table below shows grade level enrollment for the Schools in the school years 2013-14 through 2016-17, as well as projected enrollment by grade level through the 2021-22 school year. Only grades 9-12 at Summit Denali are pledged as revenues for repayment of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in the forepart of this Limited Offering Memorandum.

TABLE 15
THE SCHOOLS

Enrollment by Grade Level⁽¹⁾
2013-14 Through 2021-22

Shasta									
Grade Level	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
9 th Grade	105	112	114	113	140	120	110	110	120
10 th Grade	--	108	113	105	110	136	117	107	107
11 th Grade	--	--	98	111	102	107	132	114	104
12 th Grade	--	--	--	<u>96</u>	<u>108</u>	<u>99</u>	<u>104</u>	<u>129</u>	<u>111</u>
Totals	105	220	325	425	460	462	463	460	442

Denali									
Grade Level	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
6 th Grade	134	93	101	117	60	70	110	110	110
7 th Grade	--	114	106	102	110	110	110	110	110
8 th Grade	--	--	114	103	110	105	105	105	105
9 th Grade	--	--	--	89	110	110	110	120	120
10 th Grade	--	--	--	--	93	105	105	105	110
11 th Grade	--	--	--	--	--	90	100	100	100
12 th Grade	--	--	--	--	--	--	<u>85</u>	<u>95</u>	<u>95</u>
Totals	134	207	321	411	483	590	725	745	750

⁽¹⁾ For school years 2012-13 through 2016-17, data reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year. Enrollment may vary throughout the school year as students enroll or leave the Schools. See “SUMMIT PUBLIC SCHOOLS – Enrollment, Demographics and Student Retention – Wait List” herein.

Source: Summit.

Average Daily Attendance. The table below shows the average daily attendance (“ADA”) of the Schools from the 2013-14 school year through the 2016-17 school year.

TABLE 16
THE SCHOOLS

Average Daily Attendance⁽¹⁾
2013-14 through 2016-17

School Year	Shasta	Denali
2013-14	108.0	125.3
2014-15	209.6	200.4
2015-16	306.6	312.0
2016-17	403.1	392.9

⁽¹⁾ Reflects P-2 ADA. ADA may be higher than CALPADS enrollment in a given year, as students may enroll or leave a school between the fall census day and the P-2 report date.

Source: Summit.

Academic Outcomes for the Schools

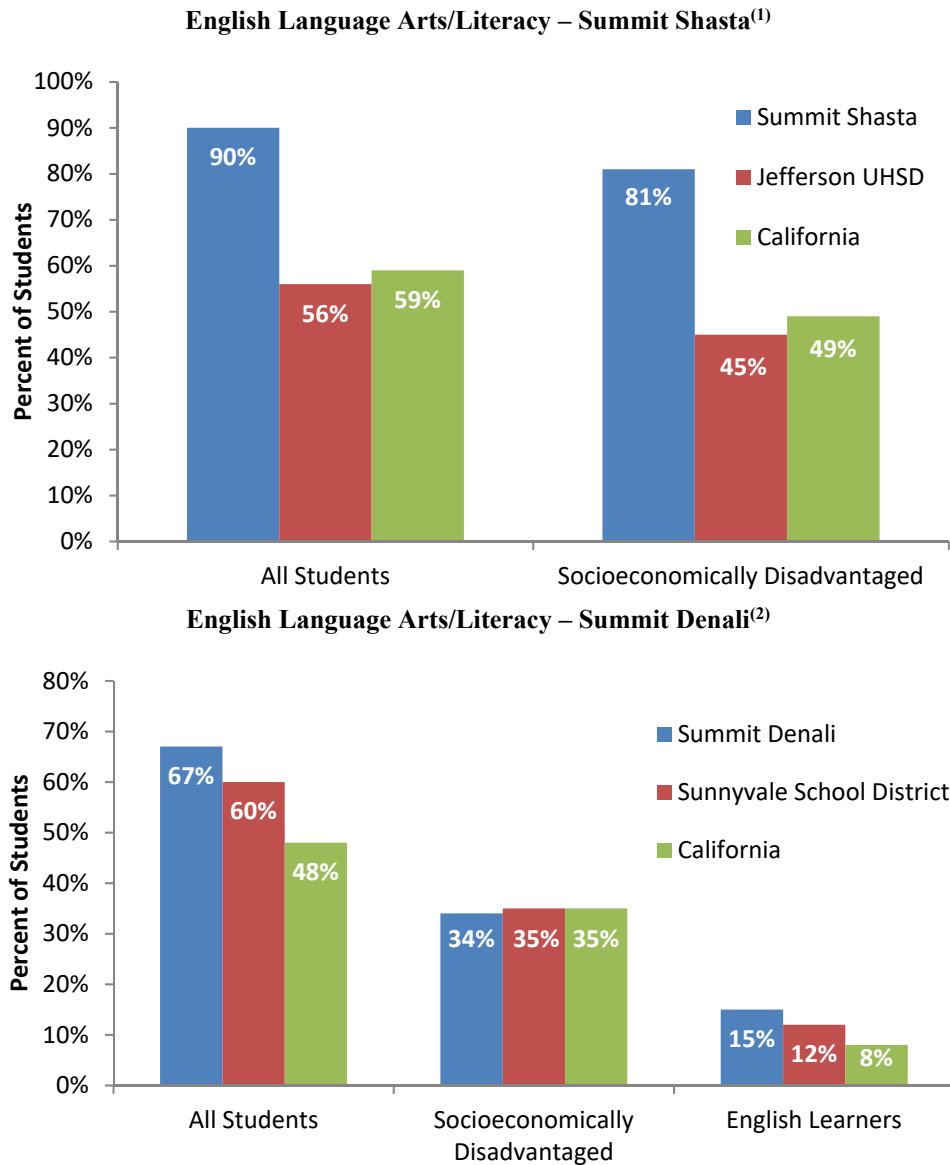
Completion of University of California ‘A-G’ Subject Requirements. In the 2016-17 school year, 100% of graduating seniors from Summit’s California high schools completed the ‘A-G’ subject requirements for admission to the University of California system. By comparison, in the 2015-16 school year, the most recent for which comparative data is available, approximately 41.1% of the students graduating from Jefferson UHSD had completed these ‘A-G’ subject coursework requirements.

CAASPP. Academic Performance Index (“API”) scores have, in the past, been calculated using results of the State’s STAR program and, for high school students, the California High School Exit Examination (“CAHSEE”). Changes to the Education Code enacted in 2013 deleted certain provisions of State law establishing the STAR program and replaced them with the California Assessment of Student Performance and Progress program (“CAASPP”), effective July 1, 2014. As a means to assess certain elementary and secondary pupils, CAASPP comprises:

- (a) the State’s Smarter Balanced Assessments, composed of (i) summative assessments in English language arts (“ELA”) and mathematics for grades 3 to 8 inclusive, and grade 11, (ii) interim assessments to monitor student progress toward mastery of the Common Core State Standards in ELA and mathematics, and (iii) a “Digital Library” consisting of tools and practices designed to help teachers utilize formative assessment processes for improved teaching and learning;
- (b) alternate assessments for ELA and mathematics in grades 3 through 8 and 11, that are based on alternate achievement standards and aligned with the Common Core State Standards for students with significant cognitive disabilities;
- (c) science assessments in grades 5, 8, and 10, measuring specified content standards, currently composed of (i) the California Standards Test (“CST”) for students in public schools, (ii) the California Modified Assessment (“CMA”) for students with an individualized education program, and the (iii) California Alternate Performance Assessment (“CAPA”) for students with significant cognitive disabilities; and
- (d) the Standards-based Tests in Spanish (“STS”), which are multiple-choice tests that allow Spanish-speaking English learners in grades 2 through 11 to demonstrate their knowledge of California content standards by taking a reading/language arts (“RLA”) assessment in their primary language.

The following figure summarizes the performance of the Schools on CAASPP Smarter Balanced Assessments for ELA and mathematics in 2015-16, compared against averages for schools in the State, Jefferson UHSD and the Sunnyvale School District (“SSD”), the middle school district in which Summit Denali is physically located (note, although Summit Denali is expected to expand to serve grades 6-12, through the 2016-17 school year Summit currently serves grades 6-9), and Santa Clara County.

FIGURE 4
THE SCHOOLS
 2015-16 Smarter Balanced Assessment Consortium (SBAC) Results
 Percent of Students Met or Exceeded Standard



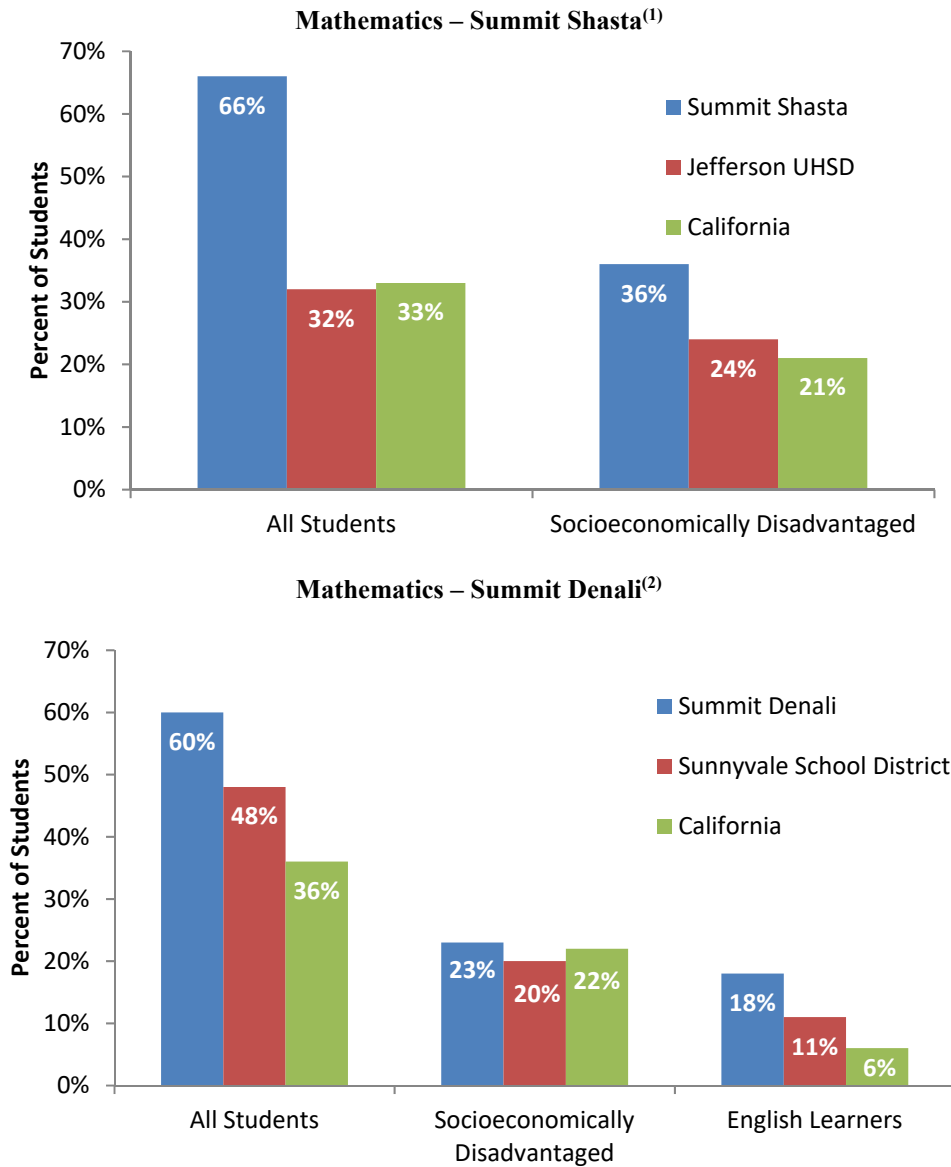
⁽¹⁾ Percentages shown are sums of percentages of 11th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year. No English Learners data are available, as there were ten or fewer students tested in that group.

⁽²⁾ Percentages shown are sums of percentages of 6th through 8th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year.

Source: California Department of Education.

For the 2016-17 school year, 88% of students at Summit Shasta and 72% of students at Summit Denali met or exceeded standards on the CAASPP Smarter Balanced Assessments for ELA.

FIGURE 4 (continued)
THE SCHOOLS
 2015-16 Smarter Balanced Assessment Consortium (SBAC) Results
 Percent of Students Met or Exceeded Standard



⁽¹⁾ Percentages shown are sums of percentages of 11th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year. No English Learners data are available, as there were ten or fewer students tested in that group.

⁽²⁾ Percentages shown are sums of percentages of 6th through 8th grade students indicated as “Standards Met” and “Standards Exceeded” in Smarter Balanced Assessment results for the 2015-16 school year.

Source: California Department of Education.

For the 2016-17 school year, 52% of students at Summit Shasta and 65% of students at Summit Denali met or exceeded standards on the CAASPP Smarter Balanced Assessments for mathematics. Neither comparative data nor subgroup results are yet publicly available for the 2016-17 school year in ELA and mathematics as a result of delays by the State in releasing test results.

Post-Graduate College Entrance Results. For the high school cohort graduating in the 2016-17 school year, approximately 81% of Summit Shasta graduates report heading to a 4-year college. The comparable figure for the state of California in the 2015-16 school year, the most recent for which statewide data are available, is 35%.

California School Dashboard. During the 2016-17 school year, the California State Board of Education (“SBE”) approved a new integrated accountability and continuous improvement system (the “Accountability System”) that will be used to evaluate local education agency (“LEA”) and school performance in areas critical to students’ preparedness for college and career. The Accountability System is aligned to both (i) the LCFF priority areas, as required under State law, and (ii) accountability measures required under the provisions of the federal Every Student Succeeds Act. Performance by individual LEAs and schools under the Accountability System is reported through the State’s California School Dashboard (the “Dashboard”). The Dashboard has not yet been fully implemented, and will not be completed until Fall 2018.

The Accountability System measures performance in the following priority areas using various state and local indicators:

Priority Areas	State Indicator	Local Indicator
Basic Services or Basic Condition at schools	N/A	Text books availability, adequate facilities, and correctly assigned teachers
Implementation of State Academic Standards	N/A	Annually report on progress in implementing the standards for all content areas
Parent Engagement	N/A	Annually report progress towards: (1) seeking input from parents/guardians in decision making; and (2) promoting parental participation in programs
Student Achievement	<ul style="list-style-type: none"> Academic Indicator (Grades 3-8); English Learners Progress Indicator 	Grade 11 Distance from Level 3 Report ⁽²⁾
Student Engagement	<ul style="list-style-type: none"> Graduation Rate Indicator; Chronic Absenteeism Indicator⁽¹⁾ 	N/A
School Climate	Suspension Rate Indicator	Administer a Local Climate Survey every other year
Access to a Broad Course of Study	N/A	College/Career Indicator ⁽³⁾
Outcomes in a Broad Course of Study		

⁽¹⁾ Not available until fall 2018.

⁽²⁾ Grade 11 academic indicators (i.e. CAASPP results) are included in the College/Career Indicator instead of the Student Achievement state indicator, however are also presented as a local indicator for Student Achievement.

⁽³⁾ For the initial March 2017 release of the Dashboard the College/Career Indicator was reported as a local indicator. Beginning with the fall 2017 release of the Dashboard, the College/Career Indicator will be reported as a state indicator.

Source: California Department of Education.

State Indicators. The Accountability System measures performance on state indicators through a combination of current performance (“Status”) and improvement over time (“Change”). Both Status and


Change are weighted equally, and scores approved by SBE serve as performance standards based on the state-wide distribution of Status and Change for each indicator. For each state indicator, a school or LEA will be assigned (i) a Status level of Very High, High, Medium, Low or Very Low; and (ii) a Change level of Increased Significantly, Increased, Maintained, Declined or Declined Significantly. For each state indicator, the combination of Status level and Change level yields a performance level of Blue, Green, Yellow, Orange or Red, with Blue representing the highest performance and Red indicating the lowest performance. Any performance level below Green indicates that improvement is needed.

Local Indicators. The local indicators require LEAs (including individual charter schools) to determine whether they have Met, Not Met, or Not Met for More than Two Years the standards for each local indicator. For each local indicator, LEAs (and charter schools) must (i) measure their progress using locally available information, (ii) report the results to the LEA's (or charter school's) local governing board, and (iii) upload and publicly report the results through the Dashboard.

Equity Report. Each LEA and school's Equity Report provides results for the state and local indicators, reporting for each indicator (i) the overall performance level for all students, (ii) the total number of student groups with significant enough numbers to receive a performance level, and (iii) the total number of numerically significant student groups that received the two lowest performance levels (i.e. Orange and Red). The student groups separately accounted for in the Equity Report are (i) English Learners; (ii) Foster Youth; (iii) Homeless; (iv) Socioeconomically Disadvantaged; (v) Students with Disabilities; (vi) American Indian; (vii) Asian; (viii) African American; (ix) Filipino; (x) Hispanic; (xi) Pacific Islander; (xii) Two or More Races; and (xiii) White.

On the following pages are the Spring 2017 Equity Reports for the Schools. Note, the Dashboard has not yet been fully implemented, as described in the footnotes to the following Figure.




TABLE 17
THE SCHOOLS
Spring 2017 California School Dashboard Equity Report

<u>Summit Shasta</u>			
<u>State Indicators</u>	<u>All Students Performance⁽¹⁾</u>	<u>Total Student Groups</u>	<u>Student Groups in Red/Orange</u>
Chronic Absenteeism ⁽²⁾	N/A	N/A	N/A
Suspension Rate (K-12) ⁽³⁾		2	0
College / Career ⁽⁴⁾	-- ⁽⁵⁾	N/A	N/A
<u>Local Indicators</u>	<u>Ratings⁽⁷⁾</u>		
Basics (Teachers, Instructional Materials, Facilities)	N/A		
Implementation of Academic Standards	N/A		
Parent Engagement	N/A		
Local Climate Survey	N/A		

[FIGURE AND FOOTNOTES CONTINUED ON NEXT PAGE]

TABLE 17 (continued)
THE SCHOOLS
Spring 2017 California School Dashboard Equity Report

Summit Denali

<u>State Indicators</u>	<u>All Students Performance⁽¹⁾</u>	<u>Total Student Groups</u>	<u>Student Groups in Red/Orange</u>
Chronic Absenteeism ⁽²⁾	N/A	N/A	N/A
Suspension Rate (K-12) ⁽³⁾		3	2
English Language Arts (3-8) ⁽⁶⁾		5	3
Mathematics (3-8) ⁽⁶⁾		5	3
<u>Local Indicators</u>	<u>Ratings⁽⁷⁾</u>		
Basics (Teachers, Instructional Materials, Facilities)	N/A		
Implementation of Academic Standards	N/A		
Parent Engagement	N/A		
Local Climate Survey	N/A		

- (1) Performance levels include, from highest to lowest, Blue, Green, Yellow, Orange and Red, based on the Status and Change levels for each indicator.
- (2) Not available until fall 2018.
- (3) Suspension Rate Status level is based on the unduplicated number of students suspended within the 2014-15 school year. Suspension Rate Change level is based on the difference between the suspension rates for the 2014-15 and 2013-14 school years.
- (4) Not available until fall 2017. The College/Career indicator will be based on various measures, including performance on the grade 11 Smarter Balanced Assessment in ELA and Math, Career Technical Education Pathway Completion, Advanced Placement and International Baccalaureate exams, Dual Enrollment students who earn college credit, and completion of the UC/CSU A-G subject requirements.
- (4) English Learner Progress Status level is based on (i) annual California English Language Development Test (“CELDT”) test takers who increased at least 1 CELDT level between the 2013-14 and 2014-15 school years; (ii) annual CELDT test takers who maintained an Early Advanced or Advanced English Proficient level on the CELDT between the 2013-14 and 2014-15 school years; (iii) English Learners who were reclassified in the 2013-14 school year; and (iv) the total number of annual CELDT test takers in the 2014-15 school year. English Learner Progress Change level is based on the difference between the current year and prior year Status levels.
- (5) A performance level is not included when there are less than 30 students used to calculate Status and Change.
- (6) English Language Arts and Mathematics Status levels are based on the sum of all grades 3-8 students’ distance from the minimum score qualifying a student for “Standards Met” on the ELA or Math 2015-16 Smarter Balanced Assessment, divided by the total number of 2015-16 Smarter Balanced Assessment ELA or Math test takers who were continuously enrolled at the School. English Language Arts and Mathematics Change levels are based on the difference between the current year and prior year Status levels. See “— CAASPP” above.
- (7) The Dashboard is being field tested during the 2016-17 school year, during which LEAs and charter schools are being encouraged but not required to collect and report data for local indicators. If a LEA or charter school does not complete a self-reflection tool for a local indicator, the Dashboard shows N/A (Not Applicable).

School Administration and Staffing

As of August 21, 2017, Summit had approximately 452.6 full-time equivalent (“FTE”) employees, which consist of approximately 212.9 FTE teachers, 8.4 FTE school teaching support staff, 26 FTE school administrative staff, 27.2 FTE school operations staff, and 178.2 FTE non-school professional staff including staff based in Summit’s headquarters in Redwood City. Each Summit School is run at the school level by an Executive Director. Wren Maletsky is currently the Executive Director for Summit Shasta and Kevin Bock is currently the Executive Director for Summit Denali. Brief biographies for Ms. Maletsky and Mr. Bock follow:

Wren Maletsky, Executive Director, Summit Shasta. Ms. Maletsky joined Summit in 2011 as the AP Environmental Science teacher at Summit Preparatory Charter High School. In 2014, Ms. Maletsky became the Assistant Director at Summit Prep. In 2016, Ms. Maletsky moved to Summit Shasta, where she was Assistant Director for a year before becoming the Executive Director in Fall 2017. Prior to Summit, Ms.

Maletsky taught Biology and AP Biology at a charter school in Harlem, New York City for two years. Ms. Maletsky has served as a cooperating teacher for the Stanford Teacher Education Program and is an alumna of Duke University, where she studied Biology and English. Ms. Maletsky earned a Master's degree in Education from Stanford University's Graduate School of Education in 2009, and in 2013, earned her National Board Certification in Adolescent and Young Adult Science Teaching.

Kevin Bock, Executive Director, Summit Denali. Mr. Bock joined Summit in 2011 as the founding chemistry teacher at Summit's second school, Summit Everest. Prior to Summit, Mr. Bock taught science in both charter and district schools in the San Francisco Bay Area. At Summit, Mr. Bock has piloted educational technology and personalized learning, where he has worked to prepare a diverse group of students for success in college and to be thoughtful contributing members of society. Mr. Bock has served as a cooperating teacher for the Stanford Teacher Education Program. Mr. Bock was a Leonore Annenberg Teaching Fellow of the Woodrow Wilson Foundation and a fellow of the Knowles Science Teaching Foundation. Mr. Bock is an alumnus of Yale University, where he studied Chemistry and Political Science, and he earned a Master's degree in Education from Stanford University's Graduate School of Education. In 2013, Mr. Bock was honored by Stanford University as an alumni leader in education.

The following tables set forth information regarding Summit's FTE employees attributable to the Schools for the last four school years.

TABLE 18
SUMMIT SHASTA
Employment and Staffing
School Years 2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Teachers	6	11	15	19
School Support Staff	1	1	2	2.5
School Leaders	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total Employees	8	13	19	23.5
Total Number of Students	105	220	325	425
Student-to-Teacher Ratio	18:1	20:1	22:1	22:1

Source: Summit.

TABLE 19
SUMMIT DENALI
Employment and Staffing
School Years 2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Teachers	5	9	16	19
School Support Staff	2	2	1	2.5
School Leaders	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total Employees	8	12	19	23.5
Total Number of Students	134	207	321	411
Student-to-Teacher Ratio	27:1	23:1	20:1	22:1

Source: Summit.

Admissions, Service Area and Waitlist

Admissions. The Schools are open to all students at the appropriate grade levels who wish to attend within the minimum and maximum age requirements specified in applicable law, and are open to all students without regard for the place of residence of students or parents within California except as provided in applicable law. If the number of students who wish to attend either of the Schools exceeds such School's capacity, admission to each School, except for existing students, is determined by public random drawing.

There is no admission testing or other evaluation required of any applicant for either School. The Schools do not charge an application fee or tuition, and do not require any monetary or other contribution as a condition for application, admission, enrollment, or participation in required educational activities.

The Schools are nonsectarian in their admission and enrollment policies and do not discriminate against any student on the basis of actual or perceived disability, gender, gender identity, gender expression, nationality, race or ethnicity, religion, sexual orientation, or any other characteristic that is contained in the definition of hate crimes set forth in California law.

Countywide Benefit Charter. Unlike a charter petition submitted to a school district (such as with Summit Shasta), charter petitions for countywide benefit charter schools (like Summit Denali) must give an admissions preference for residents of the county. Without the restriction of an admissions preference for a single school district, students of all school districts within the county are given an equal chance at admission to Summit Denali. This broader admissions preference allows Summit Denali's targeted recruiting to have a higher likelihood of yielding admission for the students along its recruitment target of the 101 corridor of the San Francisco Bay Area, and creating a school that more closely reflects the County's demographics.

Public Random Drawing and Preferences. Applications for admission to each School are accepted during a publicly advertised open application period each year for enrollment in the following school year. Following the open enrollment period each year, applications are counted to determine whether any grade level has received more applications than availability. If the number of students who wish to attend either School exceeds such School's capacity, attendance, except for existing students, is determined by a public random drawing for each grade level conducted in advance of each academic semester. Preference in the public random drawing is currently provided in the following order of declining priority:

1. children of current Summit Public Schools teachers and staff and founders of the applicable School;
2. siblings of currently enrolled students or graduates of the applicable School residing within the boundaries of Jefferson UHSD (for Summit Shasta) or Santa Clara County (for Summit Denali);
3. students residing within the boundaries of Jefferson UHSD (for Summit Shasta) or Santa Clara County (for Summit Denali);
4. siblings of currently enrolled students or graduates of the applicable School residing outside the boundaries of Jefferson UHSD (for Summit Shasta) or Santa Clara County (for Summit Denali);
5. all other students who wish to attend the applicable School; and
6. for Summit Denali, students residing in the attendance area for the local elementary school.

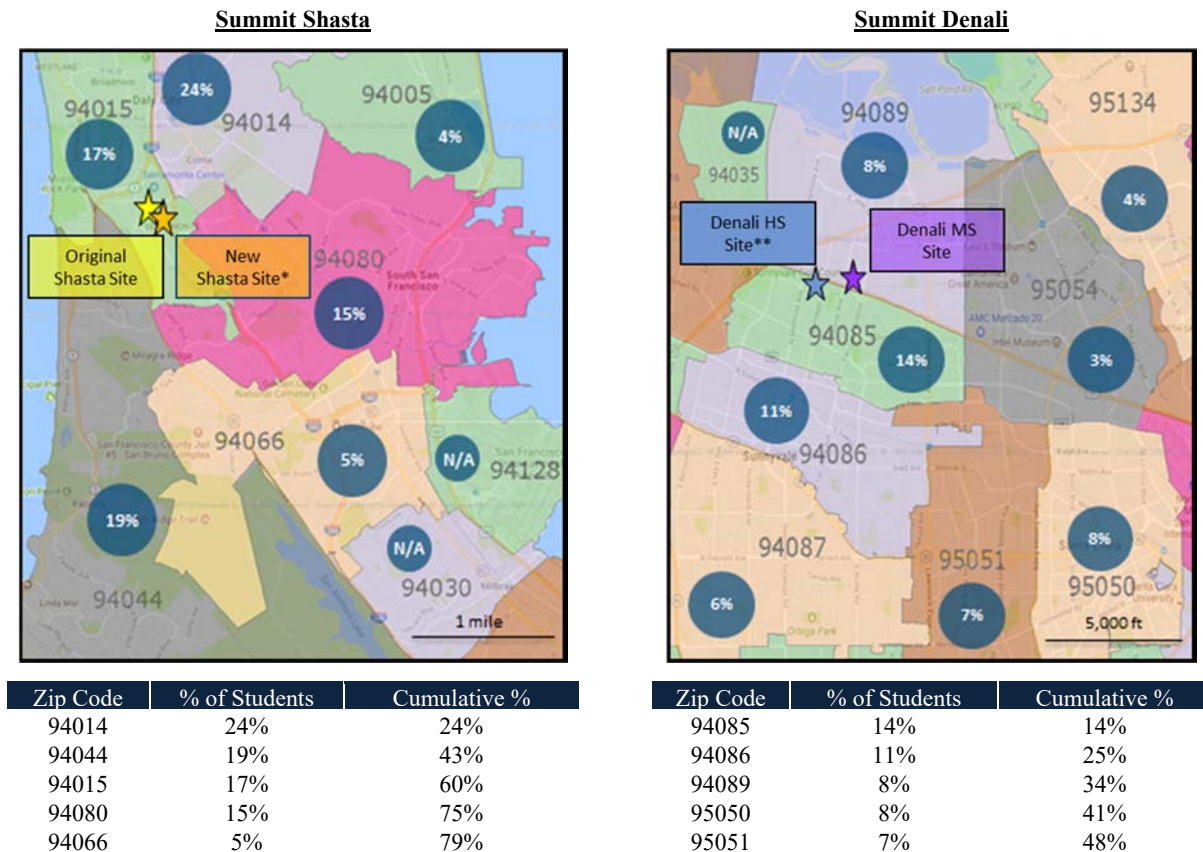
Public drawing preferences may be modified by a School only if approved by applicable charter authorizer. At the conclusion of the public random drawing, all students who were not granted admission due to capacity shall be given the option to put their name on a wait list according to their draw in the public random drawing. This wait list, called an admission priority list, will allow students the option of enrollment

in the case of an opening during the current school year. In no circumstance will a waitlist carry over to the following school year. The order of admission of students at any time during the year will be determined solely by the order of applicants on the admission priority list. The Schools maintain a list of students interested in transferring to each School. After the admission priority list has been exhausted, the Schools advertise if a space has become available and applications are being accepted in another open enrollment period. If more applicants than spaces are available, another public random drawing is conducted for the open spaces in the manner described above. In connection with each School's charter renewal petition, each School and its charter authorizer may agree to modify admission procedures and priority.

Public random drawing rules, deadlines, dates and times for the random drawing are communicated in the enrollment applications and on the Schools' website. Public notice for the date and time of the public drawing are also posted once the application deadline has passed. The Schools also inform parents of all applicants and all interested parties of the rules to be followed during the public random drawing process, location, date, and time via mail or email at least two weeks prior to the public random drawing date.

Services Area. The following maps show the service area for the Schools, indicating the zip codes in which most students reside.

FIGURE 5
THE SCHOOLS
Service Area
2016-17



Note. Shasta's new campus is 0.1 miles from the existing school campus (consisting of portables). Denali's new 9-12 campus is 1 mile away from the existing middle school campus where high school grades are temporarily housed.

Source: Summit.

Applications for Admission. The Schools received a total of 1,146 applications for enrollment for the 2017-18 school year, and made a total of 785 offers of enrollment. Offers made are limited by availability of open seats in each grade, subject to the Schools’ admissions processes. Applicants to whom an offer is not made because of a lack of availability may be added to a wait list. See “SUMMIT PUBLIC SCHOOLS – Enrollment, Demographics and Student Retention – Wait List” and “THE SCHOOLS – Admissions, Service Area and Waitlist” herein.

The following table sets forth the number of applications received and offers made at each School, by grade, as of August 15, 2017.

TABLE 20
THE SCHOOLS
Applications and Offers by Grade
as of August 15, 2017

<u>Grade</u>	Shasta		Denali	
	<u>Applications</u>	<u>Offers Made</u>	<u>Applications</u>	<u>Offers Made</u>
6 th Grade	--	--	326	275
7 th Grade	--	--	84	35
8 th Grade	--	--	71	35
9 th Grade	422	305	114	97
10 th Grade	42	3	38	28
11 th Grade	27	7	--	--
12 th Grade	<u>22</u>	<u>0</u>	<u>--</u>	<u>--</u>
Total	513	315	633	470

Source: Summit.

OPERATING AND FINANCIAL INFORMATION

Historical Financial Results

The tables on the following pages present the audited statements of activities and changes in net assets for Summit Shasta, Summit Denali, Summit Home Office, the consolidated Obligated Group, and the Summit network for fiscal years 2013-14 through 2016-17. The revenues and expenses for Summit Home Office include revenues not pledged to the payment of debt service on the Bonds. Revenues for the payment of the portion of debt service on the Bonds attributable to Summit Home Office are limited to Gross Management Fees (as defined in the forepart of this Limited Offering Memorandum).

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TABLE 21
SUMMIT SHASTA
Statement of Activities
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Unaudited (2016-17)⁽²⁾</u>
REVENUES:				
State aid ⁽¹⁾	\$46,180	\$149,400	\$1,034,066	\$1,211,867
Property tax revenue	692,682	1,432,463	1,577,379	2,397,466
Other state revenue	75,746	168,302	367,014	463,157
Federal revenue	234,416	169,809	53,121	99,396
Contribution revenue	23,382	33,246	38,619	1,283,065
Other revenue	<u>496,748</u>	<u>439,914</u>	<u>367,944</u>	<u>92,703</u>
Total unrestricted revenues	1,569,154	2,393,134	3,438,143	5,547,654
EXPENSES:				
Program services	1,374,069	2,040,226	3,126,724	3,386,468
Management and general	<u>80,396</u>	<u>150,502</u>	<u>200,961</u>	<u>956,616</u>
Total expenses	1,454,465	2,190,728	3,327,685	4,343,084
Change in unrestricted net assets	114,689	202,406	110,458	1,204,570
Beginning unrestricted net assets	<u>5,421</u>	<u>120,110</u>	<u>322,516</u>	<u>432,974</u>
Ending unrestricted net assets	\$120,110	\$322,516	\$432,974	\$1,637,544

⁽¹⁾ Prior to 2015-16, "State aid" was labeled as "Block grant".

⁽²⁾ Includes the charge off of \$176,180 from the Public Charter School Grant Program. This amount has been included in accounts receivable since fiscal year 2014-15, but California Department of Education ("CDE") has maintained it is not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amount has been charged off in fiscal year 2016-17.

Sources: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 22
SUMMIT DENALI
Statement of Activities
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Unaudited (2016-17)⁽²⁾</u>
REVENUES:				
State aid ⁽¹⁾	\$250,673	\$424,024	\$746,076	\$1,036,016
Property tax revenue	556,840	927,967	1,535,197	2,016,445
Other state revenue	179,247	248,306	384,852	659,104
Federal revenue	214,751	192,699	68,480	114,750
Contribution revenue	114,646	87,903	87,692	1,086,314
Other revenue	<u>735,044</u>	<u>364,025</u>	<u>485,740</u>	<u>54,224</u>
Total unrestricted revenues	2,051,201	2,244,924	3,308,037	4,966,853
EXPENSES:				
Program services	1,766,224	2,050,452	2,965,650	3,760,115
Management and general	<u>91,462</u>	<u>169,172</u>	<u>297,609</u>	<u>1,062,165</u>
Total expenses	1,857,686	2,219,624	3,263,259	4,822,280
Change in unrestricted net assets	193,515	25,300	44,778	144,573
Beginning unrestricted net assets	<u>(160,933)</u>	<u>32,582</u>	<u>57,882</u>	<u>102,660</u>
Ending unrestricted net assets	\$32,582	\$57,882	\$102,660	\$247,233

⁽¹⁾ Prior to 2015-16, "State aid" was labeled as "Block grant".

⁽²⁾ Includes the charge off of \$215,823 from the Public Charter School Grant Program. This amount has been included in accounts receivable since fiscal year 2014-15, but California Department of Education has maintained it is not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amount has been charged off in fiscal year 2016-17.

Sources: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 23
SUMMIT HOME OFFICE
Statement of Activities⁽¹⁾
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Unaudited (2016-17)</u>
REVENUES:				
State aid ⁽²⁾	--	--	--	--
Property tax revenue	--	--	--	--
Other state revenue	--	--	--	--
Federal revenue	--	--	--	--
Contribution revenue	\$5,039,280	\$10,407,889	\$12,684,628	\$28,309,418
Other revenue ⁽³⁾	<u>3,352,569</u>	<u>4,363,160</u>	<u>6,227,582</u>	<u>8,106,674</u>
Total unrestricted revenues	8,391,849	14,771,049	18,912,210	36,416,092
EXPENSES:				
Program services	6,070,433	8,286,206	13,164,096	25,277,399
Management and general	<u>2,068,617</u>	<u>3,503,858</u>	<u>5,224,721</u>	<u>7,140,408</u>
Total expenses	8,139,050	11,790,064	18,388,817	32,417,806
Transfer to Summit WA Schools	--	(131,923)	--	--
Change in unrestricted net assets	252,799	2,849,062	523,393	3,998,286
Beginning unrestricted net assets	<u>2,430,260</u>	<u>2,683,059</u>	<u>5,532,121</u>	<u>6,055,514</u>
Ending unrestricted net assets	\$2,683,059	\$5,532,121	\$6,055,514	\$10,053,800

⁽¹⁾ Summit Home Office and Summit Learning Program ("SLP") in aggregate sum to the "SPS" column in Summit's audited financial statements for Fiscal Years 2014-15 and 2015-16. Commencing with the audited financial statements for Fiscal Year 2016-17, Summit intends to display Summit Home Office and SLP operations separately, broken out into individual columns.

⁽²⁾ Prior to 2015-16, "State aid" was labeled as "Block grant".

⁽³⁾ Includes Gross Management Fees.

Source: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 24
THE SCHOOLS AND SUMMIT HOME OFFICE (CONSOLIDATED)
Statement of Activities⁽¹⁾
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Unaudited (2016-17)⁽³⁾</u>
REVENUES:				
State aid ⁽²⁾	\$296,853	\$573,424	\$1,780,142	\$2,247,883
Property tax revenue	1,249,522	2,360,430	3,112,576	4,413,911
Other state revenue	254,993	416,608	751,866	1,122,261
Federal revenue	449,167	362,508	121,601	214,146
Contribution revenue	5,177,308	10,529,038	12,810,939	30,678,796
Other revenue	<u>4,584,361</u>	<u>5,167,099</u>	<u>7,081,266</u>	<u>8,253,601</u>
Total unrestricted revenues	12,012,204	19,409,107	25,658,390	46,930,598
EXPENSES:				
Program services	9,210,726	12,376,884	19,256,470	32,423,982
Management and general	<u>2,240,475</u>	<u>3,823,532</u>	<u>5,723,291</u>	<u>9,159,188</u>
Total expenses	11,451,201	16,200,416	24,979,761	41,583,170
Change in unrestricted net assets	561,003	3,076,768	678,629	5,347,428
Beginning unrestricted net assets	<u>2,274,748</u>	<u>2,835,751</u>	<u>5,912,519</u>	<u>6,591,148</u>
Ending unrestricted net assets	\$2,835,751	\$5,912,519	\$6,591,148	\$11,938,576

⁽¹⁾ Summit Home Office and Summit Learning Program ("SLP") in aggregate sum to the "SPS" column in Summit's audited financial statements for Fiscal Years 2014-15 and 2015-16. Commencing with the audited financial statements for Fiscal Year 2016-17, Summit intends to display Summit Home Office and SLP operations separately, broken out into individual columns.

⁽²⁾ Prior to 2015-16, "State aid" was labeled as "Block grant".

⁽³⁾ Includes the charge off of \$392,003 from the Public Charter School Grant Program (\$176,180 for Summit Shasta and \$215,823 for Summit Denali). These amounts have been included in accounts receivable since fiscal year 2014-15, but California Department of Education ("CDE") has maintained they are not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amounts have been charged off in fiscal year 2016-17.

Source: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 25
SUMMIT PUBLIC SCHOOLS (NETWORK-WIDE)
Statement of Activities
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Unaudited (2016-17)⁽²⁾</u>
REVENUES:				
State aid ⁽¹⁾	\$2,966,235	\$4,389,789	\$7,392,722	\$11,162,761
Property tax revenue	7,829,160	9,802,905	11,761,550	15,074,658
Other state revenue	1,587,593	1,762,190	3,251,492	3,971,870
Federal revenue	1,219,823	1,303,695	1,508,928	1,551,257
Contribution revenue	5,584,115	10,843,165	12,008,853	37,970,748
Other revenue	<u>742,815</u>	<u>763,183</u>	<u>1,122,206</u>	<u>8,794,314</u>
Total unrestricted revenues	19,929,741	28,864,927	37,045,751	78,525,607
EXPENSES:				
Program services	15,585,623	19,719,667	25,115,545	56,337,092
Management and general	<u>2,988,578</u>	<u>4,716,116</u>	<u>7,852,305</u>	<u>13,852,661</u>
Total expenses	18,574,201	24,435,783	32,967,850	70,189,753
Change in unrestricted net assets	1,355,540	4,429,144	4,077,901	8,335,854
Beginning unrestricted net assets	<u>4,089,602</u>	<u>5,445,142</u>	<u>10,090,309</u>	<u>14,168,210</u>
Ending unrestricted net assets	\$5,445,142	\$9,874,286	\$14,168,210	\$22,504,064

⁽¹⁾ Prior to 2015-16, "State aid" was labeled as "Block grant".

⁽²⁾ Includes the charge off of \$392,003 from the Public Charter School Grant Program (\$176,180 for Summit Shasta and \$215,823 for Summit Denali). These amounts have been included in accounts receivable since fiscal year 2014-15, but California Department of Education ("CDE") has maintained they are not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amounts have been charged off in fiscal year 2016-17.

Source: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

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Historical Statements of Financial Position

The following tables set forth the assets, liabilities and net assets of Summit Shasta, Summit Denali Summit Home Office, the consolidated Obligated Group, and Summit (network-wide) as of June 30 of each year for fiscal years 2013-14 through 2016-17. The balance sheets for Summit Home Office include assets not pledged to the payment of debt service on the Bonds. Revenues for the payment of the portion of debt service on the Bonds attributable to Summit Home Office are limited to Gross Management Fees (as defined in the forepart of this Limited Offering Memorandum)

TABLE 26
SUMMIT SHASTA
Statement of Financial Position
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>(unaudited)</u> <u>2016-17⁽¹⁾</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$240,738	\$130,988	--	\$203,619
Accounts receivable	91,461	331,764	\$503,649	690,405
Intercompany receivable	--	--	--	--
Prepaid expenses and deposits	<u>79,630</u>	<u>51,088</u>	<u>78,188</u>	<u>68,862</u>
Total current assets	411,829	513,840	581,837	962,886
LONG-TERM ASSETS:				
Property, plant and equipment, net	<u>--</u>	<u>--</u>	<u>527,209</u>	<u>1,530,958</u>
Total long-term assets	<u>--</u>	<u>--</u>	<u>527,209</u>	<u>1,530,958</u>
Total Assets	411,829	\$513,840	\$1,109,046	\$2,493,844
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$41,719	\$23,893	\$23,045	\$38,591
Intercompany payable	--	--	568,924	--
Accrued liabilities	--	--	--	817,708
Charter school loan payable	<u>62,500</u>	<u>42,431</u>	<u>62,500</u>	<u>--</u>
Total current liabilities	104,219	66,324	654,469	856,300
LONG-TERM LIABILITIES:				
Charter school loan payable, net of current portion	187,500	125,000	21,603	--
Notes Payable	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total long-term liabilities	<u>187,500</u>	<u>125,000</u>	<u>21,603</u>	<u>--</u>
Total liabilities	291,719	191,324	676,072	856,300
NET ASSETS:				
Unrestricted	<u>120,110</u>	<u>322,516</u>	<u>432,974</u>	<u>1,637,544</u>
Total net assets	<u>120,110</u>	<u>322,516</u>	<u>432,974</u>	<u>1,637,544</u>
Total liabilities and net assets	<u>\$411,829</u>	<u>\$513,840</u>	<u>\$1,109,046</u>	<u>\$2,493,844</u>

⁽¹⁾ Includes the charge off of \$176,180 from the Public Charter School Grant Program. This amount has been included in accounts receivable since fiscal year 2014-15, but California Department of Education ("CDE") has maintained it is not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amount has been charged off in fiscal year 2016-17.

Sources: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 27
SUMMIT DENALI
Statement of Financial Position
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	(unaudited) <u>2016-17⁽¹⁾</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	--	--	--	\$139,553
Accounts receivable	\$478,525	\$397,468	\$814,723	1,761,285
Intercompany receivable	--	--	--	--
Prepaid expenses and deposits	275,388	230,197	350,168	146,936
Total current assets	753,913	627,665	1,164,891	2,047,774
LONG-TERM ASSETS:				
Property, plant and equipment, net	--	--	--	3,138,408
Total long-term assets	--	--	--	3,138,408
Total Assets	\$753,913	\$627,665	\$1,164,891	\$5,186,182
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$86,642	\$23,361	\$60,613	\$72,295
Intercompany payable	634,689	546,422	1,000,393	--
Accrued liabilities	--	--	1,225	3,366,654
Deferred revenue	--	--	--	1,500,000
Charter school loan payable	--	--	--	--
Total current liabilities	721,331	569,783	1,062,231	4,938,949
LONG-TERM LIABILITIES:				
Charter school loan payable, net of current portion	--	--	--	--
Notes Payable	--	--	--	--
Total long-term liabilities	--	--	--	--
Total liabilities	721,331	569,783	1,062,231	4,938,949
NET ASSETS:				
Unrestricted	32,582	57,882	102,660	247,233
Total net assets	32,582	57,882	102,660	247,233
Total liabilities and net assets	\$753,913	\$627,665	\$1,164,891	\$5,186,182

⁽¹⁾ Includes the charge off of \$215,823 from the Public Charter School Grant Program. This amount has been included in accounts receivable since fiscal year 2014-15, but California Department of Education has maintained it is not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amount has been charged off in fiscal year 2016-17.

Sources: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 28
SUMMIT HOME OFFICE
Statement of Financial Position⁽¹⁾
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>(unaudited)</u> <u>2016-17</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$1,740,728	\$4,492,557	\$2,986,565	\$9,941,281
Accounts receivable	186,270	380,458	532,099	4,710,085
Intercompany receivable	969,562	696,443	1,776,830	--
Prepaid expenses and deposits	<u>39,802</u>	<u>83,757</u>	<u>263,780</u>	<u>270,693</u>
Total current assets	2,936,362	5,653,215	5,559,274	14,922,059
LONG-TERM ASSETS:				
Property, plant and equipment, net	--	1,058,998	<u>907,713</u>	<u>942,692</u>
Total long-term assets	--	<u>1,058,998</u>	<u>907,713</u>	<u>942,692</u>
Total Assets	\$2,936,362	\$6,712,213	\$6,466,987	\$15,864,750
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$107,524	\$1,177,572	\$406,872	\$574,168
Intercompany payable	--	--	--	--
Accrued liabilities	9,779	2,520	4,601	424,312
Deferred revenue	136,000	--	--	4,812,472
Charter school loan payable	--	--	--	--
Total current liabilities	253,303	1,180,092	411,473	5,810,952
LONG-TERM LIABILITIES:				
Charter school loan payable, net of current portion	--	--	--	--
Notes Payable	--	--	--	--
Total long-term liabilities	--	--	--	--
Total liabilities	253,303	1,180,092	411,473	5,810,952
NET ASSETS:				
Unrestricted	<u>2,683,059</u>	<u>5,532,121</u>	<u>6,055,514</u>	<u>10,053,799</u>
Total net assets	<u>2,683,059</u>	<u>5,532,121</u>	<u>6,055,514</u>	<u>10,053,799</u>
Total liabilities and net assets	\$2,936,362	\$6,712,213	\$6,466,987	\$15,864,750

⁽¹⁾ Summit Home Office and Summit Learning Program ("SLP") in aggregate sum to the "SPS" column in Summit's audited financial statements for Fiscal Years 2014-15 and 2015-16. Commencing with the audited financial statements for Fiscal Year 2016-17, Summit intends to display Summit Home Office and SLP operations separately, broken out into individual columns.

Sources: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 29
THE SCHOOLS AND SUMMIT HOME OFFICE (CONSOLIDATED)
Statement of Financial Position⁽¹⁾
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>(unaudited)</u> <u>2016-17⁽²⁾</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$1,981,466	\$4,623,545	\$2,986,565	\$10,284,453
Accounts receivable	756,256	1,109,690	1,850,471	7,161,775
Intercompany receivable	969,562	696,443	1,776,830	--
Prepaid expenses and deposits	<u>394,820</u>	<u>365,042</u>	<u>692,136</u>	<u>486,491</u>
Total current assets	4,102,104	6,794,720	7,306,002	17,932,718
LONG-TERM ASSETS:				
Property, plant and equipment, net		1,058,998	1,434,922	5,612,057
Total long-term assets	--	<u>1,058,998</u>	<u>1,434,922</u>	<u>5,612,057</u>
Total Assets	\$4,102,104	\$7,853,718	\$8,740,924	\$23,544,776
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$235,885	\$1,224,826	\$490,530	\$685,054
Intercompany payable	634,689	546,422	1,569,317	--
Accrued liabilities	9,779	2,520	5,826	\$4,608,674
Deferred revenue	136,000	--	--	\$6,312,472
Charter school loan payable	<u>62,500</u>	<u>42,431</u>	<u>62,500</u>	--
Total current liabilities	1,078,853	1,816,199	2,128,173	11,606,200
LONG-TERM LIABILITIES:				
Charter school loan payable, net of current portion	187,500	125,000	21,603	--
Total long-term liabilities	<u>187,500</u>	<u>125,000</u>	<u>21,603</u>	--
Total liabilities	\$1,266,353	\$1,941,199	\$2,149,776	\$11,606,200
NET ASSETS:				
Unrestricted	2,835,751	5,912,519	6,591,148	11,938,576
Total net assets	<u>2,835,751</u>	<u>5,912,519</u>	<u>6,591,148</u>	<u>11,938,576</u>
Total liabilities and net assets	\$4,102,104	\$7,853,718	\$8,740,924	\$23,544,776

⁽¹⁾ Summit Home Office and Summit Learning Program ("SLP") in aggregate sum to the "SPS" column in Summit's audited financial statements for Fiscal Years 2014-15 and 2015-16. Commencing with the audited financial statements for Fiscal Year 2016-17, Summit intends to display Summit Home Office and SLP operations separately, broken out into individual columns.

⁽²⁾ Includes the charge off of \$392,003 from the Public Charter School Grant Program (\$176,180 for Summit Shasta and \$215,823 for Summit Denali). These amounts have been included in accounts receivable since fiscal year 2014-15, but California Department of Education ("CDE") has maintained they are not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amounts have been charged off in fiscal year 2016-17.

Sources: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

TABLE 30
SUMMIT PUBLIC SCHOOLS (NETWORK-WIDE)
Statement of Financial Position
2013-14 through 2016-17

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	(unaudited) <u>2016-17⁽¹⁾</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$4,077,683	\$7,615,694	\$9,285,726	\$17,808,210
Accounts receivable	1,993,219	2,216,624	3,378,812	10,289,154
Prepaid expenses and deposits	<u>835,571</u>	<u>1,174,463</u>	<u>1,758,277</u>	<u>2,133,196</u>
Total current assets	6,906,473	11,006,781	14,422,815	30,230,560
LONG-TERM ASSETS:				
Property, plant and equipment, net	--	1,058,998	1,434,922	6,323,555
Total long-term assets	<u>--</u>	<u>1,058,998</u>	<u>1,434,922</u>	<u>5,531,331</u>
Total Assets	\$6,906,473	\$12,065,779	\$15,857,737	\$36,554,115
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$784,526	\$1,932,727	\$1,499,598	\$1,355,631
Intercompany payable	--	--	--	--
Accrued liabilities	16,571	2,520	5,826	6,049,437
Deferred revenue	136,000	--	--	6,644,984
Charter school loan payable	237,500	131,246	62,500	--
Total current liabilities	1,174,597	2,066,493	1,567,924	14,050,052
LONG-TERM LIABILITIES:				
Charter school loan payable, net of current portion	286,734	125,000	21,603	--
Notes Payable	--	--	100,000	--
Total long-term liabilities	286,734	125,000	121,603	--
Total liabilities	\$1,461,331	\$2,191,493	\$1,689,527	\$14,050,052
NET ASSETS:				
Unrestricted	5,445,142	9,874,286	14,168,210	22,504,063
Total net assets	<u>5,445,142</u>	<u>9,874,286</u>	<u>14,168,210</u>	<u>22,504,063</u>
Total liabilities and net assets	\$6,906,473	\$12,065,779	\$15,857,737	\$36,554,115

⁽¹⁾ Includes the charge off of \$392,003 from the Public Charter School Grant Program (\$176,180 for Summit Shasta and \$215,823 for Summit Denali). These amounts have been included in accounts receivable since fiscal year 2014-15, but California Department of Education ("CDE") has maintained they are not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amounts have been charged off in fiscal year 2016-17.

Sources: Summit; Audited Financial Reports for Fiscal Years 2013-14 through 2015-16. Unaudited Financial Reports for Fiscal Year 2016-17.

Financial Statements

The consolidated audited financial statements of Summit (including the Schools) and Summit Home Office for the fiscal year ended June 30, 2016 are set forth in "APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF SUMMIT AND AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2016" attached to this Limited Offering Memorandum. The Borrower has not had substantial financial activity prior to the issuance of the Bonds, and accordingly does not have audited financial statements for the fiscal years ending June 30, 2016 or June 30, 2017.

Retirement Systems

Qualified employees of Summit participate in the California State Teachers Retirement System ("STRS"). Employees who are not members of STRS participate in a 401(a) retirement plan. Summit makes required employer contributions to STRS and the 401(a) retirement plan, as discussed herein.

The information set forth below regarding the STRS program, other than the information provided by Summit regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by Summit or the Underwriters.

STRS. Summit’s full-time certificated teachers are members of the State Teachers’ Retirement System. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the “STRS Defined Benefit Program”). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed legislation described below to increase contribution rates.

Prior to July 1, 2014, participant employers were required by statute to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor approved A.B. 1469 (“A.B. 1469”) as a part of the 2014-15 State Budget. A.B. 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, participant employer and State contributions to STRS. Commencing on July 1, 2014, the employee contribution rates will increase over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: A.B. 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. While the contribution rate for employees hired after the Implementation Date will remain unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, the STRS actuary currently estimates that member contribution rates for such members will have to increase to 10.205% of creditable compensation effective July 1, 2018, based on the new actuarial assumptions discussed below.

Pursuant to A.B. 1469, participant employers’ contribution rates are increasing over a seven year phase in period in accordance with the following schedule:

**EMPLOYER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>Participant Employers</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: A.B. 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter, the STRS Teachers' Retirement Board (the "STRS Board") is required to increase or decrease the participant employers' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, A.B. 1469 also requires the STRS Board to report to the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for participant employers and the State in order to eliminate the 2014 Liability.

Summit's contributions to STRS were \$663,328 for fiscal year 2013-14, \$846,158 for fiscal year 2014-15 and \$1,139,627 for fiscal year 2015-16. Summit's estimated contributions to STRS for fiscal year 2016-17 were \$1,505,097, and Summit estimates a contribution of \$2,189,703 for fiscal year 2017-18.

The State also contributes to STRS, currently in an amount equal to 6.328% of teacher payroll for fiscal year 2016-17. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. For the first time, in fiscal year 2017-18, the State contribution rate will increase 0.5% of covered payroll (the maximum rate increases allowed per year under current law) to 6.828%

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

State Pension Trust. STRS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from STRS as follows: STRS, P.O. Box 15275, Sacramento, California 95851-0275. Moreover, STRS maintains a website, as follows: STRS: www.calstrs.com. The information presented in such financial reports or on such website is not incorporated into this Limited Offering Memorandum by any reference.

STRS has substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for STRS.

Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2015-16

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)⁽²⁾	Unfunded Liability (MVA)⁽²⁾	Value of Trust Assets (AVA)⁽³⁾	Unfunded Liability (AVA)⁽³⁾
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

⁽³⁾ Reflects actuarial value of assets.

Source: STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2016 Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, recent investment experience and the insufficiency of the contributions received in fiscal year 2015-16 to cover interest on the unfunded actuarial obligation, the 2016 Actuarial Valuation reports that the unfunded actuarial obligation increased by \$20.5 billion since the June 30, 2015 actuarial valuation and the funded ratio decreased by 4.8% to 63.7% over such time period. Had the investment rate of return been lowered to 7.00% for the 2016 Actuarial Valuation, the unfunded actuarial obligation and the funded ratio would have been \$105.1 billion and 61.8%, respectively. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2016 Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates

allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

Neither Summit nor the Borrower can make any representations regarding the future program liabilities of STRS, or whether Summit will be required to make additional contributions to STRS in the future above those amounts required under A.B. 1469.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which made changes to STRS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Among the other changes to STRS, the Reform Act also: (i) requires all new participants enrolled in STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Defined Contribution Plan. Summit offers a 401(a) retirement plan (the "Plan") to each of its qualifying employees. Employer matching contributions are made at the same rate as STRS for each employee who is eligible for employer contributions. Summit's contributions to the Plan were \$715,154 for fiscal year 2015-16, Summit's unaudited contributions to the Plan for fiscal year 2016-17 were \$1,327,792, and Summit has budgeted for a contribution of \$2,354,654 for fiscal year 2017-18.

SB 740

Certain Summit campuses are eligible to receive funding under the California law referred to herein as SB 740, which provides for reimbursement of facilities lease costs of 75% of the actual lease cost to the extent funded by the State up to a limit of \$1,117 per unit of classroom based ADA. To be eligible for SB 740 reimbursement, a charter school must serve a student population with at least 55% of their student population eligible for free or reduced lunch, or be located in a public elementary school attendance area with such composition.

During fiscal year 2016-17, SB 740 funding was awarded to Summit in the amount of \$294,675 relating to the operation of Summit Denali. Summit Shasta has not been awarded any SB 740 funding for the fiscal year 2016-17 because it has been leasing its school facilities directly from Jefferson UHSD pursuant to Proposition 39 facility arrangements, which are ineligible for SB 740 reimbursement. Upon completion of the Summit Shasta Facility, Summit expects that rent payments related to the Summit Shasta Facility will be eligible for SB 740 reimbursement beginning with the 2019-20 school year.

There can be no assurance that any particular level of SB 740 funding will be available in fiscal year 2017-18 or any future year, or that Summit Denali, Summit Shasta or any other schools operated by Summit will remain eligible for such funding. See "CALIFORNIA STATE FUNDING OF EDUCATION –

Allocation of State Funding to Charter Schools – SB 740 Facilities Grant Program Funding” in the forepart of this Limited Offering Memorandum.

Facility Leases and Use Agreements

Summit Shasta currently operates in temporary facilities located at the Existing Summit Shasta Site at 699 Serramonte Boulevard, Daly City, California, in space leased from Jefferson UHSD pursuant to the Settlement Agreement. Campus Drive LLC has been provided a long-term ground lease for the Summit Shasta Site, a separate piece of land located adjacent to the Existing Summit Shasta Site, by Jefferson UHSD. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Ground Leases; Interests Conveyed Under the Leases” in the forepart of this Limited Offering Memorandum. Upon the completion of the Summit Shasta Project, Summit expects Summit Shasta to relocate to the Summit Shasta Facility, located at the Summit Shasta Site. Under the Shasta Ground Lease, 895 Campus Drive, LLC will pay monthly rent in the amount of \$12,052 commencing when Summit occupies the Summit Shasta Facility in 2018.

Summit Denali currently operates grades 7-10 at the Summit Denali Middle School Site at 539 E. Weddell Drive, Sunnyvale, California, in facilities leased from Sunnyvale International Church pursuant to the Existing Summit Denali Lease. The Summit Denali Middle School Site includes approximately 1.38 acres of land located at 539 E. Weddell Drive, improved with a building consisting of approximately 19,856 square feet of space. The Existing Summit Denali Lease is effective as of December 10, 2015 and terminates on July 1, 2035. Pursuant to the terms of the Existing Summit Denali Lease, Summit will pay monthly rent in the amount of \$16,500. Summit Denali currently operates grade 6 at the Summit Denali Mountain View Site at 1012 Linda Vista Avenue, Mountain View, California, in facilities subleased from Santa Clara County Office of Education pursuant to the Summit Denali Mountain View Sublease. Under the Summit Denali Mountain View Sublease, Summit pays monthly rent in the amount of \$14,000, with two months rent-free in lieu of tenant improvements.

Upon the completion of the Summit Denali Project, Summit expects grades 9-12 of Summit Denali to relocate to the Summit Denali Facility, located at 824 San Aleso Avenue, Sunnyvale, California, owned by San Aleso LLC and leased to Summit. Grades 6-8 of Summit Denali will continue to operate at the Summit Denali Middle School Site. Summit does not anticipate continuing to operate at the Summit Denali Mountain View Site following the expiration of the Summit Denali Mountain View Sublease on August 31, 2018, as the owner of the Summit Denali Mountain View Site is expected to demolish the existing building following the expiration of the sublease.

Summit Home Office currently operates at the Existing Home Office Site at 900 Island Drive, Redwood City, California, pursuant to a sublease between Avangate, Inc. and Summit (the “Existing Home Office Lease”). The Existing Home Office Site includes 8,577 square feet of office space in a building. The Existing Home Office Lease is effective as of September 1, 2016, and terminates on March 30, 2018. Pursuant to the terms of the Existing Home Office Lease, Summit will pay monthly rent in the amount of \$27,446.

Under the Home Office Ground Lease, the EdFuture, LLC will pay annual base rent in the amount of \$228,000 for the first year and \$288,000 for the succeeding three years, with annual base rent increasing by 6% in September 1, 2021, and every three years thereafter. The Home Office Ground Lease is subject to rent abatement, whereby EdFuture, LLC will not pay any ground rent thereunder for a period of twelve months following the satisfaction of certain conditions. Thereafter, as long as such conditions are satisfied, EdFuture, LLC will be relieved of its obligation to pay ground rent for a single month in each year for the succeeding eight years. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Ground Leases; Interests Conveyed Under the Leases” in the forepart of this Limited Offering Memorandum. Upon the completion of the Summit Home Office Project, Summit expects to relocate Summit Home Office from the Existing Summit Home Office Site to the Summit Home Office Facility in April 2018.

For a description of the Leases, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases” in the forepart of this Limited Offering Memorandum.

No Material Litigation

No action, suit, proceeding or investigation at law or in equity, before or by any court, governmental agency or public board or body is pending or, to the knowledge of Summit or the Borrower, threatened, affecting the validity of the Leases or the Bonds or contesting the corporate existence of the Borrower, Summit or its authority to operate pursuant to its charters.

In September 2017, Summit’s insurer settled a civil complaint that was filed against Summit, which included allegations of misconduct by a teacher employed at Summit Tahoma towards a former student. The teacher is no longer employed by Summit. Summit’s insurer confirmed that all settlement amounts are covered under Summit’s general liability insurance policy. The insurer has obtained a release and expects the complaint to be dismissed in accordance with the settlement agreement.

Summit is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the management of Summit, the aggregate amount of the uninsured liabilities for such lawsuits and claims will not materially affect the finances of Summit or its operation of the Schools.

OBLIGATED GROUP PROJECTIONS AND COVERAGE RATIOS

Notwithstanding Summit’s history of performance with respect to its charter schools in California, future financial performance of Summit Shasta, Summit Denali and Summit Home Office may not equal or exceed the projections set forth in this Limited Offering Memorandum. No assurance is given that such projections will be met, or that the number of students attending the Schools may not diminish in the future. The projections of revenue and expenses for the Schools contained in this Appendix A are based upon the number of students projected to be enrolled at the Schools and were prepared by Summit for the Borrower and have not been independently verified by any party other than Summit. See “THE SCHOOLS – Enrollment, Attendance & Student Retention” herein for information regarding current and projected enrollment of the Schools.

No feasibility studies have been conducted with respect to operations of the Facilities pertinent to the Bonds. The projections are “forward-looking statements” and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified the Borrower’s projections set forth in Appendix A or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct. Further, the projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Bonds will be outstanding.

SUMMIT PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS’ UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC

TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO “INTRODUCTION” IN THE FOREPART OF THIS LIMITED OFFERING MEMORANDUM FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

The tables on the following pages set forth unaudited historical and projected revenues and expenses for Summit Shasta, Summit Denali, Summit Home Office, and the rest of the Summit network for Fiscal Years 2014-15 through 2021-22.

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TABLE 31-1
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Unaudited 2014-15	Unaudited 2014-15	Unaudited 2014-15	Unaudited 2014-15	Unaudited 2014-15	Unaudited 2014-15	Unaudited 2014-15
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3][4]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^[6]	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	206	-	220	1,495	1,921
Revenues							
Gross Management Fee Revenue ^[9]	\$2,227,338	\$-	\$-	\$-	\$-	\$-	\$2,227,338
State Apportionment Revenue	-	-	1,351,991	-	1,581,863	11,258,840	14,192,694
Federal Revenue	-	-	192,699	-	169,809	941,187	1,303,695
Other State Revenue	1,897,278	-	248,305	-	168,302	1,345,582	3,659,468
Other Local Revenue	238,544	-	46,027	-	39,916	408,993	733,481
Donations, Philanthropy & Grants ^[10]	6,492,989	3,914,900	405,903	-	433,246	1,097,367	12,344,405
Total Revenues	\$10,856,149	\$3,914,900	\$2,244,925	\$-	\$2,393,136	\$15,051,970	\$34,461,080
Expenses							
Certificated Salaries ^[11]	\$1,625,694	\$1,299,864	\$643,018	\$-	\$720,496	\$5,666,960	\$9,956,033
Classified Salaries	1,498,238	1,366,451	119,494	-	54,476	370,205	3,408,864
Employee Benefits	511,071	547,916	157,793	-	146,479	1,211,128	2,574,387
Books & Supplies	213,145	146,649	341,193	-	307,677	1,312,128	2,320,792
Operating Services ^[12]	3,946,362	553,584	481,920	-	395,851	2,920,544	8,298,261
Home Office Management Fees ^[9]	-	-	300,000	-	300,000	1,627,338	2,227,338
Base Rent ^[13]	10,051	436	176,206	-	265,750	741,587	1,194,031
Depreciation	70,600	-	-	-	-	-	70,600
Total Expenses	\$7,875,162	\$3,914,900	\$2,219,625	\$-	\$2,190,729	\$13,849,890	\$30,050,306
Net Income	\$2,980,987	\$-	\$25,300	\$-	\$202,407	\$1,202,080	\$4,410,774

Source: Summit.

[FOOTNOTES FOLLOW TABLE 31-8 BELOW]

TABLE 31-2
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Unaudited 2015-16	Unaudited 2015-16	Unaudited 2015-16	Unaudited 2015-16	Unaudited 2015-16	Unaudited 2015-16	Unaudited 2015-16
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3] [4]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^[6]	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	321	-	325	1,862	2,508
Revenues							
Gross Management Fee Revenue ^[9]	\$3,031,013	\$-	\$-	\$-	\$-	\$-	\$3,031,013
State Apportionment Revenue	-	-	2,281,273	-	2,611,445	13,696,262	18,588,980
Federal Revenue	-	-	68,480	-	53,121	1,371,713	1,493,314
Other State Revenue	2,172,573	-	384,852	-	367,014	2,362,581	5,287,020
Other Local Revenue	1,023,996	-	43,739	-	62,946	473,545	1,604,227
Donations, Philanthropy & Grants ^[10]	4,802,224	7,882,404	529,692	-	343,619	881,827	14,439,766
Total Revenues	\$11,029,807	\$7,882,404	\$3,308,037	\$-	\$3,438,144	\$18,785,929	\$44,444,321
Expenses							
Certificated Salaries ^[11]	\$1,765,298	\$1,346,827	\$951,150	\$-	\$1,008,704	\$5,872,039	\$10,944,019
Classified Salaries	2,093,955	2,214,042	155,830	-	65,982	541,856	5,071,665
Employee Benefits	796,249	717,786	237,061	-	243,001	1,401,172	3,395,269
Books & Supplies	199,145	260,685	193,449	-	251,534	2,114,403	3,019,216
Operating Services ^[12]	5,496,304	3,338,142	905,665	-	812,922	3,937,408	14,490,442
Home Office Management Fees ^[9]	-	-	357,000	-	357,000	2,317,013	3,031,013
Base Rent ^[13]	4,179	4,922	463,103	-	61,333	517,869	1,051,407
Depreciation	151,285	-	-	-	527,209	-	678,494
Total Expenses	\$10,506,415	\$7,882,404	\$3,263,259	\$-	\$3,327,686	\$16,701,760	\$41,681,524
Net Income	\$523,392	\$-	\$44,778	\$-	\$110,458	\$2,084,168	\$2,762,797

Source: Summit.

[FOOTNOTES FOLLOW TABLE 31-8 BELOW]

TABLE 31-3
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Unaudited 2016-17	Unaudited 2016-17	Unaudited 2016-17	Unaudited 2016-17	Unaudited 2016-17	Unaudited 2016-17	Unaudited 2016-17
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3] [4] [14]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^{[6] [14]}	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	322	89	425	2,265	3,101
Revenues							
Gross Management Fee Revenue ^[9]	\$4,531,079	\$-	\$-	\$-	\$-	\$-	\$4,531,079
State Apportionment Revenue	-	-	2,320,911	731,550	3,609,333	19,575,625	26,237,419
Federal Revenue	-	-	98,756	15,994	99,396	1,337,111	1,551,257
Other State Revenue	2,748,831	-	539,063	120,042	463,157	2,849,609	6,720,701
Other Local Revenue	826,764	-	42,501	11,722	92,703	540,713	1,514,404
Donations, Philanthropy & Grants ^[10]	8,739,745	19,569,672	851,466	234,847	1,283,065	7,291,952	37,970,748
Total Revenues	\$16,846,419	\$19,569,672	\$3,852,697	\$1,114,155	\$5,547,654	\$31,595,009	\$78,525,607
Expenses							
Certificated Salaries ^[11]	\$1,354,746	\$2,915,256	\$796,952	\$219,811	\$1,256,446	\$7,450,063	\$13,993,274
Classified Salaries	2,153,972	5,870,993	336,682	92,862	170,119	2,510,300	11,134,928
Employee Benefits	831,784	1,969,443	269,985	74,466	362,793	2,526,277	6,034,747
Books & Supplies	208,559	2,146,590	295,015	81,370	322,683	2,932,877	5,987,094
Operating Services ^[12]	7,490,659	6,324,723	1,138,806	253,119	1,141,723	8,339,286	24,688,317
Home Office Management Fees ^[9]	-	-	379,137	104,572	554,161	3,493,209	4,531,079
Base Rent ^[13]	127,628	342,668	478,860	132,077	51,600	1,320,043	2,452,876
Depreciation	680,786	-	132,124	36,442	483,559	34,528	1,367,439
Total Expenses	\$12,848,134	\$19,569,672	\$3,827,562	\$994,719	\$4,343,084	\$28,606,583	\$70,189,753
Net Income	\$3,998,286	\$-	\$25,136	\$119,437	\$1,204,570	\$2,988,426	\$8,335,854

Source: Summit.

[FOOTNOTES FOLLOW TABLE 31-8 BELOW]

TABLE 31-4
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Projected 2017-18	Projected 2017-18	Projected 2017-18	Projected 2017-18	Projected 2017-18	Projected 2017-18	Projected 2017-18
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3][4]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^[6]	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	280	203	460	2,804	3,747
Revenues							
Gross Management Fee Revenue ^[9]	\$5,838,987	\$-	\$-	\$-	\$-	\$-	\$5,838,987
State Apportionment Revenue	-	-	2,098,110	1,652,436	3,988,311	25,574,253	33,313,109
Federal Revenue	-	-	96,273	59,755	107,327	1,238,869	1,502,224
Other State Revenue	356,843	-	438,005	205,216	425,105	2,014,489	3,439,658
Other Local Revenue	-	-	25,858	28,582	73,302	356,336	484,078
Donations, Philanthropy & Grants ^[10]	338,000	40,114,955	237,909	50,000	2,200,000	5,502,882	48,443,746
Total Revenues	\$6,533,831	\$40,114,955	\$2,896,154	\$1,995,989	\$6,794,045	\$34,686,829	\$93,021,803
Expenses							
Certificated Salaries ^[11]	\$488,199	\$2,732,240	\$1,173,952	\$738,103	\$1,479,365	\$11,599,333	\$18,211,192
Classified Salaries	3,695,387	11,331,533	51,663	61,933	104,620	1,437,537	16,682,673
Employee Benefits	930,251	3,308,467	366,376	234,076	419,177	3,666,517	8,924,863
Books & Supplies	141,002	3,440,857	325,853	151,965	367,636	2,250,522	6,677,836
Operating Services ^[12]	785,480	18,394,145	252,401	399,126	813,700	8,452,640	29,097,492
Home Office Management Fees ^[9]	-	-	370,210	264,390	638,130	4,566,258	5,838,987
Base Rent ^[13]	418,018	-	345,221	95,983	51,600	1,775,373	2,686,194
Depreciation	-	907,713	162,909	-	469,373	139,201	1,679,196
Total Expenses	\$6,458,337	\$40,114,955	\$3,048,586	\$1,945,576	\$4,343,601	\$33,887,380	\$89,798,434
Net Income	\$75,494	\$(0)	\$(152,431)	\$50,413	\$2,450,444	\$799,449	\$3,223,368

Source: Summit.

[FOOTNOTES FOLLOW TABLE 31-8 BELOW]

TABLE 31-5
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Projected 2018-19	Projected 2018-19	Projected 2018-19	Projected 2018-19	Projected 2018-19	Projected 2018-19	Projected 2018-19
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3][4]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^[6]	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	285	305	462	3,547	4,599
Revenues							
Gross Management Fee Revenue ^[9]	\$6,601,742	\$-	\$-	\$-	\$-	\$-	\$6,601,742
State Apportionment Revenue	-	-	2,237,213	2,669,310	4,149,881	33,110,068	42,166,472
Federal Revenue	-	-	105,674	97,002	111,842	1,483,739	1,798,257
Other State Revenue	424,053	-	324,914	245,291	378,138	2,151,648	3,524,045
Other Local Revenue	-	-	46,778	44,735	73,434	413,874	578,821
Donations, Philanthropy & Grants ^[10]	374,000	46,277,047	547,909	50,000	2,000,000	4,932,048	54,181,004
Total Revenues	\$7,399,795	\$46,277,047	\$3,262,488	\$3,106,337	\$6,713,295	\$42,091,378	\$108,850,340
Expenses							
Certificated Salaries ^[11]	\$507,727	\$3,516,207	\$1,312,973	\$1,022,693	\$1,532,622	\$14,321,164	\$22,213,386
Classified Salaries	4,243,203	11,671,479	268,326	64,163	107,759	1,609,526	17,964,455
Employee Benefits	1,049,950	3,653,500	449,428	343,732	479,066	4,887,251	10,862,927
Books & Supplies	144,527	3,552,375	319,186	282,237	423,046	2,611,284	7,332,654
Operating Services ^[12]	805,117	23,883,486	200,043	629,786	835,863	9,356,141	35,710,437
Home Office Management Fees ^[9]	-	-	357,954	427,090	663,981	5,152,717	6,601,742
Base Rent ^[13]	72,000	-	184,796	72,808	72,000	2,204,362	2,605,966
Depreciation	-	-	162,909	-	-	139,201	302,110
Total Expenses	\$6,822,525	\$46,277,047	\$3,255,615	\$2,842,507	\$4,114,337	\$40,281,646	\$103,593,676
Net Income	\$577,270	\$-	\$6,873	\$263,830	\$2,598,958	\$1,809,732	\$5,256,664

Source: Summit.

[FOOTNOTES FOLLOW TABLE 31-8 BELOW]

TABLE 31-6
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Projected 2019-20	Projected 2019-20	Projected 2019-20	Projected 2019-20	Projected 2019-20	Projected 2019-20	Projected 2019-20
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3][4]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^[6]	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	325	400	463	3,994	5,182
Revenues							
Gross Management Fee Revenue ^[9]	\$7,755,213	\$-	\$-	\$-	\$-	\$-	\$7,755,213
State Apportionment Revenue	-	-	2,587,990	3,687,697	4,281,067	39,273,607	49,830,360
Federal Revenue	-	-	119,912	131,999	112,162	1,641,389	2,005,463
Other State Revenue	481,265	-	383,259	591,352	705,221	2,405,020	4,566,118
Other Local Revenue	-	-	55,811	55,887	73,500	450,750	635,948
Donations, Philanthropy & Grants ^[10]	365,000	53,943,648	237,909	50,000	2,000,000	3,909,312	60,505,869
Total Revenues	\$8,601,478	\$53,943,648	\$3,384,881	\$4,516,935	\$7,171,951	\$47,680,078	\$125,298,970
Expenses							
Certificated Salaries ^[11]	\$528,037	\$4,184,074	\$1,264,860	\$1,455,611	\$1,587,796	\$16,131,155	\$25,151,532
Classified Salaries	4,412,931	12,021,623	169,954	173,802	110,991	1,710,206	18,599,508
Employee Benefits	1,113,356	3,982,488	432,699	545,116	520,738	5,817,397	12,411,794
Books & Supplies	148,140	3,658,946	387,282	311,066	380,479	2,681,477	7,567,390
Operating Services ^[12]	825,245	30,096,516	183,913	837,134	858,659	10,385,554	43,187,020
Home Office Management Fees ^[9]	-	-	414,078	590,031	684,971	6,066,132	7,755,213
Base Rent ^[13]	612,328	-	245,602	757,945	957,298	2,418,951	4,992,122
Depreciation	-	-	162,909	-	-	139,201	302,110
Total Expenses	\$7,640,036	\$53,943,648	\$3,261,296	\$4,670,705	\$5,100,931	\$45,350,073	\$119,966,689
Net Income	\$961,442	\$-	\$123,585	\$(153,770)	\$2,071,020	\$2,330,004	\$5,332,281

Source: Summit.

[FOOTNOTES FOLLOW TABLE 31-8 BELOW]

TABLE 31-7
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Projected 2020-21	Projected 2020-21	Projected 2020-21	Projected 2020-21	Projected 2020-21	Projected 2020-21	Projected 2020-21
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3][4]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^[6]	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	325	420	460	4,251	5,456
Revenues							
Gross Management Fee Revenue ^[9]	\$8,351,304	\$-	\$-	\$-	\$-	\$-	\$8,351,304
State Apportionment Revenue	-	-	2,753,802	3,968,214	4,407,377	43,162,050	54,291,442
Federal Revenue	-	-	124,113	147,592	112,077	1,751,900	2,135,683
Other State Revenue	510,893	-	382,643	621,471	700,911	2,536,114	4,752,032
Other Local Revenue	-	-	56,577	57,630	73,302	466,416	653,924
Donations, Philanthropy & Grants ^[10]	128,000	61,397,889	237,909	50,000	2,000,000	2,728,892	66,542,690
Total Revenues	\$8,990,197	\$61,397,889	\$3,555,044	\$4,844,907	\$7,293,667	\$50,645,372	\$136,727,076
Expenses							
Certificated Salaries ^[11]	\$549,158	\$4,871,976	\$1,246,195	\$1,572,212	\$1,644,957	\$17,485,940	\$27,370,438
Classified Salaries	4,589,448	12,382,272	153,110	202,298	114,321	1,791,047	19,232,497
Employee Benefits	1,175,787	4,301,238	441,847	615,387	578,603	6,479,750	13,592,611
Books & Supplies	151,844	3,768,714	407,230	313,733	387,473	2,766,693	7,795,687
Operating Services ^[12]	845,876	36,073,689	164,649	853,576	881,998	11,165,112	49,984,899
Home Office Management Fees ^[9]	-	-	440,608	634,914	705,180	6,570,602	8,351,304
Base Rent ^[13]	614,078	-	245,602	755,945	954,298	2,540,007	5,109,928
Depreciation	-	-	162,909	-	-	139,201	302,110
Total Expenses	\$7,926,190	\$61,397,889	\$3,262,151	\$4,948,065	\$5,266,829	\$48,938,351	\$131,739,475
Net Income	\$1,064,007	\$-	\$292,893	\$(103,158)	\$2,026,838	\$1,707,020	\$4,987,601

Source: Summit.

[FOOTNOTES FOLLOW TABLE 31-8 BELOW]

TABLE 31-8
SUMMIT PUBLIC SCHOOLS
 Unaudited Historical and Projected Financials
 2014-15 through 2021-22

	Projected 2021-22	Projected 2021-22	Projected 2021-22	Projected 2021-22	Projected 2021-22	Projected 2021-22	Projected 2021-22
	Summit Home Office ^[1]	Summit Learning Program (SLP) ^{[1][2]}	Summit Denali Middle School ^{[3][4]}	Summit Denali High School ^{[3][5]}	Summit Shasta ^[6]	Summit Washington & Other SPS Schools ^[7]	Total Summit Network ^[8]
Enrollment							
Enrollment (Grades 6-12)	-	-	325	425	442	4,361	5,553
Revenues							
Gross Management Fee Revenue ^[9]	\$8,662,272	\$-	\$-	\$-	\$-	\$-	\$8,662,272
State Apportionment Revenue	-	-	2,839,194	4,067,605	4,323,142	45,035,624	56,265,565
Federal Revenue	-	-	124,061	149,467	110,442	1,819,281	2,203,252
Other State Revenue	537,020	-	385,343	626,147	675,049	2,659,309	4,882,868
Other Local Revenue	-	-	57,979	57,630	72,110	478,410	666,128
Donations, Philanthropy & Grants ^[10]	108,000	68,731,825	237,909	50,000	2,000,000	2,785,904	73,913,638
Total Revenues	\$9,307,291	\$68,731,825	\$3,644,486	\$4,950,849	\$7,180,743	\$52,778,528	\$146,593,723
Expenses							
Certificated Salaries ^[11]	\$571,124	\$5,597,315	\$1,291,058	\$1,628,812	\$1,704,175	\$18,343,996	\$29,136,481
Classified Salaries	4,773,026	12,753,740	157,878	209,580	117,751	1,848,986	19,860,961
Employee Benefits	1,236,394	4,609,451	462,858	647,085	592,897	6,890,650	14,439,334
Books & Supplies	155,640	3,881,776	423,168	316,762	392,327	2,822,376	7,992,050
Operating Services ^[12]	867,023	41,889,544	167,001	864,550	903,841	11,486,595	56,178,553
Home Office Management Fees ^[9]	-	-	454,271	650,817	691,703	6,865,481	8,662,272
Base Rent ^[13]	626,418	-	245,602	758,695	633,548	2,661,541	4,925,802
Depreciation	-	-	162,909	-	-	139,201	302,110
Total Expenses	\$8,229,624	\$68,731,825	\$3,364,745	\$5,076,301	\$5,036,242	\$51,058,825	\$141,497,562
Net Income	\$1,077,667	\$-	\$279,742	\$(125,452)	\$2,144,501	\$1,719,703	\$5,096,161

⁽¹⁾ Summit Home Office and Summit Learning Program (“SLP”) in aggregate sum to the “SPS” column in Summit’s audited financial statements for Fiscal Years 2014-15 and 2015-16. Commencing with the audited financial statements for Fiscal Year 2016-17, Summit intends to display Summit Home Office and SLP operations separately, broken out into individual columns.

⁽²⁾ The Summit Learning Program is a comprehensive learning system that Summit has been developing since 2012. It combines curriculum, instruction and assessment through an innovative technology platform called the Summit Learning Platform (“the Platform”) used by students, teachers, school leaders and parents to manage every aspect of each child’s academic progress (see “SUMMIT PUBLIC SCHOOLS – Summit Learning Platform” herein). The Platform was developed in collaboration with Mark Zuckerberg and Facebook and piloted with distribution across 19 non-Summit schools in 2014-15. SLP has since expanded to serve 330 participating schools across 40 states funded entirely through philanthropy and at no cost to the participating school. The Chan Zuckerberg Initiative (“CZI”) is the long-term engineering partner for the Platform and has funded SLP with its philanthropic donations. Summit Learning’s financial operations have grown significantly over the past several years, from an annual budget of

\$3.9 million in 2014-15 to approximately \$40 million in 2017-18. NOTE: All historical figures for SLP are unaudited and all projected figures are for illustrative purposes only. Projections for SLP depend on Summit's annual fundraising campaign for the Platform and projections are not based on any guarantees or expectations of future pledges, grants or other funding with philanthropic partners (see "CERTAIN RISK FACTORS – Risk of Noncontinued Philanthropy or Grants" and "CERTAIN RISK FACTORS – Risk of Noncontinued Operating Income Unrelated to Charter School Operation" in the forepart of this Limited Offering Memorandum).

⁽³⁾ Summit Denali Middle School (grades 6-8) and Summit Denali High School (grades 9-12) in aggregate sum to the "Denali" column in Summit's audited financial statements for Fiscal Years 2014-15 and 2015-16. Commencing with the audited financial statements for Fiscal Year 2016-17, Summit intends to display Denali Middle School and Denali High School operations separately, broken out into individual columns. Summit's obligation to pay Rent and other monetary obligations under the Denali Lease is limited solely to revenues attributable to the operation of grades 9-12 at the Summit Denali High School Site.

⁽⁴⁾ Summit Denali Middle School opened in 2013-14 and reached full enrollment of 325 students in 2015-16. In 2017-18, due to facilities constraints and split campuses for the middle schools, 6th grade enrollment was limited to only 60 students (compared to the usual 110-student cohort). Enrollment at the middle school is projected to return to full enrollment levels by 2019-20 once the Summit Denali Facility for grades 9-12 is completed in 2019-20 (see "THE PROJECT – Summit Denali Project – Approvals; Project Timeline" in the forepart of this Limited Offering Memorandum).

⁽⁵⁾ Only grades 9-12 at Summit Denali are pledged as revenues for repayment of the Bonds (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Limited Offering Memorandum). 2016-17 was the first year Summit Denali had a 9th grade class (for 2017-18, Summit Denali serves 9th and 10th grade). Summit Denali High School is expected to reach full enrollment of 420 students by 2020-21.

⁽⁶⁾ Summit Shasta (grades 9-12) opened in 2013-14 and reached full enrollment of 460 students in 2017-18. In 2017-18, Summit Shasta accepted 140 students in 9th grade (compared to the usual 120-student cohort). Summit expects to operate Summit Shasta at approximately 460 students through 2020-21, until this enlarged cohort graduates, then revert to a typical enrollment level of 442 students total in grades 9-12 by 2021-22.

⁽⁷⁾ Represents all Summit schools aside from Summit Shasta and Summit Denali plus Summit Public Schools Washington ("Summit WA" in Summit's audited financial statements). Summit Olympus (grades 9-12 at full enrollment) opened in 2015-16 in Tacoma, Washington and Summit Sierra (grades 9-12 at full enrollment) opened in 2015-16 in Seattle, Washington. Summit Tamalpais (grades 7-12 at full enrollment) opened in 2016-17 in San Jose, California. Summit Atlas (grades 6-12 at full enrollment) opened in 2017-18 in Seattle, Washington.

⁽⁸⁾ For 2014-15 and 2015-16, totals do not match the "Total" column in Summit's audited financials as these figures exclude the "Eliminations" column of the audited financials. All figures presented for 2014-15, 2015-16 and 2016-17 are unaudited figures and are for illustrative purposes only.

⁽⁹⁾ Represents management fees paid by each Summit school to Summit Home Office. Summit Home Office provides management services to all Summit schools, including Non-Obligated Group Schools, pursuant to a Master Services Agreement. Summit Home Office services span student data management, enrollment/waitlist support, testing support, business management, financial operations, technology support, human resources (e.g. recruitment, HR, compliance), facilities development, fundraising, community engagement and public relations. In return for such services, each Summit school pays fees to Summit Home Office prior to the beginning of each school year under the Master Services Agreement, calculated at approximately 16% of each school's projected state apportionment revenues for the year. The collective sum of all management fees paid by all Summit schools to Summit Home Office is known as "Gross Management Fee Revenues" (see "INTRODUCTION – Security for the Bonds – Summit Home Office" in the forepart of this Limited Offering Memorandum).

⁽¹⁰⁾ Donations, Philanthropy and Grants are generated from Summit's fundraising campaigns throughout the year and are not entirely guaranteed in any given year (see "CERTAIN RISK FACTORS – Risk of Noncontinued Philanthropy or Grants" and "CERTAIN RISK FACTORS – Risk of Noncontinued Operating Income Unrelated to Charter School Operation" in the forepart of this Limited Offering Memorandum and "SUMMIT PUBLIC SCHOOLS – Philanthropy and Grants" herein). Prior to 2017-18, the Summit Home Office fundraised primarily for school start-up grants (most recently for Summit Tamalpais which opened in 2016-17). Summit also received start up grants from the Bill & Melinda Gates Foundation for Summit's Washington Schools. As Summit is currently no longer in a "start up" phase for any new California Schools, the Summit Home Office's donations are expected to decrease while SLP's fundraising levels are projected to experience the largest growth over the next few years. Given the nature of the single-entity relationship between SLP and Summit, any excess funds from SLP would still be available to Summit.

⁽¹¹⁾ SLP certificated salaries comprises curriculum specialists, systems engineers, Summit program trainers, software engineers, developers and other administrative and office staff.

⁽¹²⁾ As part of its national mission and outreach, SLP hosts conferences to introduce the Summit Learning Platform to public schools and charter schools across the country. Operating services for SLP includes the costs to host conferences, webinars, teaching sessions and various other marketing and outreach methods to expose schools, parents, teachers and students to the Platform.

⁽¹³⁾ Projected Base Rent for the Obligated Group Schools assumes debt service on the Bonds plus projected ground lease payments (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Shasta Ground Lease" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Home Office Ground Lease" in the forepart of this Limited Offering Memorandum). Projected Base Rent for the Non-Obligated Group Schools includes anticipated rent payments due under each school's either short-term or long-term lease agreements.

⁽¹⁴⁾ Includes the charge off of \$392,003 from the Public Charter School Grant Program (\$176,180 for Summit Shasta and \$215,823 for Summit Denali). These amounts have been included in accounts receivable since fiscal year 2014-15, but California Department of Education ("CDE") has maintained they are not eligible for final payment. Summit is in negotiations with CDE over this issue, however due to the uncertainty of receipt of these funds, the amounts have been charged off in fiscal year 2016-17.

Source: Summit.

The following table sets forth projected consolidated net operating school revenue and consolidated base rent coverage ratio and consolidated days cash on hand for the Schools, for fiscal years 2017-18 through 2021-22.

Table 32
THE SCHOOLS AND SUMMIT HOME OFFICE

Projected Consolidated Net Operating School Revenue, Consolidated Base Rent Coverage Ratio
and Consolidated Days Cash on Hand
2017-18 through 2021-22

	Budget 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22
Enrollment*					
Enrollment (Grades 9-12) ^[1]	663	767	863	880	867
ADA	629.0	728.3	820.0	836.3	824.0
ADA%	94.9%	95.0%	95.0%	95.0%	95.0%
Revenues*					
LCFF State Revenue	\$5,640,746	\$6,819,191	\$7,968,763	\$8,375,591	\$8,390,747
Federal Revenue	167,082	208,844	244,161	259,670	259,910
Other State Revenue	576,330	541,974	609,614	621,799	610,878
SB 740 Facilities Grant Revenue ^[2]	53,990	81,454	686,960	700,583	690,318
Other Local Revenue	101,884	118,169	129,387	130,931	129,739
Donations, Philanthropy & Grants ^[3]	2,250,000	2,050,000	2,050,000	2,050,000	2,050,000
Total Gross School Revenues	\$8,790,033	\$9,819,632	\$11,688,886	\$12,138,574	\$12,131,592
Expenses*					
Certificated Salaries	\$2,217,468	\$2,555,314	\$3,043,407	\$3,217,169	\$3,332,987
Classified Salaries	166,553	171,921	284,793	316,619	327,331
Employee Benefits	653,253	822,798	1,065,854	1,193,990	1,239,982
Books & Supplies	519,601	705,283	691,544	701,206	709,090
Operating Services ^[4]	1,212,826	1,465,650	1,695,793	1,735,573	1,768,391
Intercepted Management Fees ^[5]	26,431	11,899	100,670	98,538	97,085
Total Operating Expenses ^[6]	\$4,796,132	\$5,732,865	\$6,882,061	\$7,263,095	\$7,474,866
Net Operating School Revenues	\$3,993,901	\$4,086,767	\$4,806,824	\$4,875,479	\$4,656,726
Plus: Gross Management Fee Revenues ^[7]	5,838,987	6,601,742	7,755,213	8,351,304	8,662,272
Less: (Subordinated Educational Management Fees) ^[8]	(876,088)	(1,079,171)	(1,174,332)	(1,241,556)	(1,245,434)
A Consolidated Net Operating School Revenue	\$8,956,800	\$9,609,338	\$11,387,705	\$11,985,227	\$12,073,563
Current Facilities Rent ^[9]	394,601	72,808	-	-	-
Ground Rent ^[10]	171,000	144,000	336,000	336,000	351,840
Bond Net Debt Service ^[11]	-	-	1,991,570	1,988,320	1,666,820
B Consolidated Base Rent	\$565,601	\$216,808	\$2,327,570	\$2,324,320	\$2,018,660
A/B C Consolidated Base Rent Coverage Ratio ^[12]	15.84x	44.32x	4.89x	5.16x	5.98x
D Ending Cash Balance (Obligated Group Schools) ^[13]	\$9,329,820	\$12,253,870	\$14,700,758	\$12,240,292	\$14,872,501
Total Operating Expenses*	\$4,796,132	\$5,732,865	\$6,882,061	\$7,263,095	\$7,474,866
Plus: Total Home Office Operating Expenses ^[14]	6,040,320	6,750,525	7,027,708	7,312,113	7,603,207
Plus: Subordinated Educational Management Fees	876,088	1,079,171	1,174,332	1,241,556	1,245,434
Plus: Maximum Base Rent ^[15]	2,668,296	2,668,296	2,668,296	2,668,296	2,668,296
E Operating Expenses for Average Daily Expenses	\$14,380,836	\$16,230,857	\$17,752,398	\$18,485,060	\$18,991,803
E/365 F Average Daily Expenses for Obligated Group Schools	\$39,400	\$44,468	\$48,637	\$50,644	\$52,032
D/F G Consolidated Days Cash on Hand ^{[16] [17]}	237 days	276 days	302 days	242 days	286 days

* Represents projections for Summit Shasta and Summit Denali grades 9-12.

(1) Only grades 9-12 at Summit Denali are pledged as revenues for repayment of the Bonds (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Limited Offering Memorandum).

(2) SB 740 facilities grant awards are calculated at the lower of: (a) 75% of actual rent paid or (b) \$1,117 per ADA. Pursuant to a change in State law passed by the State Legislature in June 2017, the maximum award allowed by State law was increased from \$750 per ADA to \$1,117 per ADA. In the case of oversubscription to the Facilities Grant Program, all grant awards will be reduced on a pro-rata basis. This is expected to be the case for 2017-18. Accordingly, these revenue projections assume only 75% of the calculated grant award will be received by the Schools. For fiscal years 2017-18 and 2018-19, the SB 740 grant amount is projected at 75% of 75% (equal to 56.25%) of actual annual rent. For fiscal years 2019-20 and beyond, the SB 740 grant amount is projected at 75% of the maximum annual award of \$1,117 per ADA (\$837.75 per ADA). This assumption is applied to the projections for all future fiscal years, commencing in 2017-18 (see "CALIFORNIA STATE FUNDING OF EDUCATION – GENERAL – SB 740 Facilities Grant Program Funding" in the forepart of this Limited Offering Memorandum).

(3) In Fall 2016, Summit Shasta was selected as one of 10 winners from among 1,000 applicants of the XQ Super School Challenge. Summit Shasta will be awarded \$10 million in grants expected to be received over 5 years in \$2 million installments – to build the curriculum, program and structures around developing a sense of purpose in career and life for students before they graduate. This new aspect of Summit's school model will be piloted at Summit Shasta over the next few years, and then expanded to all Summit schools (see "SUMMIT PUBLIC SCHOOLS – Recognition and Awards" herein).

(4) Includes services for Special Education, substitute teachers, athletics, school maintenance, insurance, legal costs, and facilitation of the Summit Expeditions Program for elective courses (see "SUMMIT PUBLIC SCHOOLS – Curriculum" herein).

⁽⁵⁾ Represents the portion of Educational Management Fees paid by Summit Shasta and Summit Denali High School that will be subject to the California State Intercept to be used to pay for a portion of the Home Office Lease Base Rent payment. This portion of the Educational Management Fees paid to Summit Home Office will not be subordinate to the payment of Rent under the Leases for Summit Shasta and Summit Denali High School (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Bond Indenture – California Intercept Program” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Direct Deposit of Gross Management Fee Revenue Through Blocked Account Agreement Made with Summit Washington” in the forepart of this Limited Offering Memorandum).

⁽⁶⁾ With respect to the Leases, “Operating Expenses” excludes Base Rent, subordinated Educational Management Fees, and depreciation and amortization (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Financial Covenants – Base Rent Coverage Ratio Covenant” in the forepart of this Limited Offering Memorandum).

⁽⁷⁾ Summit Home Office provides management services to all Summit schools, including Non-Obligated Group Schools, pursuant to a Master Services Agreement. Summit Home Office services span student data management, enrollment/waitlist support, testing support, business management, financial operations, technology support, human resources (e.g. recruitment, HR, compliance), facilities development, fundraising, community engagement and public relations. For a list of management services provided, see “APPENDIX K – FORM OF MASTER SERVICES AGREEMENTS BETWEEN SUMMIT AND EACH SUMMIT SCHOOL” attached to this Limited Offering Memorandum. In return for such services, each Summit school pays fees under the Master Services Agreement currently calculated at approximately 16% of each school’s projected state apportionment revenues for the year. These fees and are calculated prior to the beginning of each school year and are received by Summit Home Office as “Gross Management Fee Revenues” (see “INTRODUCTION – Security for the Bonds – Summit Home Office” in the forepart of this Limited Offering Memorandum). In the Home Office Lease, Summit covenants to increase such fees for the Summit Schools to the extent necessary to pay Rent thereunder (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Covenant to Maintain Gross Management Fee Revenue” in the forepart of this Limited Offering Memorandum).

⁽⁸⁾ Subordinated Educational Management fees are currently calculated as 16% of state apportionment revenue for Summit Shasta and Summit Denali High School, excluding the Intercepted Management Fees for Summit Shasta and Summit Denali High School which are not subordinated to their Lease Base Rent payments (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Subordination of Educational Management Fee Covenant” in the forepart of this Limited Offering Memorandum).

⁽⁹⁾ Represents Rent payable on existing facilities at: (i) 699 Serramonte Blvd. in Daly City, California for the Existing Summit Shasta Site, (ii) 539 E. Weddell Drive in Sunnyvale, California for the Existing Summit Denali Site and (iii) 900 Island Drive in Redwood City, California for the Existing Home Office Site.

⁽¹⁰⁾ Represents annual ground rent payable to: (i) Jefferson Union High School District pursuant to a 99-year ground lease for the 895 Campus Drive site in Daly City, California for the new Summit Shasta Site (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Shasta Ground Lease” in the forepart of this Limited Offering Memorandum) and (ii) 780 Broadway LLC pursuant to a 37-year ground lease for the 780 Broadway site in Redwood City, California for the new Summit Home Office Site (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Home Office Ground Lease” in the forepart of this Limited Offering Memorandum).

⁽¹¹⁾ Debt service is net of capitalized interest on the Bonds through June 1, 2019. Debt service projections assume a \$5,000,000 special optional redemption of the Special Term Bond on June 1, 2021. Such a redemption would decrease annual debt service payments by approximately \$315,000 beginning in fiscal year 2021-22 (see “THE BONDS – REDEMPTION – Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund” in the forepart of this Limited Offering Memorandum).

⁽¹²⁾ Without assuming a \$5,000,000 special optional redemption of the Special Term Bond on June 1, 2021, the Consolidated Base Rent Coverage Ratio is projected to be 5.19x in fiscal year 2021-22 (as opposed to 5.98x with the special redemption) (see “THE BONDS – REDEMPTION – Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund” in the forepart of this Limited Offering Memorandum).

⁽¹³⁾ Represents projected ending cash balance for Summit Shasta, Summit Denali High School and Summit Home Office. Cash projections do not assume any factoring of receivables. Projections assume a \$5,000,000 special optional redemption of the Special Term Bond on June 1, 2021 from the cash balance of the Obligated Group Schools (see “THE BONDS – REDEMPTION – Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund” in the forepart of this Limited Offering Memorandum). Such a redemption is projected to decrease the Obligated Group Schools’ year-over-year ending cash position by \$2.46 million from \$14.70 million in 2019-20 to \$12.24 million in 2020-21. This \$2.46 million net decrease assumes a \$5 million reduction in cash from the special optional redemption, offset by an increase in cash from operations of \$2.54 million.

⁽¹⁴⁾ Represents expenses directly related to Home Office activities of supporting schools and the Summit organization as a whole (see “INTRODUCTION – Security for the Bonds – Summit Home Office” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Financial Covenants” in the forepart of this Limited Offering Memorandum).

⁽¹⁵⁾ Maximum Base Rent assumes debt service on the 2017 Bonds plus projected ground lease payments. Projected ground lease payments assume rent escalation of 2% per year commencing 2022-23 for the Shasta Ground Lease (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Shasta Ground Lease” in the forepart of this Limited Offering Memorandum) and rent escalation of 6% every 3 years commencing 2021-22 for the Home Office Ground Lease (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Home Office Ground Lease” in the forepart of this Limited Offering Memorandum).

⁽¹⁶⁾ Without assuming a \$5,000,000 special optional redemption of the Special Term Bond on June 1, 2021, the Consolidated Days Cash on Hand is projected to be 340 days in fiscal year 2020-21 (as opposed to 242 days with the special redemption) (see “THE BONDS – REDEMPTION – Special One-Time Optional Redemption from Amounts Deposited in the Special Optional Redemption Account of the Redemption Fund” in the forepart of this Limited Offering Memorandum).

⁽¹⁷⁾ Consolidated Days Cash on Hand is calculated as of the last day of each Fiscal Year, commencing June 30, 2019. Consolidated Days Cash on Hand is the sum of Cash and Cash Equivalents of the Obligated Group Schools as shown on Summit’s audited financial statements divided by Average Daily Expenses for Obligated Group Schools (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Leases – Financial Covenants – Liquidity Covenant” in the forepart of this Limited Offering Memorandum).

Source: Summit.

THE BORROWER

General

Community High School Foundation, Inc. (the “Borrower”) is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code. The Borrower was formed in 2000, and its purpose is to operate exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Summit Public Schools.

Governance

Board of Directors. The number of members of the Borrower’s Board of Directors (the “Borrower Board”) may be no less than three members and no more than seven members, and all directors are appointed by the existing Summit Public Schools Board of Directors. Members of the Borrower Board may be removed with or without cause by the Summit Public Schools Board of Directors. The members of the Borrower Board hold office for terms of one year and until a successor has been designated and qualified. Under the Borrower’s bylaws, the Board is required to meet at least annually for the purpose of organization, election of officers and the transaction of other business. The Borrower’s officers include a President, a Secretary, and a Chief Financial Officer, each of which is appointed by the Borrower Board.

The Borrower Board currently comprises three individuals. The following table sets forth the members of the Borrower Board.

COMMUNITY HIGH SCHOOL FOUNDATION, INC.

Board of Directors

Member	Title	Term Beginning	Term Expiration
Olga Pulido-Crowe	President	June 2016	June 2019
John Violet	Secretary	September 2017	September 2020
Robyn Reiss	Member	June 2016	June 2019

Source: Summit.

Role in the Financing

Upon the issuance of the California School Finance Authority’s Charter School Revenue Bonds (Summit Public Schools – Obligated Group), Series 2017A and Series 2017B (Taxable) (collectively, the “Bonds”), the California School Finance Authority (the “Authority”) will loan the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement (the “Loan Agreement”) between the Authority and the Borrower.

In addition, the Borrower is a party to the Master Indenture of Trust, as supplemented by a Supplemental Master Indenture for Obligation No. 1, each by and between the Borrower, as representative of the Obligated Group (as defined in the forepart of this Limited Offering Memorandum), and Wilmington Trust, National Association, as master trustee. However, the Borrower is not itself a Member of the Obligated Group. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in the forepart of this Limited Offering Memorandum.

THE MEMBERS OF THE OBLIGATED GROUP

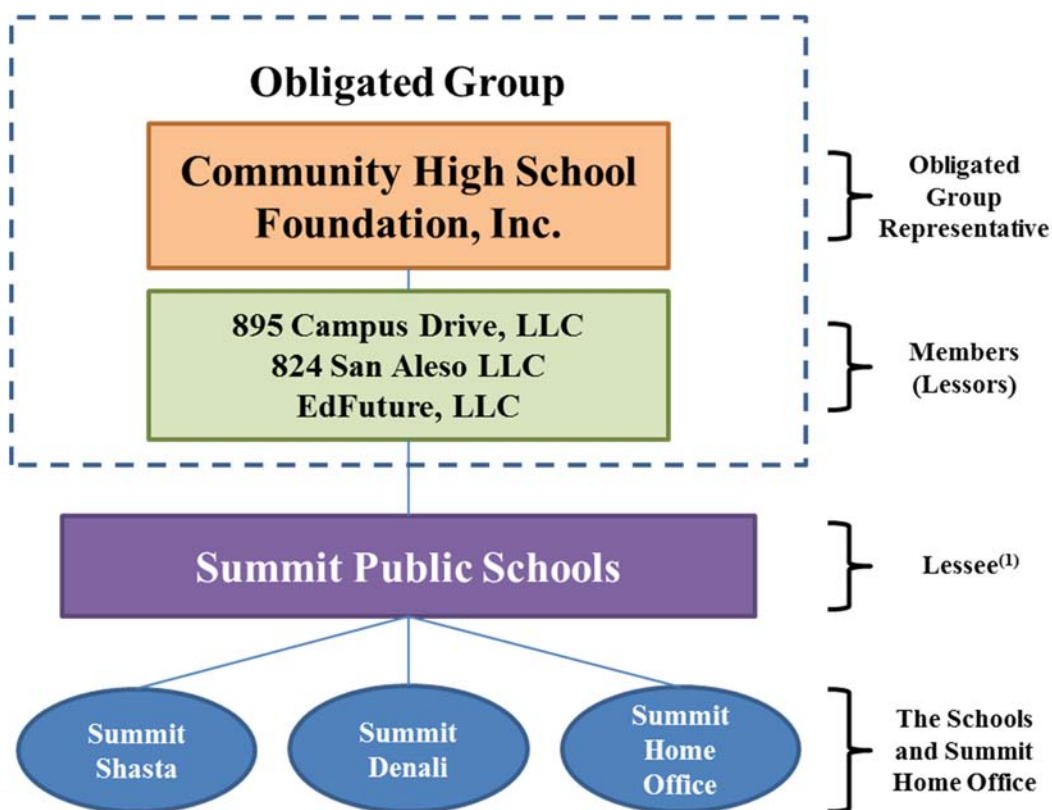
General

Campus Drive LLC, San Aleso LLC, and EdFuture, LLC (each as defined in the forepart of this Limited Offering Memorandum, and collectively referred to herein as the “Members”) are California limited

liability companies, the sole member of each of which is the Borrower. The Members are currently the only Members of the Obligated Group. The Members were formed to support charter schools operated by Summit and specifically for the purpose of holding title to or leasehold interests in property and managing, operating and leasing property, collecting income, and conveying the entire amount of such income, less expenses to the Borrower.

Upon the issuance of the Bonds, the Facilities (as defined in the forepart of this Limited Offering Memorandum) financed with proceeds of the Bonds will be leased to Summit from the Members pursuant to the Leases. The Facilities will be used by Summit to operate the Schools and Summit Home Office. See “INTRODUCTION – The Bonds” and “THE BONDS” in the forepart of this Limited Offering Memorandum.

FIGURE 5
Flow Chart Depicting the Relationships Between
the Borrower, Landlords and Lessee



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APPENDIX B

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF SUMMIT AND
AFFILIATES FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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SUMMIT PUBLIC SCHOOLS

**Audited Consolidated Financial Statements
For the Year Ended
June 30, 2016**

California Charter Schools:

**Summit Preparatory Charter High
Everest Public High School
Summit Public School: Rainier
Summit Public School: Tahoma
Summit Public School: Shasta
Summit Public School: Denali
Summit Public School: K2
Summit Public School: Tamalpais**

Washington Charter Schools:

**Summit Public School: Sierra
Summit Public School: Olympus
Summit Public School: Atlas**

SUMMIT PUBLIC SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Summit Public Schools
Redwood City, CA

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Summit Public Schools (SPS), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement.

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

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

Board of Directors
Summit Public Schools

Opinion

In our opinion, the consolidated financial statements referred to on page one present fairly, in all material respects, the financial position of SPS as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

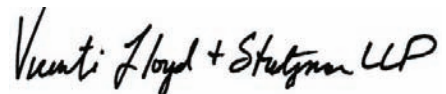
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on SPS' financial statements as a whole. The accompanying schedule of expenditures of federal 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*. The accompanying supplementary schedules 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2016 on our consideration of SPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SPS' internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 12, 2016

SUMMIT PUBLIC SCHOOLS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION June 30, 2016

	<u>SPS</u>	<u>Summit Prep</u>	<u>Everest</u>	<u>Rainier</u>	<u>Tahoma</u>	<u>Shasta</u>	<u>Page 1 Total</u>
<u>ASSETS</u>							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 2,986,565	\$ 2,644,195	\$ 1,475,299	\$ 416,099	\$ 270,665	\$ -	\$ 7,792,823
Accounts receivable	532,099	160,526	155,024	321,094	223,561	503,649	1,895,953
Intercompany receivable	1,776,830	-	-	-	-	-	1,776,830
Prepaid expenses and deposits	263,780	94,126	89,536	109,883	132,672	78,188	768,185
Total current assets	<u>5,559,274</u>	<u>2,898,847</u>	<u>1,719,859</u>	<u>847,076</u>	<u>626,898</u>	<u>581,837</u>	<u>12,233,791</u>
LONG-TERM ASSETS:							
Property, plant and equipment, net	907,713	-	-	-	-	527,209	1,434,922
Total long-term assets	<u>907,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>527,209</u>	<u>1,434,922</u>
Total assets	<u>\$ 6,466,987</u>	<u>\$ 2,898,847</u>	<u>\$ 1,719,859</u>	<u>\$ 847,076</u>	<u>\$ 626,898</u>	<u>\$ 1,109,046</u>	<u>\$ 13,668,713</u>
<u>LIABILITIES AND NET ASSETS</u>							
CURRENT LIABILITIES:							
Accounts payable	\$ 406,872	\$ 180,164	\$ 298,414	\$ 61,957	\$ 50,351	\$ 23,045	\$ 1,020,803
Intercompany payable	-	-	-	-	-	568,924	568,924
Accrued liabilities	4,601	-	-	-	-	-	4,601
Charter school loan payable	-	-	-	-	-	62,500	62,500
Total current liabilities	<u>411,473</u>	<u>180,164</u>	<u>298,414</u>	<u>61,957</u>	<u>50,351</u>	<u>654,469</u>	<u>1,656,828</u>
LONG-TERM LIABILITIES:							
Charter school loan payable, net of current portion	-	-	-	-	-	21,603	21,603
Notes payable	-	-	-	-	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,603</u>	<u>21,603</u>
Total liabilities	<u>411,473</u>	<u>180,164</u>	<u>298,414</u>	<u>61,957</u>	<u>50,351</u>	<u>676,072</u>	<u>1,678,431</u>
NET ASSETS:							
Unrestricted	<u>6,055,514</u>	<u>2,718,683</u>	<u>1,421,445</u>	<u>785,119</u>	<u>576,547</u>	<u>432,974</u>	<u>11,990,282</u>
Total net assets	<u>6,055,514</u>	<u>2,718,683</u>	<u>1,421,445</u>	<u>785,119</u>	<u>576,547</u>	<u>432,974</u>	<u>11,990,282</u>
Total liabilities and net assets	<u>\$ 6,466,987</u>	<u>\$ 2,898,847</u>	<u>\$ 1,719,859</u>	<u>\$ 847,076</u>	<u>\$ 626,898</u>	<u>\$ 1,109,046</u>	<u>\$ 13,668,713</u>

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

SUMMIT PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016

	<u>Page 1 Total</u>	<u>Denali</u>	<u>K2</u>	<u>Tamalpais</u>	<u>Summit WA</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 7,792,823	\$ -	\$ -	\$ -	\$ 1,251,912	\$ -	\$ 9,044,735
Accounts receivable	1,895,953	814,723	337,855	329,201	39,375	-	3,417,107
Intercompany receivable	1,776,830	-	-	-	-	(1,776,830)	-
Prepaid expenses and deposits	768,185	350,168	78,473	-	92,352	-	1,289,178
Total current assets	12,233,791	1,164,891	416,328	329,201	1,383,639	(1,776,830)	13,751,020
LONG-TERM ASSETS:							
Property, plant and equipment, net	1,434,922	-	-	-	-	-	1,434,922
Total long-term assets	1,434,922	-	-	-	-	-	1,434,922
Total assets	<u>\$ 13,668,713</u>	<u>\$ 1,164,891</u>	<u>\$ 416,328</u>	<u>\$ 329,201</u>	<u>\$ 1,383,639</u>	<u>\$ (1,776,830)</u>	<u>\$ 15,185,942</u>
<u>LIABILITIES AND NET ASSETS</u>							
CURRENT LIABILITIES:							
Accounts payable	\$ 1,020,803	\$ 60,613	\$ 24,408	\$ 1,389	\$ 59,304	\$ -	\$ 1,166,517
Intercompany payable	568,924	1,000,393	93,561	113,952	-	(1,776,830)	-
Accrued liabilities	4,601	1,225	-	-	-	-	5,826
Charter school loan payable	62,500	-	-	-	-	-	62,500
Total current liabilities	1,656,828	1,062,231	117,969	115,341	59,304	(1,776,830)	1,234,843
LONG-TERM LIABILITIES:							
Charter school loan payable, net of current portion	21,603	-	-	-	-	-	21,603
Notes payable	-	-	-	100,000	-	-	100,000
Total long-term liabilities	21,603	-	-	100,000	-	-	121,603
Total liabilities	1,678,431	1,062,231	117,969	215,341	59,304	(1,776,830)	1,356,446
NET ASSETS:							
Unrestricted	11,990,282	102,660	298,359	113,860	1,324,335	-	13,829,496
Total net assets	11,990,282	102,660	298,359	113,860	1,324,335	-	13,829,496
Total liabilities and net assets	<u>\$ 13,668,713</u>	<u>\$ 1,164,891</u>	<u>\$ 416,328</u>	<u>\$ 329,201</u>	<u>\$ 1,383,639</u>	<u>\$ (1,776,830)</u>	<u>\$ 15,185,942</u>

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

SUMMIT PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	<u>SPS</u>	<u>Summit Prep</u>	<u>Everest</u>	<u>Rainier</u>	<u>Tahoma</u>	<u>Shasta</u>	<u>1st Page Total</u>
REVENUES:							
State aid	\$ -	\$ 333,665	\$ 319,959	\$ 1,796,272	\$ 1,396,123	\$ 1,034,066	\$ 4,880,085
Property tax revenue	-	3,129,417	2,832,346	1,216,843	950,959	1,577,379	9,706,944
Other state revenue	-	514,997	510,983	501,343	533,161	367,014	2,427,498
Federal revenue	-	257,578	285,505	166,012	125,432	53,121	887,648
Contribution revenue	12,684,628	138,434	49,676	17,132	32,142	38,619	12,960,631
Other revenue	<u>6,227,582</u>	<u>172,014</u>	<u>139,263</u>	<u>66,702</u>	<u>46,302</u>	<u>367,944</u>	<u>7,019,807</u>
Total unrestricted revenues	<u>18,912,210</u>	<u>4,546,105</u>	<u>4,137,732</u>	<u>3,764,304</u>	<u>3,084,119</u>	<u>3,438,143</u>	<u>37,882,613</u>
EXPENSES:							
Program services	13,164,096	3,448,093	3,354,155	3,091,592	2,776,780	3,126,724	28,961,440
Management and general	<u>5,224,721</u>	<u>239,095</u>	<u>238,185</u>	<u>302,453</u>	<u>249,513</u>	<u>200,961</u>	<u>6,454,928</u>
Total expenses	<u>18,388,817</u>	<u>3,687,188</u>	<u>3,592,340</u>	<u>3,394,045</u>	<u>3,026,293</u>	<u>3,327,685</u>	<u>35,416,368</u>
Change in unrestricted net assets	523,393	858,917	545,392	370,259	57,826	110,458	2,466,245
Beginning unrestricted net assets	<u>5,532,121</u>	<u>1,859,766</u>	<u>876,053</u>	<u>414,860</u>	<u>518,721</u>	<u>322,516</u>	<u>9,524,037</u>
Ending unrestricted net assets	<u>\$ 6,055,514</u>	<u>\$ 2,718,683</u>	<u>\$ 1,421,445</u>	<u>\$ 785,119</u>	<u>\$ 576,547</u>	<u>\$ 432,974</u>	<u>\$ 11,990,282</u>

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

SUMMIT PUBLIC SCHOOLS

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>1st Page Total</u>	<u>Denali</u>	<u>K2</u>	<u>Tamalpais</u>	<u>Summit WA</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES:							
State aid	\$ 4,880,085	\$ 746,076	\$ 1,201,269	\$ -	\$ 565,292	\$ -	\$ 7,392,722
Property tax revenue	9,706,944	1,535,197	519,409	-	-	-	11,761,550
Other state revenue	2,427,498	384,852	302,098	-	133,987	-	3,248,435
Federal revenue	887,648	68,480	262,186	275,000	15,615	-	1,508,929
Contribution revenue	12,960,631	87,692	4,442	-	5,913,459	(5,920,116)	13,046,108
Other revenue	7,019,807	485,740	363,976	325,290	11,564	(7,083,750)	1,122,627
Total unrestricted revenues	<u>37,882,613</u>	<u>3,308,037</u>	<u>2,653,380</u>	<u>600,290</u>	<u>6,639,917</u>	<u>(13,003,866)</u>	<u>38,080,371</u>
EXPENSES:							
Program services	28,961,440	2,965,650	2,270,790	453,399	4,531,693	(13,003,866)	26,179,106
Management and general	6,454,928	297,609	244,675	33,031	915,812	-	7,946,055
Total expenses	<u>35,416,368</u>	<u>3,263,259</u>	<u>2,515,465</u>	<u>486,430</u>	<u>5,447,505</u>	<u>(13,003,866)</u>	<u>34,125,161</u>
Change in unrestricted net assets	2,466,245	44,778	137,915	113,860	1,192,412	-	3,955,210
Beginning unrestricted net assets	9,524,037	57,882	160,444	-	131,923	-	9,874,286
Ending unrestricted net assets	<u>\$ 11,990,282</u>	<u>\$ 102,660</u>	<u>\$ 298,359</u>	<u>\$ 113,860</u>	<u>\$ 1,324,335</u>	<u>\$ -</u>	<u>\$ 13,829,496</u>

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

SUMMIT PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	<u>SPS</u>	<u>Summit Prep</u>	<u>Everest</u>	<u>Rainier</u>	<u>Tahoma</u>	<u>Shasta</u>	<u>1st Page Total</u>
CASH FLOWS from OPERATING ACTIVITIES:							
Change in net assets	\$ 523,393	\$ 858,917	\$ 545,392	\$ 370,259	\$ 57,826	\$ 110,458	\$ 2,466,245
Adjustments to reconcile change in net assets to net cash flows from operating activities:							
Depreciation	151,285	-	-	-	-	527,209	678,494
Decrease (increase) in operating assets:							
Accounts receivable	(151,641)	(53,611)	(166)	(26,381)	142,423	(171,885)	(261,261)
Intercompany receivable	(1,080,387)	-	-	-	-	-	(1,080,387)
Prepaid expenses	(180,023)	36,945	46,702	(15,241)	(7,689)	(27,100)	(146,406)
Increase (decrease) in operating liabilities:							
Accounts payable	(770,700)	40,820	20,508	(60,990)	(52,790)	(848)	(824,000)
Intercompany payable	-	-	-	-	-	568,924	568,924
Accrued liabilities	2,081	-	-	-	-	-	2,081
Net cash flows from operating activities	<u>(1,505,992)</u>	<u>883,071</u>	<u>612,436</u>	<u>267,647</u>	<u>139,770</u>	<u>1,006,758</u>	<u>1,403,690</u>
CASH FLOWS from INVESTING ACTIVITIES:							
Purchases of property, plant and equipment	-	-	-	-	-	(1,054,418)	(1,054,418)
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,054,418)</u>	<u>(1,054,418)</u>
CASH FLOWS from FINANCING ACTIVITIES:							
Proceeds from note payable	-	-	-	-	-	-	-
Repayment of charter school loan	-	-	(13,564)	(12,753)	(62,498)	(83,328)	(172,143)
Net cash flows from financing activities	<u>-</u>	<u>-</u>	<u>(13,564)</u>	<u>(12,753)</u>	<u>(62,498)</u>	<u>(83,328)</u>	<u>(172,143)</u>
Net increase (decrease) in cash and cash equivalents	(1,505,992)	883,071	598,872	254,894	77,272	(130,988)	177,129
Cash and cash equivalents at the beginning of the year	4,492,557	1,761,124	876,427	161,205	193,393	130,988	7,615,694
Cash and cash equivalents at the end of the year	<u>\$ 2,986,565</u>	<u>\$ 2,644,195</u>	<u>\$ 1,475,299</u>	<u>\$ 416,099</u>	<u>\$ 270,665</u>	<u>\$ -</u>	<u>\$ 7,792,823</u>
SUPPLEMENTAL CASH DISCLOSURE:							
Cash paid for interest	<u>\$ 100</u>	<u>\$ 363</u>	<u>\$ 363</u>	<u>\$ 230</u>	<u>\$ 173</u>	<u>\$ 340</u>	<u>\$ 1,569</u>

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

SUMMIT PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	<u>1st Page Total</u>	<u>Denali</u>	<u>K2</u>	<u>Tamalpais</u>	<u>Summit WA</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS from OPERATING ACTIVITIES:							
Change in net assets	\$ 2,466,245	\$ 44,778	\$ 137,915	\$ 113,860	\$ 1,192,412	\$ -	\$ 3,955,210
Adjustments to reconcile change in net assets to net cash flows from operating activities:							
Depreciation	678,494	-	-	-	-	-	678,494
Decrease (increase) in operating assets:							
Accounts receivable	(261,261)	(417,255)	(153,391)	(329,201)	(39,375)	-	(1,200,483)
Intercompany receivable	(1,080,387)	-	-	-	-	1,080,387	-
Prepaid expenses	(146,406)	(119,971)	49,416	-	102,246	-	(114,715)
Increase (decrease) in operating liabilities:							
Accounts payable	(824,000)	37,252	22,520	1,389	(3,371)	-	(766,210)
Intercompany payable	568,924	453,971	(56,460)	113,952	-	(1,080,387)	-
Accrued liabilities	2,081	1,225	-	-	-	-	3,306
Net cash flows from operating activities	<u>1,403,690</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>1,251,912</u>	<u>-</u>	<u>2,555,602</u>
CASH FLOWS from INVESTING ACTIVITIES:							
Purchases of property, plant and equipment	<u>(1,054,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,054,418)</u>
Net cash flows from investing activities	<u>(1,054,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,054,418)</u>
CASH FLOWS from FINANCING ACTIVITIES:							
Proceeds from note payable	-	-	-	100,000	-	-	100,000
Repayment of charter school loan	<u>(172,143)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(172,143)</u>
Net cash flows from financing activities	<u>(172,143)</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(72,143)</u>
Net increase (decrease) in cash and cash equivalents	177,129	-	-	-	1,251,912	-	1,429,041
Cash and cash equivalents at the beginning of the year	<u>7,615,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,615,694</u>
Cash and cash equivalents at the end of the year	<u>\$ 7,792,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,251,912</u>	<u>\$ -</u>	<u>\$ 9,044,735</u>
SUPPLEMENTAL CASH DISCLOSURE:							
Cash paid for interest	<u>\$ 1,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,569</u>

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

SUMMIT PUBLIC SCHOOLS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program	Management		
	Services	and General	Eliminations	Total
Salaries and wages	\$ 11,876,689	\$ 5,486,325	\$ -	\$ 17,363,014
Pension expense	1,261,250	593,531	-	1,854,781
Other employee benefits	1,019,686	479,853	-	1,499,539
Payroll taxes	307,566	144,739	-	452,305
Management fees	-	209,466	-	209,466
Legal expenses	-	439,904	-	439,904
Accounting expenses	-	48,530	-	48,530
Other fees for services	8,680,600	-	(7,359,004)	1,321,596
Instructional materials	2,898,155	-	-	2,898,155
Office expenses	-	325,454	-	325,454
Printing and postage expenses	-	48,004	-	48,004
Information technology expenses	488,691	-	-	488,691
Occupancy expenses	3,033,155	-	-	3,033,155
Travel expenses	96,868	-	-	96,868
Conference and meeting expenses	2,678,220	1,861	-	2,680,081
Interest expense	-	1,206	-	1,206
Depreciation expense	678,494	-	-	678,494
Insurance expense	-	167,182	-	167,182
Grants to schools	5,644,862	-	(5,644,862)	-
Other expenses	518,738	-	-	518,738
	<u>\$ 39,182,974</u>	<u>\$ 7,946,055</u>	<u>\$ (13,003,866)</u>	<u>\$ 34,125,163</u>

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

SUMMIT PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Summit Public Schools (SPS) is a non-profit, California public benefit corporation, designed to train, consult and advise California public school teachers and administrators, provide support and administrative services to California public schools, and manage, operate, guide, direct and promote public charter schools (the Schools). SPS is economically dependent on state and federal funding. SPS also administers the Summit Basecamp program, which provides teachers and schools across the US with resources they need to bring personalized learning into the classroom.

The charters may be revoked for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Cash and Cash Equivalents – SPS defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and other liabilities.

Functional Allocation of Expenses – Costs of providing SPS programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

Net Asset Classes – SPS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of SPS consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of SPS.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. SPS does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by SPS. SPS does not currently have any permanently restricted net assets.

SUMMIT PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receivables – Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2016. Due from federal and state governments consists of funds due from federal and state governments as of June 30, 2016. Management believes that all receivables are fully collectible; therefore no provisions for uncollectible accounts were recorded.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. SPS capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2016 was \$678,494. Property, plant and equipment as of June 30, 2016 consisted of the following:

Leasehold improvements	\$ 2,184,016
Accumulated depreciation	<u>(749,094)</u>
Property, plant and equipment, net	<u>\$ 1,434,922</u>

Property Taxes – Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Schools is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by SPS based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted promises to give. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

SUMMIT PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes – SPS and Summit Public Schools Washington (Summit WA) are non-profit entities exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and the state taxation code. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. SPS files informational returns in the U.S. federal jurisdiction, and the states of California and Washington. The statute of limitations for federal and state purposes is generally three and four years, respectively.

Allocations Between Charter Schools – For the year ended June 30, 2016, SPS has chosen to identify each charter school separately within the basic financial statements. In cases where specific identification of each charter's activities was not possible, items were allocated according to Average Daily Attendance (ADA).

Principles of Consolidation - The accompanying financial statements include the accounts of SPS and Summit WA (a related party). Summit WA is a separate 501(c)(3) corporation formed to operate charter schools in the State of Washington. All significant intracompany and intercompany accounts and transactions between these entities have been eliminated in the consolidated financial statements.

Evaluation of Subsequent Events – SPS has evaluated subsequent events through November 12, 2016, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

SPS maintains some of its cash in the County Treasury (the County). The County pools these funds with those of other educational organizations in the County and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or collateralized. The fair value of SPS deposits in this pool as of June 30, 2016, as provided by the pool sponsor was approximately \$913,761.

SPS also maintains cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. SPS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

SUMMIT PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 3: LONG-TERM DEBT

California Department of Education

SPS received revolving loans from the California Department of Education (CDE). Annual payments of principal and interest are deducted from the school's apportionment.

The loan repayments by year are as follows:

Year Ended	
June 30,	Shasta
2017	\$ 62,500
2018	21,603
Total	<u>\$ 84,103</u>

Notes Payable

SPS received a note payable from the Charter School Growth Fund in the amount of \$100,000. The note carries an interest rate of 1%. The principal amount plus accrued interest is payable on its maturity date of June 30, 2021.

NOTE 4: EMPLOYEE RETIREMENT

Defined Contribution Plan

SPS offers a 401(a) retirement plan to each of its qualifying employees. Employer matching contributions are made at the same rate as State Teachers' Retirement System (STRS) for each employee who is eligible for employer contributions. The amount of employer contributions for the year ended June 30, 2016 was \$715,154.

Multi-employer Defined Benefit Pension Plans

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in this multi-employer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if SPS chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. SPS has no plans to withdraw from this multi-employer plan.

SUMMIT PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 4: EMPLOYEE RETIREMENT

State Teachers' Retirement System (STRS)

Plan Description

SPS contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2015, total STRS plan net assets are \$181 billion, the total actuarial present value of accumulated plan benefits is \$242 billion, contributions from all employers totaled \$2.55 billion, and the plan is 68.5% funded. SPS did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members hired before December 31, 2012 are required to contribute 9.20% of their salary and those hired after are required to contribute 8.56% of their salary. SPS is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

SPS contributions to STRS for the past three years are as follows:

Year Ended June 30,	Required Contribution	Percent Contributed
2014	\$ 663,328	100%
2015	\$ 846,158	100%
2016	\$ 1,139,627	100%

NOTE 5: OPERATING LEASES:

SPS has entered into various facility leases for its Regional Office and its various schools. Lease expense under these agreements for the year ended June 30, 2016 was \$1,572,301.

SUMMIT PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2016

NOTE 5: OPERATING LEASES:

Two of the leases for Summit WA include purchase options that can be exercised commencing on the fourth year of the lease term and ending on the seventh year of the lease term. The purchase price will be the sum of (a) an amount equal to the lessor's outstanding debt on the properties at the time of the closing date not to exceed the initial loan amounts of \$6,295,065 plus (b) 15% of the equity initially invested in the projects.

Future minimum lease payments are as follows:

Year Ended June 30,	Everest	Ranier	Tahoma	Denali	K2	Summit Prep	Summit WA	Total
2017	\$ 126,902	\$ 83,308	\$ 83,947	\$ 559,837	\$ 109,200	\$ 111,612	\$ 484,312	\$ 1,559,118
2018	126,902	83,308	83,947	560,004	109,200	-	496,720	1,460,081
2019	126,902	83,308	83,947	560,004	109,200	-	508,830	1,472,191
2020	-	83,308	83,947	584,004	9,100	-	521,550	1,281,909
2021	-	83,308	83,947	584,004	-	-	534,588	1,285,847
Thereafter	-	-	-	5,410,667	-	-	17,725,684	23,136,351
Total	<u>\$ 380,706</u>	<u>\$ 416,540</u>	<u>\$ 419,735</u>	<u>\$ 8,258,520</u>	<u>\$ 336,700</u>	<u>\$ 111,612</u>	<u>\$ 20,271,684</u>	<u>\$ 30,195,497</u>

NOTE 6: CONTINGENCIES

SPS has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

NOTE 7: SUBSEQUENT EVENT

In July 2016 SPS entered into a sublease for office space. The lease requires monthly payments of \$27,446 through March 30, 2018. Future minimum lease payments under this lease are as follows:

Year Ended June 30,	
2017	\$ 301,910
2018	<u>247,018</u>
Total	<u>\$ 548,928</u>

SUPPLEMENTARY INFORMATION

SUMMIT PUBLIC SCHOOLS

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE - CALIFORNIA For the Year Ended June 30, 2016

Summit Public Schools, (SPS) is a non-profit, California public benefit corporation that manages Summit Preparatory Charter High, Everest Public High School, Summit Public School: Rainier, Summit Public School: Tahoma, Summit Public School: Shasta, Summit Public School: Denali, Summit Public School: K2, and Summit Public School: Tamalpais, California public charter schools.

The Sequoia Union High School District granted the charter for Summit Preparatory Charter High in 2006 and it expires June 30, 2017. The Charter school number for Summit Preparatory Charter High School is 0835.

The Sequoia Union High School District granted the charter for Everest Public High School in 2009 and it expires June 30, 2019. The Charter school number for Everest Public High School is 1070.

The East Side Union High School District granted the charter for Summit Public School: Rainier in 2011 and it expires June 30, 2021. The Charter school number for Summit Public School: Rainier is 1276.

The Santa Clara County Office of Education granted the charter for Summit Public School: Tahoma in 2011 and it expires June 30, 2021. The Charter school number for Summit Public School: Tahoma is 1282.

The Jefferson Union High School District granted the charter for Summit Public School: Shasta in 2012 and it expires September 4, 2017. The Charter school number for Summit Public School: Shasta is 1500.

The Santa Clara County Office of Education granted the charter for Summit Public School: Denali in 2012 and it expires June 30, 2018. The Charter school number for Summit Public School: Denali is 1516.

The Contra Costa County Office of Education granted the charter for Summit Public School: K2 in 2014 and it expires June 30, 2019. The Charter school number for Summit Public School: K2 is 1650.

The West Contra Costa Unified School District granted the charter for Summit Public School: Tamalpais in 2015 and it expires June 30, 2021. The Charter school number for Summit Public School: Tamalpais is 1774.

SUMMIT PUBLIC SCHOOLS

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE - CALIFORNIA

(continued)

For the Year Ended June 30, 2016

The Board of Directors and the Administrator as of the year ended June 30, 2016 were as follows:

Board of Directors

<u>Member</u>	<u>Office</u>	<u>3-Year Term Expires</u>
Robert Oster	Chairman	July 2017
Steven Humphreys	Community Outreach Committee	July 2016
Robert O'Donnell	Finance Committee Chairperson	July 2017
Andrew Thompson	Member	March 2017
Blake Warner	Finance Committee	July 2018
Meg Whitman	Member	July 2018
Diego Arambula	Member	October 2018
Diane Tavenner	Chief Executive Officer	None

Administrator

Isabelle Parker	Chief Financial Officer
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SUMMIT PUBLIC SCHOOLS

SCHEDULE OF INSTRUCTIONAL TIME - CALIFORNIA For the Year Ended June 30, 2016

Charter School	Grade Level	<u>2015-16 Minutes</u>		Days	Status
		Requirement	Actual		
Summit Prep	Grade 9	64,800	66,970	182	In compliance
	Grade 10	64,800	66,970	182	In compliance
	Grade 11	64,800	66,970	182	In compliance
	Grade 12	64,800	66,970	182	In compliance
Everest	Grade 9	64,800	66,670	182	In compliance
	Grade 10	64,800	66,670	182	In compliance
	Grade 11	64,800	66,670	182	In compliance
	Grade 12	64,800	66,670	182	In compliance
Rainier	Grade 9	64,800	67,140	182	In compliance
	Grade 10	64,800	67,140	182	In compliance
	Grade 11	64,800	67,140	182	In compliance
	Grade 12	64,800	67,140	182	In compliance
Tahoma	Grade 9	64,800	65,390	182	In compliance
	Grade 10	64,800	65,390	182	In compliance
	Grade 11	64,800	65,390	182	In compliance
	Grade 12	64,800	65,390	182	In compliance
Shasta	Grade 9	64,800	66,440	182	In compliance
	Grade 10	64,800	66,440	182	In compliance
	Grade 11	64,800	66,440	182	In compliance
Denali	Grade 6	54,000	66,430	182	In compliance
	Grade 7	54,000	66,430	182	In compliance
	Grade 8	54,000	66,430	182	In compliance
K2	Grade 7	54,000	62,110	182	In compliance
	Grade 8	54,000	62,110	182	In compliance

See independent auditor's report and the notes to the supplementary information.

SUMMIT PUBLIC SCHOOLS

SCHEDULE OF AVERAGE DAILY ATTENDANCE - CALIFORNIA For the Year Ended June 30, 2016

Charter School	Grade Levels	Second Period Report		Annual Report	
		Classroom Based	Total	Classroom Based	Total
Summit Prep	Grades 9-12	390.74	390.74	389.90	389.90
	ADA Totals	390.74	390.74	389.90	389.90
Everest	Grades 9-12	354.23	354.23	352.30	352.30
	ADA Totals	354.23	354.23	352.30	352.30
Rainier	Grades 9-12	340.27	340.27	337.77	337.77
	ADA Totals	340.27	340.27	337.77	337.77
Tahoma	Grades 9-12	265.92	265.92	265.54	265.54
	ADA Totals	265.92	265.92	265.54	265.54
Shasta	Grades 9-12	306.62	306.62	305.08	305.08
	ADA Totals	306.62	306.62	305.08	305.08
Denali	Grades 4-6	99.97	99.97	99.95	99.95
	Grades 7-8	212.01	212.01	210.51	210.51
	ADA Totals	311.98	311.98	310.46	310.46
K2	Grades 7-8	212.56	212.56	210.68	210.68
	ADA Totals	212.56	212.56	210.68	210.68
	ADA Grand Totals	2,182.32	2,182.32	2,171.73	2,171.73

See independent auditor's report and the notes to the supplementary information.

SUMMIT PUBLIC SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS - CALIFORNIA
For the Year Ended June 30, 2016

There were no adjustments and reclassifications for the year ended June 30, 2016.

See independent auditor's report and the notes to the supplementary information.

SUMMIT PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Summit Prep	Everest	Rainier	Tahoma	Shasta	Denali	K2	Tamalpais	Summit WA	Total
U.S. Department of Education:												
Pass Through Program From												
California Department of Education:												
No Child Left Behind Act:												
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	\$ 54,995	\$ 62,007	\$ 43,620	\$ 46,908	\$ -	\$ -	\$ 48,602	\$ -	\$ -	\$ 256,132
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	1,218	1,245	874	1,034	-	-	887	-	-	5,258
Title V, Part B, Public Charter Schools Grants	84.282A	14941	-	-	-	-	27,271	-	259,660	270,432	-	557,363
State Charter School Facilities Incentive Grants	84.242D	N/A	77,868	103,862	31,836	-	-	-	-	-	-	213,566
Advanced Placement Program	84.330	N/A	-	-	4,387	6,683	-	-	-	-	-	11,070
Special Ed: IDEA Basic Local Assistance	84.027	13379	65,357	65,212	33,705	40,847	27,565	25,937	15,662	-	-	274,285
<i>Total U.S. Department of Education</i>			<u>199,438</u>	<u>232,326</u>	<u>114,422</u>	<u>95,472</u>	<u>54,836</u>	<u>25,937</u>	<u>324,811</u>	<u>270,432</u>	<u>-</u>	<u>1,317,674</u>
U.S. Department of Agriculture:												
Pass Through Program From												
California Department of Education:												
Child Nutrition Programs	10.555	N/A	58,140	53,179	51,590	29,960	25,556	42,543	47,035	-	-	308,003
State of Washington Office of Public Instruction:												
Child Nutrition Programs	10.555	N/A	-	-	-	-	-	-	-	-	15,615	15,615
<i>Total U.S. Department of Agriculture</i>			<u>58,140</u>	<u>53,179</u>	<u>51,590</u>	<u>29,960</u>	<u>25,556</u>	<u>42,543</u>	<u>47,035</u>	<u>-</u>	<u>15,615</u>	<u>323,618</u>
Total Expenditures of Federal Awards			<u>\$ 257,578</u>	<u>\$ 285,505</u>	<u>\$ 166,012</u>	<u>\$ 125,432</u>	<u>\$ 80,392</u>	<u>\$ 68,480</u>	<u>\$ 371,846</u>	<u>\$ 270,432</u>	<u>\$ 15,615</u>	<u>\$ 1,641,292</u>
Reconciliation of Federal Revenues:												
Total Federal Expenditures			\$ 257,578	\$ 285,505	\$ 166,012	\$ 125,432	\$ 80,392	\$ 68,480	\$ 371,846	\$ 270,432	\$ 15,615	\$ 1,641,292
Revenues in excess of expenditures												
related to Federal programs:												
Title V, Part B, Public Charter Schools Grants	84.242	14941	-	-	-	-	-	-	-	4,568	-	4,568
Expenditures in excess of revenues												
related to Federal programs:												
Title V, Part B, Public Charter Schools Grants	84.282A	14941	-	-	-	-	(27,271)	-	(109,660)	-	-	(136,931)
Total Federal Revenues			<u>\$ 257,578</u>	<u>\$ 285,505</u>	<u>\$ 166,012</u>	<u>\$ 125,432</u>	<u>\$ 53,121</u>	<u>\$ 68,480</u>	<u>\$ 262,186</u>	<u>\$ 275,000</u>	<u>\$ 15,615</u>	<u>\$ 1,508,929</u>

See independent auditor's report and the notes to the supplementary information.

SUMMIT PUBLIC SCHOOLS

NOTES TO THE SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time – California

This schedule presents information on the amount of instructional time offered by the Schools and whether they complied with the provisions of California Education Code.

Schedule of Average Daily Attendance – California

Average daily attendance is a measurement of the number of pupils attending classes of the Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of California state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

Reconciliation of Annual Financial Report with Audited Financial Statements – California

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on California's Annual Financial Report form to the audited financial statements.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of SPS under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented on the accrual basis of accounting in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the SPS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the SPS.

Indirect Cost Rate

SPS has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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***

Board of Directors
Summit Public Schools
Redwood City, CA

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 Summit Public Schools (SPS), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SPS' 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 SPS' internal control. Accordingly, we do not express an opinion on the effectiveness of SPS' 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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


**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SPS' 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 12, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
Summit Public Schools
Redwood City, CA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Summit Public Schools (SPS) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The SPS's major federal programs are 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 statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SPS' 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). Those standards and the Uniform Guidance 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 the SPS'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 the SPS's compliance.

Opinion on Each Major Federal Program

In our opinion, SPS 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, 2016.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Report on Internal Control Over Compliance

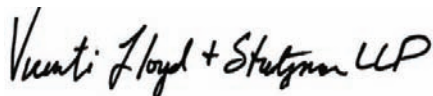
Management of SPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the SPS' internal control over compliance with the types of requirements 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 SPS' 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 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, 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.

Purpose of this Report

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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 12, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
Summit Public Schools
Redwood City, CA

We have audited Summit Public Schools's (SPS) compliance with the types of compliance requirements described in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The SPS' State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on SPS' compliance based on our audit of the types of compliance requirements referred to below. 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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the SPS' 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 state compliance. Our audit does not provide a legal determination of SPS' compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine SPS' compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

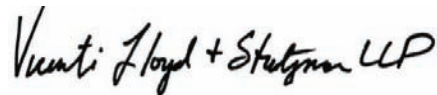
<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, SPS complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 12, 2016

SUMMIT PUBLIC SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? *Yes* X *No*

Significant deficiency(ies) identified? *Yes* X *None Reported*

Noncompliance material to financial statements noted? *Yes* X *No*

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? *Yes* X *No*

Significant deficiency(ies) identified? *Yes* X *None Reported*

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

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 Number(s) Name of Federal Program or Cluster

84.282A Title V, Part B, Public Charter Schools Grants

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X *Yes* *No*

SUMMIT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the year ended June 30, 2016.

SUMMIT PUBLIC SCHOOLS

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.

APPENDIX C

SUMMARY OF PRINCIPAL BOND DOCUMENTS

The following are summaries of certain provisions of the Master Indenture, the Supplemental Master Indenture, the Bond Indenture and the Loan Agreement. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of such documents. All capitalized terms used in this Summary of Principal Bond Documents and not defined herein have the same meanings as in the Master Indenture and the Bond Indenture.

Definitions

The following are summaries of definitions of certain terms used in the Summary of Principal Bond Documents.

“Accountant” means any firm of independent certified public accountants selected by the Obligated Group Representative.

“Accredited Investor” means an accredited investor as defined in Regulation D of the Securities Act of 1933.

“Act” means the California School Finance Authority Act, constituting Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Additional Indebtedness” means any Indebtedness (including all Obligations) incurred subsequent to the execution and delivery of the Master Indenture, other than Obligation No. 1.

“Additional Payments” means the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement meaning:

(a) All taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received hereunder 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 Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Borrower will have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, at the Borrower’s expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower will 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 Bond Trustee;

(b) All reasonable fees, charges and expenses of the Bond Trustee for services rendered under the Bond Indenture and all amounts relating to the compensation and indemnification of the Bond Trustee referred to in the provision of the Bond Indenture, as and when the same become due and payable;

(c) All reasonable fees, charges and expenses of the Master Trustee for services rendered under the Master Indenture and all amounts relating to compensation and reimbursement of the Master Trustee referred to in the Master Indenture, as and when the same become due and payable;

(d) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the other Borrower Documents or the Bond Indenture;

(e) All fees and expenses of any Rating Agency, including the S&P Surveillance Fee (if any), and the Rebate Analyst, and if a deposit is required to be made to the Rebate Fund as a result of any calculation made pursuant to the provision of the Bond Indenture summarized above under the heading “Rebate Fund,” the amount of such deposit, which will be deposited in the Rebate Fund not later than the tenth day of the calendar month immediately following the date on which such calculation was made pursuant to the Bond Indenture;

(f) All amounts necessary for deposit into the Repair and Replacement Fund pursuant to the Bond Indenture;

(g) The annual fee of the Authority and the reasonable 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 other Borrower Documents, the Bonds or the Bond Indenture, including, without limitation, any and all reasonable 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 other Borrower Documents, the Bonds or the Bond 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 other Borrower Documents; and

(h) The amount necessary to replenish any fund established under the Bond Indenture, but only to the extent then required under the Bond Indenture.

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Bond Trustee in connection with the Bonds, including Additional Payments.

“Affiliate” means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof, directly controlled by or under common control with a Member or any other Affiliate. For purposes of this definition, “control” means the power to direct the management and policies of a Person through the ownership of at least a majority of its voting securities, or the right to designate or elect at least a majority of the members of its board of directors by contract or otherwise.

“Authority” means the California School Finance Authority, a public instrumentality of the State established by the Act, and its successors and assigns.

“Authorized Borrower Representative” means the Board President of the Borrower, the Board Treasurer of the Borrower or such other person as may be designated by the Board of Directors of the Borrower or any of such officials to sign for the Borrower, by written certificate furnished to the Authority and the Bond Trustee, as a person authorized to act on behalf of the Borrower. Such certificate will contain the specimen signature of such person, will be signed on behalf of the Borrower by any officer of the Borrower and may designate an alternate or alternates.

“Authorized Denominations” means \$25,000 and any integral multiple of \$5,000 in excess thereof, subject to the Bond Indenture.

“Authorized Signatory” means any member of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

“Balloon Indebtedness” means Long-Term Indebtedness 25% or more of the principal of which becomes due (either by maturity or mandatory redemption) during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date.

“Base Rent” means an amount not less than the greater of (a) debt service due and payable with respect to the related Facility plus any Ground Rent on a related Facility or (b) the amounts provided in the rent schedule attached to the applicable Lease plus any Ground Rent on the related Facility.

“Beneficial Owner” means, (i) when used with reference to the Book Entry Only System, the person who is considered the beneficial owner of the Bonds and, with respect to the Bonds pursuant to the arrangements for book entry determination of ownership applicable to the Depository and, (ii) for purposes of the Bond Indenture, any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds and, with respect to the Bonds (including persons holding such through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds and, with respect to the Bonds for federal income tax purposes.

“Bond Counsel” means counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Obligated Group Representative and approved by the Governmental Issuer.

“Bond Purchase Agreement” means and refers to that certain Bond Purchase Agreement, to be dated as of the date of sale of the related Bonds, among the Authority, the Underwriter and the State Treasurer, as agent for sale on behalf of the Authority, and approved by the Borrower and the Lessee.

“Bond Reserve Subaccount” means the Bond Reserve Subaccount of the Reserve Account established by the Bond Trustee pursuant to the Bond Indenture.

“Bond Trustee” means Wilmington Trust, National Association, or the successor as Bond Trustee as provided in the Bond Indenture.

“Bond Year” means the period beginning on the Closing Date and ending on the first anniversary of the Closing Date and each succeeding one-year period (with the last Bond Year ending on the first date that none of the Bonds remain Outstanding).

“Bondholder” or “Holder” means, with respect to any Bond, the person in whose name such Bond is registered.

“Bonds” means the California School Finance Authority Charter School Revenue Bonds (Summit Public Schools – Obligated Group) Series 2017.

“Book Value” means, when used in connection with Property, Plant and Equipment or other Property of any Member, the value of such property, net of accumulated depreciation, as it is carried on the books of such Person and in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such property of each Member determined in such a way that no portion of such value of property of any Member is included more than once.

“Borrower” means Community High School Foundation, Inc., a California nonprofit public benefit corporation, and its successors and assigns.

“Borrower Documents” means the Master Indenture of Trust, the Supplemental MTI for Obligation No. 1, the Loan Agreement, the Bond Purchase Agreement, the Tax Certificate and the Borrower Resolution.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal Corporate Trust Office is located are authorized or obligated by law or executive order to be closed.

“Charter School Law” means the Charter Schools Act of 1992, constituting Part 26.8, commencing with Section 47600 of Division 4 of Title 2 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Closing Date” means, in respect of any Bonds, the date of original issuance and delivery of such Bonds.

“Code” means the Internal Revenue Code of 1986, or any successor code or law, and any regulations in effect or promulgated thereunder.

“Completion Certificate” means a Completion Certificate in a form substantially similar to EXHIBIT B of the Loan Agreement.

“Consolidated Base Rent” means the sum of all Base Rent for all Lessees of all Facilities and proposed Facilities.

“Consolidated Base Rent Coverage Ratio” means the ratio determined by dividing Consolidated Net Operating School Revenue for such period by the Consolidated Base Rent; provided, however, that the computation of Gross Management Fee Revenue for purposes hereof excludes any subordinated Educational Management Fee (as defined in the applicable lease) received or recognized as income by the Lessee.

“Consolidated Net Operating School Revenue” means the sum of all Net Operating School Revenue and Gross Management Fee Revenue (as such terms are defined in the related Leases) for all Lessees of all Facilities and proposed Facilities as that computation would be applied to the operations of an existing or proposed school Lessee of an existing or proposed Facility financed with Related Bonds or to be financed with Additional Indebtedness, and excluding therefrom the payment obligations associated with any loan or other indebtedness to be refinanced or retired from proceeds of the Long-Term Indebtedness then to be incurred.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement executed by the Corporation and the Dissemination Agent appointed thereto dated the date of issuance and delivery of the Related Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Controller” means the Controller of the State or any other official of the State charged with the disbursement of State funds to State public schools.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, fees and expenses of the Authority, the State Treasurer’s Office, the Bond Trustee, the Master Trustee, legal fees and charges of bond counsel, special counsel, disclosure counsel, underwriter’s counsel and Bond Trustee’s counsel, underwriters’ discount, rating agency fees and any other costs, charges or fees in connection with the original delivery of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Bond Indenture.

“Debt Service Coverage Ratio” means for any Fiscal Year the ratio determined by dividing the Income Available for Debt Service for such Fiscal Year by the Debt Service Requirement for such Fiscal Year.

“Debt Service Requirement” means, for any Fiscal Year for which such determination is made, the aggregate of the scheduled payments to be made with respect to principal (or mandatory sinking fund or installment purchase price or lease rental or similar payments) and interest on Outstanding Long-Term Indebtedness of the Members during such period, taking into account, at the option of the Obligated Group Representative, the following:

(a) With respect to Indebtedness represented by a Guaranty of obligations of a Person, as long as any such Guaranty is a contingent liability under generally accepted accounting principles, the principal and interest deemed payable with respect to such Guaranty will be deemed to be the lowest percentage of debt service requirements set forth immediately following this paragraph (determined after giving effect to any other paragraph of this definition at the election of the Obligated Group Representative), if the debt service coverage ratio (determined in a manner as nearly as practicable to the determination of the Debt Service Requirement hereunder) of the Person primarily obligated on the obligations effectively guaranteed by such Guaranty for the immediately preceding Fiscal Year, or

any other 12-month period ending within 180 days prior to the date of calculation, will be greater than the amount specified opposite such percentage below:

<u>Debt Service Coverage Ratio of Accommodated Person</u>	<u>Percentage of Debt Service Requirements</u>
1.35	25%
1.1	50%
Less than 1.1	100%

If any such Guaranty becomes a noncontingent liability but thereafter becomes a contingent liability, during the period such Guaranty is a noncontingent liability and for two years after such Guaranty becomes a contingent liability, 100% of the annual debt service on the indebtedness being guaranteed will be added to the computation of the Debt Service Requirement.

(b) With respect to Balloon Indebtedness, the amount of principal and interest deemed payable during such period will be determined as if such Balloon Indebtedness were being repaid in substantially equal annual installments of principal and interest over a term over which the Members could reasonably be expected to borrow, not to exceed thirty-five (35) years from the date of incurrence of such Balloon Indebtedness, and bearing interest at an interest rate (determined as of the date of calculation of the Debt Service Requirement) equal to the rate at which the Members could reasonably be expected to borrow for such term, by issuing Indebtedness, all as set forth in an Officer's Certificate accompanied by a letter of a banking or investment banking institution knowledgeable in matters of charter school facility finance, confirming that the borrowing term and interest rate assumptions set forth in such statement comply with the requirements of this paragraph.

(c) With respect to Variable Rate Indebtedness, if the actual interest rate on such Variable Rate Indebtedness cannot be determined for the period for which the Debt Service Requirement is being calculated, the amount of interest deemed payable during such period on such Variable Rate Indebtedness will be assumed to be equal to the average interest rate per annum which was in effect for any twelve (12) consecutive calendar months specified in an Officer's Certificate during the eighteen (18) calendar months immediately preceding the date of calculation of the Debt Service Requirement (or, if such Variable Rate Indebtedness was not Outstanding during such eighteen month period, the average interest rate per annum which would have been in effect).

(d) With respect to Indebtedness payable from an Irrevocable Deposit, the amount of principal or interest taken into account during such period will be assumed to equal only the principal or interest not payable from such Irrevocable Deposit and the investment income from such funds.

(e) With respect to Long-Term Indebtedness incurred to finance or refinance the construction of capital improvements, principal and interest with respect to such Long-Term Indebtedness will be excluded from the determination of the Debt Service Requirement but only in proportion to the amount of principal and interest on such Long-Term Indebtedness which is payable in the then current Fiscal Year from the proceeds of such Long-Term Indebtedness.

(f) With respect to Long-Term Indebtedness with respect to which a Financial Products Agreement has been entered into by a Member, interest on such Long-Term Indebtedness will be included in the determination of the Debt Service Requirement by including for each Fiscal Year an amount equal to the amount of interest payable on such Long-Term Indebtedness in such Fiscal Year at the rate or rates stated in such Long-Term Indebtedness plus any Financial Product Payments payable in such Fiscal Year minus any Financial Products Receipts receivable in such Fiscal Year; provided that in no event will any calculation made pursuant to this clause result in an amount less than zero being included in the determination of the Debt Service Requirement and provided, further, if the actual interest rate on such Long-Term Indebtedness or the actual amount of Financial Product Payments or Financial Products Receipts cannot be determined for the period for which the Debt Service Requirement is being calculated, the amount of interest deemed payable during such period on such Long-Term Indebtedness will be determined by applying the average interest rate per annum which was in effect or the average Financial Product Payments which would have been paid, or the average Financial Products Receipts which would have been received,

as the case may be, for any twelve (12) consecutive calendar months specified in an Officer's Certificate during the eighteen (18) calendar months immediately preceding the date of calculation of the Debt Service Requirement (or, if such Long-Term Indebtedness was not Outstanding during such eighteen month period, the average rate which would have been in effect).

"Defeasance Obligations" means any obligations authorized under applicable State law and the related financing documents to be deposited in escrow for the defeasance of any Indebtedness.

"Dissemination Agent" means the entity appointed as dissemination agent under the Continuing Disclosure Agreement.

"Depository" means The Depository Trust Company and its successors and assigns, or any other depository selected as set forth in the Bond Indenture which agrees to follow the procedures required to be followed by such depository in connection with the Bonds.

"Education Code" means the Education Code of the State.

"Electronic Notice" means notice through telecopy, telegraph, telex, facsimile, transmission, internet, e-mail or other electronic means of communication, capable of making a written record.

"Eligible Securities" means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held hereunder and then proposed to be invested therein (provided that the Bond Trustee will be entitled to rely upon a Request of the Borrower as conclusive evidence that the investments described therein are so authorized under the laws of the State) and will be the sole investments in which amounts on deposit in any fund or account created hereunder or under the Loan Agreement will be invested:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America;

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities constitute Eligible Securities only if they have been stripped by the agency itself); U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities will constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(4) Bonds or notes issued by any state or municipality which are rated by S&P, Fitch and Moody's in one of the three highest rating categories assigned by such agencies;

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank (including an affiliate of the Bond Trustee), which, in either case, is rated "A" or better by S&P and Moody's, provided that (a) the term of such repurchase agreement is not greater than thirty days, (b) the Bond Trustee or third party acting solely as agent for the Bond Trustee has possession of the collateral, (c) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Bond Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (d) failure to maintain the requisite collateral levels will require the Bond Trustee to

liquidate the collateral immediately, (e) the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States, (f) the repurchase securities are free and clear of any third-party lien or claim; and (g) there will have been delivered to the Bond Trustee, the Authority and the Borrower an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds;

(6) investment agreements, including guaranteed investment contracts (“GICs”) with providers in one of the two highest rating categories of Moody’s and S&P;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2,” including such funds for which the Bond Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Bond Trustee or an affiliate of the Bond Trustee receives fees from funds for services rendered, (ii) the Bond Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Bond Trustee or an affiliate of the Bond Trustee;

(8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Bond Trustee on behalf of the Bondholders has a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF;

(10) commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P;

(11) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A-3” or better by Moody’s and “A-1” or “A” or better by S&P;

(12) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended;

(13) the State of California’s Pooled Money Investment Account;

(14) the State of California’s Local Agency Investment Fund; and

(15) obligations of a bank or other financial institution rated at least “Aa3” by Moody’s or “AA-” by S&P.

“EMMA” means and refers to the Electronic Municipal Market Access system of the Municipal Rulemaking Securities Board, or any successor which comports with the applicable rules of the United States Securities and Exchange Commission.

“Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

“Event of Default” means such events specified in the Loan Agreement, the Bond Indenture or the Master Indenture as the context requires.

“Facility” or “Facilities,” as the context requires, means all the real property subject to and as described in the related deed of trust in respect of (i) Summit Public School: Shasta, (ii) Summit Public School: Denali, and (iii) Summit Public Schools Home Office; and each other educational facility at which a School is located and leased from a Member of the Obligated Group, together with the improvements thereon.

“Fair Market Value,” when used in connection with Property, means the fair market value of such Property as determined by either:

(1) an appraisal of the portion of such Property which is real property made within five years of the date of determination by a “Member of the Appraisal Institute” and by an appraisal of the portion of such Property which is not real property made within five years of the date of determination by any expert qualified in relation to the subject matter, provided that any such appraisal will be performed by a Person which (a) is in fact independent, (b) does not have any direct financial interest or any material indirect financial interest in any Member or Affiliate and (c) is not connected with any Member or Affiliate as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, adjusted for the period, not in excess of five years, from the date of the last such appraisal for changes in the implicit price deflator for the gross national product as reported by the United States Department of Commerce or its successor agency, or if such index is no longer published, such other index certified to be comparable and appropriate in an Officer’s Certificate delivered to the Master Trustee; or

(2) a bona fide offer for the purchase of such Property made on an arm’s-length basis within six months of the date of determination, as established by an Officer’s Certificate.

“Financial Products Agreement” means an interest rate swap, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, however denominated, identified to the Master Trustee in an Officer’s Certificate as having been entered into by a Member with a Qualified Provider not for investment purposes but with respect to Indebtedness (which Indebtedness will be specifically identified in the Officer’s Certificate) for the purpose of (1) reducing or otherwise managing the Member’s risk of interest rate changes or (2) effectively converting the Member’s interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

“Financial Products Payments” means payments periodically required to be paid to a counterparty by a Member pursuant to a Financial Products Agreement.

“Financial Products Receipts” means amounts periodically required to be paid to a Member by a counterparty pursuant to a Financial Products Agreement.

“Fiscal Year” means that period adopted by the Obligated Group Representative as the annual accounting period for the Members. The Fiscal Year is initially the twelve month period commencing on July 1 and ending on June 30 in each year.

“Fitch” means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Governing Body” means, when used with respect to any Member, its board of directors, board of trustees, or other board or group of individuals in which all of the powers of such Person are vested except for those powers reserved to the corporate membership thereof by the articles of incorporation or bylaws of such Person.

“Government Obligations” means, for purposes of the Master Indenture and the Bond Indenture, noncallable and nonprepayable direct obligations of the United States of America or obligations which as to full and

timely payment of principal and interest constitute full faith and credit obligations of the United States of America (excluding therefrom unit investment trusts and money market funds comprised of such securities).

“Governmental Issuer” means any municipal corporation, political subdivision, state, territory or possession of the United States, or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, which obligations constitute Related Bonds.

“Gross Revenue Fund” means the fund by that name established pursuant to the Master Indenture.

“Gross Revenues” means all revenues, income, receipts and money received by or on behalf of the Members from all lawfully available sources, including (a) gross revenues derived from the operation and possession of each Member’s facilities; (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Required Payments; (c) proceeds derived from (i) accounts receivable, (ii) securities and other investments, (iii) inventory and other tangible and intangible property, and (iv) contract rights and other rights and assets now or hereafter owned by each Member; and (d) rentals received from the lease of space; provided, however, that Gross Revenues shall not include (1) income derived from Defeasance Obligations that are irrevocably deposited in escrow to pay the principal of or interest on any Indebtedness; (2) any gains or losses resulting from the early extinguishment of Indebtedness, the sale, exchange or other disposition of Property not in the ordinary course of business, or the reappraisal, reevaluation or write-up of assets, or any other extraordinary gains or losses; (3) net unrealized gain (losses) on investments on investments and Financial Products Agreements; (4) proceeds of borrowing; (5) condemnation proceeds; (6) insurance proceeds; and (7) income derived from, or accounts receivable for, repayment to any Member of loans made by any other Member or Members.

“Ground Leases” means any lease between any Member, as lessee, and a third party landlord, as lessor, for use and occupancy of any Facilities by such Member.

“Ground Rent” means any aggregate rental payment obligation of the Members for use and occupancy of any Facilities pursuant to one or more Ground Leases.

“Guaranty” means all loan commitments and all obligations of any Member guaranteeing in any manner whatever, whether directly or indirectly, any obligation of any other Person that would, if such other Person were a Member, constitute Indebtedness.

“Hazardous Substances” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

“Holder” or “Bondholder,” whenever used with respect to a Bond, means the person in whose name such Bond is registered.

“Income Available For Debt Service” means, unless the context provides otherwise, with respect to the Members as to any period of time, the Gross Revenues less expenses of the Members relating to the operation and management of the Facilities, and less rent paid pursuant to any Ground Leases; provided, that no determination thereof will take into account:

- (a) any gain or loss resulting from either the early extinguishment or refinancing of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business;
- (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Required Payments;
- (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards;
- (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles;
- (e) unrealized gains or losses that do not result in the receipt or expenditure of cash, including the extinguishment of debt; and
- (f) nonrecurring items which do not involve the receipt, expenditure or transfer of assets.

“Indebtedness” means all obligations for borrowed money, installment sales and capitalized lease obligations, incurred or assumed by a Member (other than Indebtedness of one Member to another Member or the Guaranty by any Member of Indebtedness of any other Member), including Guaranties, Long-Term Indebtedness, Short-Term Indebtedness or any other obligation for payments of principal and interest with respect to money borrowed, provided, however, that if more than one Member will have incurred or assumed a Guaranty of a Person other than a Member, or if more than one Member will be obligated to pay any obligation, for purposes of any computations or calculations under the Master Indenture such Guaranty or obligation will be included only one time.

“Independent Consultant” means, for purposes of the Master Indenture, a Person that (1) does not have any direct financial interest or any material indirect financial interest in any Member or any Affiliate and (2) is not connected with any Member or any Affiliate as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and designated by the Obligated Group Representative, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Members and having a favorable reputation for skill and experience in the financial affairs of such facilities.

“Initial Members” means, individually or collectively as the case may be, as of the date of original execution hereof, 895 Campus Drive, LLC, 824 San Aleso, LLC and EdFuture, LLC, each a California limited liability company, or any limited liability company, corporation or other entity which is the surviving, resulting or transferee in any merger, consolidation or transfer of assets permitted under the Master Indenture.

“Insurance and Condemnation Proceeds Fund” means the fund by that name established pursuant to the Master Indenture.

“Insurance Consultant” means a Person (which may be an insurance broker or agent of a Member) which (1) does not have any direct financial interest or any material indirect financial interest in any Member or any Affiliate and (2) is not connected with any Member or any Affiliate as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions, and designated by the Obligated Group Representative, qualified to survey risks and to recommend insurance coverage for educational facilities and organizations engaged in such operations.

“Intercept” means the apportionment from the Controller of the State of California, pursuant to Section 17199.4(a)(4) of the Education Code (or any successor provision) and the Intercept Notice, of amounts specified in the Intercept Notice and payable directly to the Bond Trustee.

“Intercept Notice” means any notice from any school located in the State and operated by Summit to the Controller of the State of California, pursuant to Section 17199.4 of the California Education Code (or any successor provision), specifying a transfer schedule for the payment directly to the Related Bond Trustee of one or more of the following: (x) principal of the Related Bonds of the California School Finance Authority, (y) interest on the Related Bonds of the California School Finance Authority and (z) other costs necessary or incidental to financing pursuant to the Act relating to the Related Bonds of the California School Finance Authority, including Additional Payments (as defined in the Related Bond Indenture), in substantially the form set forth in the applicable Lease, as the same may be amended, supplemented or restated from time to time.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the Bond Indenture.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2017.

“Irrevocable Deposit” means the irrevocable deposit in trust of cash in an amount (or Government Obligations the principal of and interest on which will be in an amount), and under terms sufficient to pay all or a portion of the principal of and/or premium, if any, and interest on, as the same becomes due, of any indebtedness of the Borrower which would otherwise be considered Outstanding. The Bond Trustee with whom such deposit is made may be any trustee or escrow agent authorized to act in such capacity.

“Landlord” means, individually or collectively as the context requires, 895 Campus Drive, LLC, 824 San Aleso, LLC, and EdFuture, LLC, each a California limited liability company, as owners of the Facilities and as lessors under and pursuant to the related Leases, and their permitted successors and assigns.

“Lease” means each individually, and “Leases” means, collectively, the Summit Shasta Lease, the Summit Denali Lease and the Summit Home Office Lease, and each other lease agreement pursuant to which a Lessee leases a Facility at which a School is located from a Member of the Obligated Group.

“Lessee” means Summit, as lessee under the Leases and as operator of charter schools, including the Schools, pursuant and subject to the Charter School Law, and its successors and assigns.

“Lessor” each Member of the Obligated Group that is a party to a Lease.

“Lien” means any mortgage or pledge of, security interest in or lien or encumbrance on the Facility or the Gross Revenues.

“Loan” means the loan of Bond proceeds from the Authority to the Borrower pursuant to the Loan Agreement.

“Loan Agreement” means the loan agreement, dated as of October 1, 2017, between the Authority and the Borrower, and as acknowledged by the Landlord, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and of the Bond Indenture.

“Loan Repayments” means all of the payments so designated and required to be made by the Borrower pursuant to the Loan Agreement.

“Long-Term Indebtedness” means Indebtedness having an original maturity greater than one year or renewable at the option of a Member for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least twenty (20) consecutive days during each calendar year.

“Mandatory Sinking Account Payment” means the amount so designated which is established pursuant to the Bond Indenture with respect to the Bonds.

“Master Indenture” means the Master Indenture of Trust, dated as of October 1, 2017, among the Obligated Group Members, and the Master Trustee named therein, as originally executed, and as the same may be amended and supplemented from time to time in accordance with its terms.

“Master Trustee” means Wilmington Trust, National Association, appointed and acting under and pursuant to the Master Indenture.

“Members of the Obligated Group” means, as applicable, each “Member” as identified in the Master Indenture.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Mortgages” means (1) each mortgage, including leasehold deed of trust, deed of trust, security agreement, assignment of rents and leases, and/or financing statement identified in the Master Indenture, as originally executed and as amended and modified from time to time in accordance with its terms and (2) any mortgage, including leasehold deed of trust, deed of trust, security agreement, assignment of rents and leases and/or financing statement encumbering Property, Plant and Equipment for the benefit of Holders executed and delivered in accordance with the Master Indenture.

“Nonrecourse Indebtedness” means any Indebtedness secured by a Lien on Property of a Member, liability for which is effectively limited to the Property subject to the Lien with no recourse, directly or indirectly (whether through credit enhancement of such Indebtedness or otherwise), to any other Property of the Members.

“Obligated Group” means all Members, which does not include the Obligated Group Representative.

“Obligated Group Financial Statements” has the meaning set forth in this summary under the caption “MASTER INDENTURE – Preparation and Filing of Financial Statements, Reports and Other Information.”

“Obligated Group Representative” means the Corporation or such Member (or Members acting jointly) or other Person as may have been designated to act as Obligated Group Representative under the Master Indenture pursuant to written notice to the Master Trustee executed by all of the Members.

“Obligation” means any obligation of the Obligated Group issued under the Master Indenture, which will be in the form set forth in a Related Supplement, including, but not limited to, bonds, obligations, debentures, reimbursement agreements, Financial Products Agreements, loan agreements or leases. Reference to a Series of Obligations or to Obligations of a Series means Obligations or Series of Obligations issued pursuant to a single Related Supplement, unless otherwise specified in the Related Supplement.

“Operating Expenses” has the meaning ascribed thereto in the applicable Lease.

“Opinion of Bond Counsel” means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

“Opinion of Counsel” means a written opinion of counsel (which may be counsel for the Authority,) selected by the Authority. If and to the extent required by the provisions of the Bond Indenture, each Opinion of Counsel will include the statements provided for in the Bond Indenture.

“Optional Redemption Account” means the account by that name in the Redemption Fund established pursuant to the Bond Indenture.

“Outstanding,” when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness or Obligations theretofore issued or incurred and not paid and discharged other than (a) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (b) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of a Related Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser, (c) any Obligation held by any Member and (d) Indebtedness deemed paid and no longer outstanding pursuant to the terms thereof; provided, however, that if two or more obligations which constitute Indebtedness represent the same underlying obligation (as when an Obligation secures an issue of Related Bonds and another Obligation secures repayment obligations to a bank under a letter of credit which secures such Related Bonds) for purposes of the various financial covenants contained in the Master Indenture, but only for such purposes, only one of such Obligations will be deemed Outstanding and the Obligation so deemed to be Outstanding will be that Obligation which produces the greater amount of Annual Debt Service to be included in the calculation of such covenants.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Bond Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Bond Indenture except (a) Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with the Bond Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds will have been authenticated and delivered by the Bond Trustee pursuant to the Bond Indenture.

“Payments” means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Bond Trustee with respect to the Intercept, (ii) all moneys, if any, received by the Bond Trustee directly from, or on behalf of, the Borrower, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into any fund or account created and held under the Bond Indenture) or Obligation No. 1, and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture.

“Permitted Liens” means and includes:

(a) Any judgment lien or notice of pending action against any Member so long as such judgment or pending action is being contested in good faith and execution thereon is stayed, or while the period for responsive pleading has not lapsed;

(b) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessment, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or which are subject to an installment payment obligation with a tax collection authority and execution thereon is stayed or, with respect to liens of mechanics, materialmen and laborers, have been due for less than 60 days; (iii) covenants, conditions and restriction agreements, easements, rights-of-way, water rights, servitudes, waivers, reservations of abutter’s rights, restrictions, governmental requirements and other defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (iv) condominium declarations, condominium plans, condominium maps, tract maps, lot splits or lot line adjustment maps affecting the property; and (v) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property in any manner, or materially and adversely affect the value thereof;

(c) Any Lien described in the final title policy which summarized certain liens existing on the date of execution of the Master Indenture provided that no such Lien (or the amount of Indebtedness secured thereby)

may be increased, extended, renewed or modified to apply to any Property of any Member not subject to such Lien on such date, unless (1) such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien or (2) the maturity date of the Indebtedness secured by such Lien is not extended and either the total principal and interest requirements or the maximum annual principal and interest requirements (calculated in a manner consistent with the calculation of the Debt Service Requirement) on such Indebtedness is not increased as a result of the refinancing of such Indebtedness;

(d) Any Lien in favor of the Master Trustee securing all Obligations other than Nonrecourse Indebtedness on a parity basis, including without limitation the Lien of the Mortgages and the Lien on Gross Revenues;

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

(f) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements, and any Lien in the nature of a banker's lien or right of setoff with respect to deposits which any Member is not required to maintain with the bank in question;

(g) Any Lien arising by reason of any escrow established to pay debt service with respect to Indebtedness, including Irrevocable Deposits;

(h) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(i) Liens on Property received by any Member through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon, up to the Fair Market Value of such Property;

(j) Liens securing Nonrecourse Indebtedness incurred pursuant to the Master Indenture so long as the Property purchased, acquired, constructed, or equipped with the proceeds of such Nonrecourse Indebtedness does not replace any Property of the Members which generated more than ten percent (10%) of the Total Revenues of the Members for the most recent Fiscal Year for which Obligated Group Financial Statements are available;

(k) Liens securing leases of Property;

(l) the lease or license of the use of all or a part of any portion of the Property in connection with the proper and economical use of such Property in accordance with customary and prudent business practice;

(m) purchase money security interests and security interests existing on any Property prior to the time of its acquisition through purchase, merger, consolidation or otherwise, or placed upon Property to secure a portion of the purchase price thereof, or placed upon instruments evidencing Indebtedness to secure the purchase price thereof, or lessee's interests in leases required to be capitalized in accordance with generally accepted accounting principles; and

(n) any other Lien, provided that either (i) the aggregate Book Value of Property subject to Liens created or permitted to exist pursuant to this clause (n) will not exceed 5% of the aggregate Book Value of all Property of the Obligated Group or (ii) the aggregate Fair Market Value of Property subject to Liens created or

permitted to exist pursuant to this clause (n) will not exceed 5% of the aggregate Fair Market Value of all Property of the Obligated Group.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the Bond Indenture.

“Principal Corporate Trust Office” means for the Bond Trustee originally appointed under the Bond Indenture, the corporate trust office of Wilmington Trust, National Association, provided however, that for purposes of presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Bond Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Principal Payment Date” means the principal and Mandatory Sinking Account Payment dates for the Bonds, which dates occur on June 1 of each year commencing June 1, 2018.

“Project” has the meaning given to such term in the Loan Agreement.

“Project Fund” means the fund by that name established pursuant to the Bond Indenture.

“Property” means any and all rights, titles and interests in and to any and all property of or leased by the Borrower whether real (including the Facilities) or personal, tangible or intangible and wherever situated whether currently owned or leased or acquired in the future.

“Property, Plant and Equipment” means all Property of the Obligated Group that is considered property, plant and equipment of such Persons under generally accepted accounting principles other than the respective Members’ interests in the real property, fixtures and equipment identified in the Master Indenture.

“Qualified Institutional Buyer” has the meaning given to a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933.

“Qualified Provider” means any financial institution or insurance company which is a party to a Financial Products Agreement if the unsecured long-term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary guarantees the performance of such financial institution or insurance company under such Financial Products Agreement), or obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), are rated in one of the three highest Rating Categories of a national rating agency at the time of the execution and delivery of the Financial Products Agreement.

“Rating Agency” means at any time any nationally recognized rating agency including Fitch, Moody’s or S&P, then rating the Bonds at the request of the Authority or the Borrower.

“Rating Category” means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rebate Analyst” means the Person engaged by the Borrower to calculate any rebate liability under the Code.

“Rebate Fund” means the fund by that name established pursuant to the Bond Indenture.

“Record Date” means, with respect to the Interest Payment Date for the Bonds, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the Bond Indenture.

“Related Bond Indenture” means any indenture, trust agreement, bond resolution or other comparable instrument pursuant to which a series of Related Bonds are issued.

“Related Bond Issuer” means the Governmental Issuer of any issue of Related Bonds.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, means the Related Bond Issuer.

“Related Bonds” means the revenue bonds or other obligations issued by any Governmental Issuer, pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to a Member or Members in consideration of the execution, authentication and delivery of an Obligation or Obligations to or for the order of such Governmental Issuer.

“Related Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

“Rental Payments” means the amounts payable pursuant to any Lease by a Lessee to the Members of the Obligated Group for the use and occupancy of any Facility, excluding Expenses (as defined in the applicable Lease).

“Repair and Replacement Fund” means the fund by such name established pursuant to the Bond Indenture.

“Repair and Replacement Fund Requirement” means \$150,000 as of December 1, 2020; provided, however, that the Repair and Replacement Fund Requirement will initially be \$0 as of the date of delivery of the Bonds and will increase by \$4,167 on the first Business Day of each month following the date of delivery of the Bonds until such Repair and Replacement Fund Requirement equals \$150,000.

“Required Payment” means any payment, whether at maturity, by acceleration, upon proceeding for redemption or otherwise, including the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture, required to be made by any Member under the Master Indenture, any Related Supplement or any Obligation.

“Reserve Account” means the account by that name in the Revenue Fund established pursuant to the Bond Indenture.

“Reserve Account Requirement” means as of any date of calculation, an amount which will be equal to the least of (a) ten percent (10%) of the proceeds of the Bonds; (b) maximum annual Debt Service with respect to the Bonds Outstanding; (c) one hundred twenty-five percent (125%) of average annual Debt Service with respect to the Bonds, or (d) for the last Bond Year only, the total Debt Service with respect to the Bonds Outstanding. Maximum annual Debt Service and average annual Debt Service, for purposes of this definition, will be calculated on the basis of 12-month periods ending on June 1 of any year in which Bonds are Outstanding.

“Responsible Officer” of the Bond Trustee means any person who at the time and from time to time may be designated, by written certificate, as a person authorized to act on behalf of the Bond Trustee. Such certificate will contain the specimen signature of such person(s) and will be signed on behalf of the Bond Trustee by any officer of the Bond Trustee and may designate an alternate or alternates.

“Retained Rights” means the Authority’s right to payment of the Administrative Fees and Expenses, any Additional Payments, any right to be indemnified, held harmless or defended, any right to receive information,

reports, certifications or other documents and any right to notice, consent, approval or inspection under the Bond Indenture or under the Loan Agreement and the obligation of the Borrower to make deposits pursuant to the Tax Certificate.

“Revenue Fund” means the fund by that name established pursuant the Bond Indenture.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and assigns, or, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“School” means individually, and “Schools” means collectively, each public charter school and related administrative office operated by Lessee and located at one or more Facilities pursuant to a Lease from and after the date upon which the Member that is the lessor under such Lease joins the Obligated Group, but excluding any public charter school operated by Lessee at premises that are not owned or leased by a Member that is part of the Obligated Group or is owned or leased by a Member that withdraws from the Obligated Group to the extent and in accordance with the Master Indenture, from and after the date of such withdrawal.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attention: Call Notification Department, Fax (212) 855-7232 or to such other addresses and/or such other securities depositories as the Authority may designate to the Bond Trustee in writing.

“Series” means, when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

“Sinking Fund Installment” means, with respect to any Term Bonds, each amount so designated for such Term Bonds requiring payments by the Borrower from the Payments to be applied to the retirement of such Bonds on and prior to the stated maturity date thereof.

“Special Record Date” means the date established by the Bond Trustee pursuant to the Bond Indenture as a record date for the payment of defaulted interest on Bonds.

“Special Redemption Account” means the account by that name in the Redemption Fund established pursuant to the Bond Indenture.

“State” means the State of California.

“State Controller” means the Controller of the State.

“Summit” means Summit Public Schools, a California nonprofit public benefit corporation, as operator of charter schools subject to the Charter School Law, and its successors and assigns.

“Summit Denali Lease” means that certain Lease Agreement, dated October 1, 2017, between 824 San Aleso, LLC, and Summit.

“Summit Home Office Lease” means that certain Sublease Agreement, dated October 1, 2017, between EdFuture, LLC, and Summit.

“Summit Public Schools Home Office” means the administrative and management activities of Summit that generate Gross Management Fee Revenue.

“Summit Shasta Lease” means that certain Sublease Agreement, dated October 1, 2017, between 895 Campus Drive, LLC, and Summit.

“Supplemental Indenture” or “Indenture supplemental hereto” means any indenture hereafter duly authorized and entered into between the Authority and the Bond Trustee in accordance with the provisions of the Bond Indenture.

“Supplemental MTI for Obligation No. 1” means the Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2017, between the Obligated Group Members and the Master Trustee named therein, as originally executed and as the same may be amended and supplemented from time to time in accordance with its terms.

“Tax Certificate” means the Tax Certificate and Agreement of the Authority and the Borrower dated the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tax-Exempt Bonds” means the California School Finance Authority Charter School Revenue Bonds (Summit Public Schools - Obligated Group) Series 2017.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Total Revenues of the Members” means the combined operating and non-operating revenues of the Members for any Fiscal Year, all as determined in accordance with generally accepted accounting principles.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated, its successors and assigns.

“Variable Rate Indebtedness” means Indebtedness the interest on which is payable pursuant to a variable interest rate formula or other determination method rather than at a fixed rate of interest per annum to maturity.

THE MASTER INDENTURE

General

The Master Indenture authorizes the issuance of Obligations by the Obligated Group Representative. An Obligation is stated in the Master Indenture to be any obligation of the Obligated Group.

The following are summaries of certain provisions of the Master Indenture. Other provisions are summarized in this Limited Offering Memorandum under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Master Indenture.” These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Master Indenture.

Authorization, Issuance and Form of Obligations

Authorization of Obligations.

Each Member authorizes to be issued from time to time Obligations or Series of Obligations, without limitation as to amount, except as provided in the Master Indenture or as may be limited by law, and subject to the terms, conditions and limitations established in the Master Indenture and in any Related Supplement.

Authorization for Issuance of Obligations in Series.

From time to time when authorized by the Master Indenture and subject to the terms, conditions and limitations established in the Master Indenture, the Obligated Group Representative may authorize the issuance of an Obligation or a Series of Obligations by entering into a Related Supplement. The Obligation or the Obligations of any such Series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions hereof and of any Related Supplement.

Each Related Supplement authorizing the issuance of an Obligation or a Series of Obligations will specify and determine the Principal Amount of such Obligation or Series of Obligations, the purposes for which such Obligation or Series of Obligations are being issued, the form, title, designation, and the manner of numbering or denominations, if applicable, of such Obligations, the date or dates of maturity or other final expiration of the term of such Obligations, the date of issuance of such Obligations, and any other provisions deemed advisable or necessary by the Obligated Group Representative.

Appointment of Obligated Group Representative.

Each Member, by becoming a Member, irrevocably appoints the Obligated Group Representative as its agent and true and lawful attorney in fact and grants to the Obligated Group Representative full power to execute Related Supplements authorizing the issuance of Obligations or Series of Obligations, and containing covenants and other provisions related thereto, and to execute and deliver Obligations and documents related thereto.

Conditions to the Issuance of Obligations.

The issuance, authentication and delivery of any Obligation or Series of Obligations will be subject to the following specific conditions:

(a) The Obligated Group Representative and the Master Trustee will have entered into a Related Supplement providing for the terms and conditions of such Obligation and the repayment thereof.

(b) The Master Trustee will have received an Officer's Certificate to the effect that each Member will be in full compliance with all warranties, covenants and agreements set forth in the Master Indenture and in any Related Supplement.

(c) The Master Trustee will have received an Officer's Certificate to the effect that neither an Event of Default nor any event which with the passage of time or the giving of notice or both would become an Event of Default has occurred and is then outstanding or would occur upon issuance of such Obligation or is continuing under the Master Indenture or any Related Supplement.

(d) The Master Trustee will have received an Officer's Certificate to the effect that all requirements and conditions to the issuance of such Obligation set forth in the Master Indenture and the Related Supplement will have been complied with and satisfied.

(e) The Master Trustee will have received an Opinion of Counsel to the effect that: (1) such Obligation and Related Supplement have been duly authorized, executed and delivered by the Obligated Group Representative on behalf of the Obligated Group and constitute valid and binding obligations of the Obligated Group, enforceable in accordance with their terms; and (2) such Obligation is not subject to registration under the Securities Act of 1933, as amended, and such Related Supplement is not subject to registration under the Trust Indenture Act of 1939, as amended (or that such registration, if required has occurred).

(f) If such Obligation constitutes Indebtedness, the requirements of the section of the Master Indenture relating to the incurrence of Additional Indebtedness will have been satisfied.

Particular Covenants of Each Member and the Borrower

Payment of Required Payments.

Each Member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, in any Related Supplement and in said Obligations and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture, any Related Supplement and any Obligation. Each Member acknowledges and agrees that the time of such payment and performance is of the essence of the obligations under the Master Indenture.

The obligation of each Member with respect to Required Payments will not be abrogated, prejudiced or affected by:

- (i) the granting of any extension, waiver or other concession given to any Member by the Master Trustee or any Holder or by any compromise, release, abandonment, variation, relinquishment or renewal of any of the rights of the Master Trustee or any Holder or anything done or omitted or neglected to be done by the Master Trustee or any Holder in exercise of the authority, power and discretion vested in them by the Master Indenture, or by any other dealing or thing which, but for this provision, might operate to abrogate, prejudice or affect such obligation;
- (ii) the liability of any Member under the Master Indenture ceasing for any cause whatsoever, including the release of any Member pursuant to the provisions of the Master Indenture or any Related Supplement from membership in the Obligated Group; or
- (iii) any Member's becoming incompetent or otherwise failing to become liable as, or losing eligibility to become, a Member with respect to an Obligation.

Subject to the provisions of the Master Indenture permitting withdrawal from the Obligated Group, the obligation of each Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with the Master Indenture. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Members or otherwise, will be regarded as payments in gross without any right on the part of any one or more of the Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that in the event of any such Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee will be entitled to prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Member has become fixed.

Each such Obligation will be a primary obligation and will not be treated as ancillary to or collateral with any other obligation and will be independent of any other security so that the covenants and agreements of each Member under the Master Indenture will be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement, and to enforce the making of Required Payments. Each Member authorizes the Obligated Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant and agreement of the Members under the Master Indenture and to make any arrangement or compromise with any particular Member or Members as the Obligated Group Representative or the Master Trustee may deem appropriate, consistent with the Master Indenture and any Related Supplement. Each Member waives in favor of the Obligated Group Representative and the Master Trustee all rights against the Obligated Group Representative, the Master Trustee and any other Member, insofar as is necessary to give effect to any of the provisions of the Master Indenture.

The Master Trustee covenants that it will not take recourse against the Corporation, the Obligated Group Representative or any of the Members with respect to the failure by the Corporation, the Obligated Group Representative or any of the Members to make any Required Payment under the Master Indenture and any Related Supplement except recourse to the Gross Revenues and the amounts held in the funds and accounts created under the Related Bond Indenture (except the Rebate Fund) or hereunder, or to such other security as may from time to time be given for the payment of obligations arising out of this Master Indenture, any Related Supplement or any other agreement securing the obligations of the Corporation or any of the Members with respect to the Related Bonds.

Covenants as to Maintenance of Property, Plant and Equipment.

Each Member covenants and agrees to:

- (i) pay and discharge, or cause to be paid pursuant to the Master Indenture, any Ground Rent when and as the same becomes due and payable;

(ii) maintain its Property, Plant and Equipment in accordance with all valid and applicable governmental laws, ordinances, approvals and regulations including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon it; provided, however, that no Member will be required to comply with any law, ordinance, approval or regulation as long as it will in good faith contest the validity thereof;

(iii) maintain and operate its Property, Plant and Equipment in good repair, working order and condition, and from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements so that the operations of the Members will not be materially impaired;

(iv) pay and discharge all applicable taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Property, Plant and Equipment, and make such payments or cause such payments to be made in due time to prevent any delinquency thereon or any forfeiture or sale of the Property, Plant and Equipment or any part thereof, and, upon request, furnish to the Master Trustee receipts for all such payments, or other evidences satisfactory to the Master Trustee; provided, however, that no Member will be required to pay any tax, assessment, rate or charge as provided in the Master Indenture as long as it will in good faith contest the validity thereof or applied for property tax exemption and will have set aside reserves with respect thereto that, in the opinion of the Obligated Group Representative, are adequate or will have entered into an agreement with the applicable taxing authority for the payment of such taxes in installments and any such Member remains in compliance with such agreement;

(v) at all times comply with all terms, covenants and provisions of any Liens at such time existing upon its Properties or any part thereof or securing any of its Indebtedness noncompliance with which would have a material adverse effect on the operations of the Members or their Properties;

(vi) use its best efforts (as long as it is in its best interests and will not materially adversely affect the interests of the Holders) to maintain all permits, licenses and other governmental approvals necessary for the operation of its Properties; and

(vii) use reasonable efforts to maintain any available exemption from ad valorem taxation available for any real estate owned by it.

Nothing in the Master Indenture will be construed to require a Member to maintain any permit, license or other governmental approval, or to continue to operate or maintain any Property, Plant or Equipment, if, in the reasonable good faith judgment of the Member, such permit, license, governmental approval or Property, Plant or Equipment is, or within the next succeeding twenty-four (24) calendar months is reasonably expected to become, inadequate, obsolete, unsuitable, undesirable or unnecessary for the business of the Members and failure to maintain or operate such permit, license, governmental approval, Property, Plant or Equipment will not materially adversely impair the operation of the Members.

Insurance.

Each Member covenants and agrees that it will keep (or cause to be kept) insurance (including builder's all-risk insurance during any period of construction at a Facility) 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. Said extended coverage insurance will, 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 the Master Indenture will 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 owned by such Member, or (ii) the principal amount of the Related Bonds then outstanding under any Related Bond Indenture, and will be subject to a deductible not to exceed \$100,000 per occurrence.

Each Member covenants and agrees to procure and maintain (or caused to be procured or maintained), throughout the term of any Related Bond Indenture, business interruption insurance to cover loss, total or partial, of

the use of any structures constituting any part of the Facilities as the result of any of the hazards covered by the insurance described above, in an amount sufficient to pay the Required Payments for a period of at least twelve (12) months. Proceeds of such insurance in the amount of at least twelve (12) months of Required Payments will be deposited into the "Insurance and Condemnation Proceeds Fund" described under this heading and applied to the payment of the Required Payments, in installments as the proceeds are paid to each Member.

Each Member covenants and agrees that it will maintain (or cause to be maintained) (i) general liability insurance of no less than \$1,000,000 per occurrence and \$2,000,000 aggregate and (ii) worker's compensation insurance as required by the laws of the State.

An Insurance Consultant will review the insurance requirements of each Member with respect to the Facilities from time to time (but not less frequently than once every five years). If such review indicates that any Member should increase any of the coverages described under this heading, each Member will review such recommendation with the governing body of each Member and will increase such coverage; provided, however, that such coverage is available from reputable insurance companies at a reasonable cost on the open market.

Each Member covenants that it will use its best efforts to apply for any grants, loans or other relief available from each state government, as applicable, or the federal government to obtain amounts necessary to rebuild any portion of the Facilities destroyed or damaged in connection with an uninsured or underinsured calamity causing destruction or damage; provided, however, that each Member will not be required to accept such amounts if doing so would jeopardize the integrity of each Member's programs.

The insurance policies described under the Master Indenture will be carried by insurance companies which are financially responsible and capable of fulfilling the requirements of such policies. All such policies (except liability policies) will name each applicable Member and the Master Trustee as loss payees or additional insureds as their interest may appear, as applicable. Each policy will be in such form and contain such provisions as are generally considered standard for the type of insurance involved and will contain a provision to the effect that the insurer will not cancel or substantially modify the policy provisions without first giving at least thirty (30) days written notice thereof to the Obligated Group Representative, the Governmental Issuer, the Related Bond Trustee and the Master Trustee. In lieu of separate policies, the Members may maintain blanket policies which cover any one or more risks required to be insured against so long as the minimum coverages required under this heading are met.

All proceeds of the insurance carried pursuant to the Master Indenture (except proceeds of the liability portion, if any, of such insurance), and proceeds of any condemnation awards with respect to any individual Facility, in each case, in excess of ten percent (10%) of the Book Value of such Facility will be paid immediately upon receipt by the Members or other named insured parties to the Master Trustee for deposit in the Insurance and Condemnation Proceeds Fund. In the event that the proceeds of any loss or damage to or condemnation of the Facilities will be less than ten percent (10%) of the Book Value of the Facilities, each Member may retain such proceeds without any formality whatsoever. In the event any of the Members elects to repair or replace the Facilities damaged, destroyed or taken, moneys in the Insurance and Condemnation Proceeds Fund will be disbursed by the Master Trustee after deducting therefrom the reasonable charges and expenses of the Master Trustee in connection with the collection and disbursement of such moneys, for the purpose of repairing or replacing the Facilities damaged, destroyed or taken in the manner and subject to the conditions set forth under this heading with respect to disbursements from the Insurance and Condemnation Proceeds Fund; provided, that unless the Master Trustee receives written notice that after repair and replacement the Facilities will continue to be used for the purposes for which they were constructed or acquired by the Member, no such disbursement will be made prior to receipt by the Master Trustee of the written consent of the Governmental Issuer.

If any of the Members will elect not to, or cannot, repair or replace the Facilities damaged, destroyed or taken, as provided in the paragraph above, subject to the paragraph below, the Master Trustee will transfer all amounts in the Insurance and Condemnation Proceeds Fund on account of such damage, destruction or condemnation to the Related Bond Trustee for deposit in the applicable redemption account under the Related Bond Indenture.

If all of the amounts deposited in the Insurance and Condemnation Proceeds Fund as described above exceed ten percent (10%) of the Book Value of the applicable Facility, but are not sufficient to retire all Related Bonds (or an allocable portion thereof) then outstanding with respect to such Facility, the Master Trustee will not transfer said

amounts to the applicable redemption account under the Related Bond Indenture unless the Obligated Group Representative will file with the Master Trustee a report of an Independent Consultant showing that Gross Revenues are projected to be at least equal to the Debt Service Requirement on all Related Bonds and Ground Rent obligations of the Members for each of the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Related Bonds (or allocable portions thereof) in accordance with the terms of the Related Bond Indenture. In the event such report of an Independent Consultant shows that projected Gross Revenues will not be sufficient to pay the Debt Service Requirement on all the Related Bonds and any Ground Rent obligations of the Members for each of the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Related Bonds (or allocable portion thereof), the Members will apply all amounts in the Insurance and Condemnation Proceeds Fund to the repair or replacement of the Facilities damaged, destroyed or taken, as described above, unless the Obligated Group Representative will file a further report of an Independent Consultant showing that even after making such repair and replacement, Gross Revenues are not projected to be at least equal to 1.10 times the Debt Service Requirement on all Related Bonds and Ground Rent obligations of the Members for each of the three full Fiscal Years immediately following the completion of such repair and replacement, in which event the Master Trustee will transfer all moneys in the Insurance and Condemnation Proceeds Fund as described under this heading.

The Master Trustee will establish, maintain and hold in trust a separate fund designated as the "Insurance and Condemnation Proceeds Fund," and administer said fund as described under this heading.

Before any payment from the Insurance and Condemnation Proceeds Fund will be made, the Obligated Group Representative will file or cause to be filed with the Master Trustee a Request of the Obligated Group Representative stating: (1) the item number of such payment; (2) the name of the Person to whom each such payment is due, which may be the Obligated Group Representative in the case of reimbursement for costs of such repair or replacement theretofore paid by the Obligated Group Representative; (3) the respective amounts to be paid; (4) the purpose by general classification for which each obligation to be paid was incurred; (5) that obligations in the stated amounts have been incurred by the Obligated Group Representative and are presently due and payable and that each item thereof is a proper charge against the Insurance and Condemnation Proceeds Fund and has not been previously paid from the Insurance and Condemnation Proceeds Fund; and (6) that there has not been filed with or served upon the Obligated Group Representative any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Request, for which adequate security for the payment of such obligation has been posted, or which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Within five (5) Business Days of receipt of a Request, the Master Trustee will pay the amount set forth in such Request as directed by the terms thereof out of the Insurance and Condemnation Proceeds Fund. The Master Trustee may conclusively rely upon such Request and will have no responsibility or duty to investigate any of the matters set forth therein. The Master Trustee will not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment, unless adequate security for the payment of such obligation has been posted.

When the repair or replacement of damaged, destroyed or taken property will have been completed, the Obligated Group Representative will deliver to the Master Trustee a Certificate of the Obligated Group Representative stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Insurance and Condemnation Proceeds Fund is to be maintained in the full amount of such claims until such dispute is resolved).

Mortgages; Against Encumbrances.

To secure the payment of Required Payments and the performance of the other obligations of the Members under the Master Indenture, each Member grants to the Master Trustee, for the benefit of the Holders of the Obligations, a security interest in the Property, Plant and Equipment of such Member. Each Member covenants and agrees to execute and cause to be filed Uniform Commercial Code financing statements, and to execute and deliver such other documents as the Master Trustee may reasonably require in order to perfect or maintain as perfected such

security interest, or give public notice thereof. In furtherance of the foregoing requirement, the Master Trustee covenants and agrees to cause to be filed appropriate continuation statements during the period ninety (90) days preceding each fifth anniversary of the initial delivery of the Master Indenture unless the Obligated Group Representative provides to the Master Trustee, no later than the fifth day next preceding each such fifth anniversary, an Opinion of Counsel to the effect that no continuation statements need be filed in order to maintain the perfection of such security interest until the next succeeding fifth anniversary of the initial delivery of the Master Indenture.

Each Member has entered into a mortgage, deed of trust, security agreement, assignment of rents and leases and/or financing statement described in clause (1) of the definition of “Mortgages” contained in the Master Indenture for each Facility to secure the obligations of the Members under the Master Indenture. Each Member, respectively, agrees to supplement such deed of trust or mortgage or to execute and deliver such other deeds of trust or mortgages as may be necessary from time to time to grant to the Master Trustee a first priority Lien on any Property, Plant and Equipment of the Member.

Except as provided in the immediately preceding paragraph, each Member, respectively, covenants and agrees that it will not create, assume or suffer to exist any Lien upon the Property of the Obligated Group; provided that the following Liens are permitted: (i) a Lien that is subordinate to the Obligations or (ii) a Permitted Lien. Notwithstanding the foregoing, each Member, respectively, further covenants and agrees that if such a Lien is created or assumed by any Member, it will make or cause to be made effective a provision whereby all Obligations will be secured prior to any such Indebtedness or other obligation secured by such Lien; provided, however, that notwithstanding the provisions of the Master Indenture, each Member may create, assume or suffer to exist Permitted Liens.

Each Member agrees to obtain, or to cause to be obtained, at its own cost and expense, ALTA policies of lender’s title insurance on its respective Facilities, in an aggregate amount not less than the aggregate principal amount of the Related Bonds, naming and payable to the Master Trustee, insuring the leasehold or fee title interests, as applicable, of the respective Members to the Facilities, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State.

Upon written request of the Obligated Group Representative, the Master Trustee will execute and deliver such releases, subordinations, requests for reconveyance or other instruments as may be reasonably requested by the Obligated Group Representative in connection with (1) the disposition of Property, Plant and Equipment in accordance with the provisions of Section 3.08 hereof, (2) the withdrawal of a Member pursuant to Section 3.12 hereof, (3) the granting by a Member of any Lien which constitutes a Permitted Lien hereunder, or (4) payment or redemption of Related Bonds.

Limitations on Indebtedness.

Each Member further covenants and agrees that it will not incur any Additional Indebtedness except as permitted by the Master Indenture as described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Limitations on Indebtedness.”

Amendment of Leases.

There will be no amendment, modification or termination of any of the Leases except as permitted by the Master Indenture as described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Amendment of Leases.”

Rates and Charges; Debt Coverage.

Each Member covenants and agrees to fix, charge and collect, or cause to be fixed, charged and collected, rental rates, fees and charges for the use of its Facilities and for the services furnished or to be furnished by the Members so that the Debt Service Coverage Ratio of the Obligated Group as a whole at the end of each Fiscal Year is not less than 1.0:1.0. If the Debt Service Coverage Ratio of the Obligated Group falls below 1.0:1.0, it will constitute an Event of Default under the Master Indenture.

Each Member further covenants and agrees that each related Lease will contain such provisions as described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Additional Leases Governed by the Master Indenture.”

Sale, Lease or Other Disposition of Property.

Each Member covenants and agrees that it will not, in any Fiscal Year, sell, lease (but only a lease that results in the disposition of the Property) or otherwise dispose of any Property, the Book Value of which would cause the aggregate Book Value of Property so transferred in such year to exceed 5% of the Book Value of the Property of the Members (excluding any asset restricted as to use for a particular purpose inconsistent with its use for the payment of principal of, prepayment premium, and interest on Indebtedness or the payment of operating expenses), except for dispositions of assets:

- (a) In the ordinary course of Business;
- (b) Any lease (including the Leases) that does not result in the disposition of the Property;
- (c) In connection with a true sale and leaseback under the Code;
- (d) If prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer’s Certificate stating that such Property has, or within the next succeeding twenty-four (24) calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the operations of the Members;
- (e) To any Person provided that such Property is transferred for fair market value and the net proceeds of such sale or other disposition are applied either (1) to the purchase of replacement Property of substantially similar function and substantially equivalent value (provided that such replacement Property is made part of the security for the Obligations issued under the Master Indenture) or (2) to the payment of redemption price of Related Bonds in a principal amount set forth in the Related Bond Indenture. Before any transfer of Property described in this paragraph, the Obligated Group Representative will furnish to the Master Trustee (i) an Officer’s Certificate stating that no Event of Default has occurred and is continuing and stating the amount of the net proceeds, if any, of such sale or other disposition, and (accompanied by the report of an Independent Consultant or an Accountant or an Officer’s Certificate as appropriate) to the effect that (taking into account the disposition of the Property released) the requirements described above under “Limitations on Indebtedness” will be satisfied with respect to the incurrence of one dollar (\$1) of additional Long-Term Indebtedness, and (ii) an independent appraisal (which will be conducted by an independent appraiser) of the Property so sold or disposed of, showing such Property is to be sold or disposed of at a price equal to its fair market value; or
- (f) to another Member.

In addition to the foregoing limitations, the Members may not sell, lease or otherwise dispose of any Property subject to the Mortgages (the “Mortgaged Property”) unless the Master Trustee will be furnished with an Officer’s Certificate to the effect that (i) the security of the Mortgage and the ability of the trustee thereunder to foreclose upon the remaining adjoining Mortgaged Property will not be impaired as a result of the disposition of such Property, and (ii) the appropriate Member will have conveyed to the trustee under such Mortgage such rights-of- way, easements and other rights in land as are required for ingress to and egress from the remaining Mortgaged Property, for the utilization of the facilities located thereon and for utilities required to serve such facilities.

Consolidation, Merger, Sale or Conveyance.

Each Member covenants and agrees that it will not merge or consolidate with any other corporation, entity, or limited liability company not a Member or sell or convey all or substantially all of its assets to any Person not a Member unless:

(i) After giving effect to the merger, consolidation, sale or conveyance, the successor or surviving corporation or limited liability company (hereinafter, the “Surviving Corporation”) will be the Member, or, if not, the Surviving Corporation will be a corporation organized and existing under the laws of the United States of America or a State thereof and such Surviving Corporation will become a Member pursuant to the Master Indenture and will expressly assume in writing the due and punctual payment of all Required Payments of the disappearing corporation under the Master Indenture, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture and all Obligations issued under the Master Indenture by the execution of a Related Supplement, delivered to the Master Trustee by such Surviving Corporation;

(ii) The Master Trustee will have received (i) an Independent Consultant’s report that the forecast debt service coverage ratios of the Surviving Corporation, calculated in the same manner as the Debt Service Coverage Ratio, for the two Fiscal Years immediately succeeding the proposed date of such merger, consolidation, sale or conveyance is expected to be greater than the forecast Debt Service Coverage Ratio for such periods had the consolidation or merger not occurred; or (ii) an Independent Consultant’s or Accountant’s report, or an Officer’s Certificate, as appropriate, to the effect that the condition described under (a)(i) and (ii) of “Limitations on Indebtedness” in the forepart of this Limited Offering Memorandum would be met for the incurrence of one dollar of additional Long-Term Indebtedness;

(iii) The Master Trustee will have received a report of an Accountant to the effect that the combined net assets of the Members, including the net assets of such Surviving Corporation, calculated as of the end of the most recent Fiscal Year for which Obligated Group Financial Statements are available, will not be less than ninety percent (90%) of the combined net assets of the Members at the end of the most recent Fiscal Year for which Obligated Group Financial Statements are available;

(iv) The Master Trustee will have received an Opinion of Bond Counsel to the effect that, such merger, consolidation, sale or other transfer will not in and of itself result in interest on any Related Bond that purports to be a Tax-Exempt Bond becoming includable in gross income for purposes of federal income taxation;

(v) The Master Trustee will have received a duly executed and delivered Mortgage encumbering the Property, Plant and Equipment of the Surviving Corporation, for the benefit of the Master Trustee, subject only to Permitted Liens; and

(vi) Nothing in the Master Indenture prohibits a change of corporate membership of any Member.

Preparation and Filing of Financial Statements, Reports and Other Information.

Each Member covenants and agrees that it will keep adequate records and books of accounts in which complete and correct entries will be made (said books will be subject to the inspection of the Master Trustee during regular business hours after reasonable notice).

The Obligated Group Representative covenants and agrees that it will furnish to the Master Trustee and any Related Bond Issuer that will request the same in writing:

As soon as practicable, but in no event more than six (6) months after the last day of each Fiscal Year, one or more financial statements which, in the aggregate, will include all of the Members. Such financial statements:

(a) may consist of (i) consolidated or combined financial results including one or more subsidiaries of such Member(s) required to be consolidated or combined with such Member(s) under generally accepted accounting principles or (ii) special purpose financial statements including only Members;

(b) will be audited by a firm of independent certified public accountants approved by the Obligated Group Representative as having been prepared in accordance with generally accepted accounting principles (except, if applicable, for required consolidations);

(c) will include a combined balance sheet, statement of operations and changes in net assets; and

(d) if more than one financial statement is delivered to the Master Trustee pursuant to this clause, each such financial statement will contain, as “other financial information,” a combining or consolidating schedule from which financial information solely relating to the Members may be derived.

Unless a single financial statement (including a single special purpose financial statement) is delivered pursuant to the paragraph above for the entire Obligated Group, as soon as practicable, but in no event more than six months after the last day of each Fiscal Year, an unaudited balance sheet, statement of operations and changes in net assets for such Fiscal Year for the Members (such balance sheet, statement of operations and changes in net assets being referred to in the Master Indenture as the “Obligated Group Financial Statements”), prepared by the Obligated Group Representative based on the accompanying unaudited combining or consolidating schedules delivered with the audited financial statements described in the paragraph above.

At the time of the delivery of the Obligated Group Financial Statements, a certificate of the chief financial officer of the Obligated Group Representative, stating that the Obligated Group Representative has made a review of the activities of the Members during the preceding Fiscal Year for the purpose of determining whether or not the Members have complied with all of the terms, provisions and conditions of the Master Indenture and that each Member has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and none of such Members is in default in the performance or observance of any of the terms, covenants, provisions or conditions, or if any Member will be in default, such certificate will specify all such defaults, and the nature thereof.

Membership in Obligated Group.

Additional Members may be added to the Obligated Group from time to time as more particularly described “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Membership in Obligated Group” in the forepart of this Limited Offering Memorandum.

Withdrawal from Obligated Group.

Any Member may withdraw from the Obligated Group, and be released from further liability or obligation under the provisions of the Master Indenture, as more particularly described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Master Indenture – Withdrawal From Obligated Group” in the forepart of this Limited Offering Memorandum.

Inspection of Books.

The Governmental Issuer, the Master Trustee, and the Related Bond Trustee will have the right, but not obligation, upon reasonable notice, during business hours, to examine and audit any and all of the Member’s records or accounts pertaining to the Obligation, the Required Payment, the Gross Revenues, the Related Bond Indenture, the Related Supplement and the Master Indenture.

Upon written notice to the Obligated Group Representative delivered at least five Business Days in advance of an inquiry, the Members will make its management personnel available for periodic inquiries from the Governmental Issuer; provided that the Members will not be obligated to incur any material out-of-pocket costs in connection with such meetings or inquiries.

Reports and Information.

At the request of the Governmental Issuer, the Master Trustee, the Related Bond Trustee, their agents, employees or attorneys, the Members will furnish to the Governmental Issuer, the Master Trustee and the Related Bond Trustee, such information as may be reasonably requested in writing from time to time relative to compliance by the Members with the provisions of the Master Indenture, including, without limitation, financial statements.

Notice.

Upon obtaining knowledge of an event of default under any Member Document, the Obligated Group Representative agrees to provide to the Governmental Issuer, the Master Trustee and the Related Bond Trustee notice of such Event of Default (such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default).

Tax Covenants.

It is the intention of the Governmental Issuer and each Member that interest on any Tax-Exempt Bonds will be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and to that end the covenants and agreements of the Members in this section and in the Tax Certificate are for the benefit of the Related Bond Trustee on behalf of and for each and every owner of Tax-Exempt Bonds.

Each Member covenants and agrees that it will not use or permit the use of any of the funds provided by the Governmental Issuer under the loan agreement relating to the Tax-Exempt Bonds or any other funds of the Members, directly or indirectly, or direct the Related Bond Trustee to invest any funds held by it under the Related Bond Indenture, in such manner as would, or enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Tax-Exempt Bonds that would, or take or omit to take any other action that would cause any Tax-Exempt Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

In the event that at any time the Obligated Group Representative is of the opinion or becomes otherwise aware that for purposes of this section it is necessary to restrict or to limit the yield on the investment of any moneys held by the Related Bond Trustee under the Related Bond Indenture, the Obligated Group Representative will determine the limitations and so instruct the Related Bond Trustee in writing and cause the Related Bond Trustee to comply with those limitations under the Related Bond Indenture. The Obligated Group Representative will take such action or actions as may be reasonably necessary in the opinion of Bond Counsel, or of which it otherwise becomes aware, to comply fully with Section 148 of the Code.

The Members will not, pursuant to an arrangement, formal or informal, purchase Related Bonds in an amount related to the amount of the related loan, except as otherwise permitted under the Related Bond Indenture.

In order to maintain the exclusion of interest on the Tax-Exempt Bonds from the gross income of the owners thereof for federal income purposes, the Obligated Group Representative agrees that it will, concurrently with or before the execution and delivery of any Tax-Exempt Bonds, execute and deliver the Tax Certificate, and will comply with every term of the Tax Certificate. The Obligated Group Representative covenants with the Governmental Issuer, for and on behalf of the Owners of any Tax-Exempt Bonds from time to time outstanding, that so long as any Tax-Exempt Bonds remain outstanding under the Related Bond Indenture, moneys on deposit in any fund, or account in connection with the Tax-Exempt Bonds, whether or not such moneys were derived from the proceeds of the sale of the Tax-Exempt Bonds or from any other sources, and moneys pledged directly or indirectly to the payment or for the securing of the Tax-Exempt Bonds, will not be used by or for the Obligated Group Representative in a manner that will cause the Tax-Exempt Bonds to be “arbitrage Bonds” within the meaning of Section 148 of the Code. The Obligated Group Representative expressly recognizes that, to the extent required by Section 148 of the Code, “proceeds” of the Tax-Exempt Bonds (including investment proceeds and “replacement” proceeds) may be required to be invested at a yield not exceeding the yield on the Tax-Exempt Bonds in order to comply with this section. In furtherance of the covenant in the Master Indenture, the Obligated Group Representative agrees that it will not direct any investments or reinvestments that would contravene either the investment representations made by the Governmental Issuer in the Tax Certificate or any investment directions provided by the Governmental Issuer and deemed reasonably necessary in the opinion of Bond Counsel to preserve the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes.

Continuing Disclosure.

The Obligated Group Representative covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement related to the Obligated Group Representative. Notwithstanding any other provision of the Master Indenture or the Related Indenture, failure of the Obligated Group Representative or the Dissemination Agent to comply with the Continuing Disclosure Agreement related to the Obligated Group Representative will not be considered an Event of Default under the Master Indenture or under the Related Indenture.

Additional Covenants.

Each Member of the Obligated Group covenants with respect to their combined operations:

- (a) To maintain books and records separate from any other unrelated person or entity;
- (b) To maintain its accounts separate from any other unrelated person or entity;
- (c) Not to commingle assets with those of any other unrelated entity;
- (d) To conduct its own business in its own name;
- (e) To pay its own liabilities out of its own funds;
- (f) To observe all corporate formalities;
- (g) To maintain an arm's-length relationship with its Affiliates;
- (h) To pay the salaries of its own employees and maintain a sufficient number of employees in light of its contemplated business operations;
- (i) Not to guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others, except to the extent permitted under the Master Indenture;
- (j) Not to acquire obligations or securities of its partners, members, or shareholders;
- (k) To allocate fairly and reasonably any overhead for shared office space;
- (l) To use separate stationery, invoices, and checks;
- (m) Except as otherwise expressly permitted under the Master Indenture, not to pledge its assets for the benefit of any other entity or make any loans or advances to any entity;
- (n) To hold itself out as a separate entity;
- (o) To correct any known misunderstanding regarding its separate identity; and
- (p) To maintain adequate capital in light of its contemplated business operations.

Defaults

Events of Default.

Event of Default, as used in the Master Indenture, means any:

- (a) Failure on the part of the Obligated Group to make due and punctual payment of any Required Payment on an Obligation.

(b) Failure on the part of the Obligated Group to observe and perform any covenant or agreement under the Master Indenture including covenants or agreements contained in any Related Supplement or Obligation (other than failure by the Obligated Group to pay Required Payment on an Obligation, as referred to in (a) above) for a period of 60 days after the date on which written notice of such failure specifying such default and requiring the same to be remedied, will have been given to the Obligated Group Representative by the Master Trustee or to the Obligated Group Representative and the Master Trustee by the Holders of at least half in aggregate Principal Amount of Outstanding Obligations except that, in each case, if such failure can be remedied but not within such 60-day period, such failure will not become an Event of Default for so long as the Obligated Group Representative will diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Master Trustee.

(c) Any Member defaults in the payment of Indebtedness for borrowed moneys (other than Nonrecourse Indebtedness or an Obligation) with an aggregate principal amount exceeding 5% of the Total Revenues of the Members, whether such Indebtedness now exists or will hereafter be created, and such default has continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to such Member, except that, in each case, (i) if such failure can be remedied but not within such 60-day period, such failure will not become an Event of Default for so long as such Member will diligently proceed to remedy the same in accordance and subject to any directions or limitations of time established by the Master Trustee and (ii) if any member in good faith commences proceedings to contest the existence or payment of such Indebtedness, such default will not become an Event of Default.

(d) (i) A court having jurisdiction enters a decree or order for relief in respect of any Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of any Member or for any substantial part of the property of any Member, or ordering the winding up or liquidation of its affairs, and such decree or order remains unstayed and in effect for a period of 60 consecutive days and (ii) such Member does not withdraw from the Obligated Group in accordance with the Master Indenture within 90 days of the original decree or order for relief.

(e) (i) Any Member commences a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of any Member or for any substantial part of its property, or makes any general assignment for the benefit of creditors, or fails generally to pay its debts as they become due or takes any corporate action in furtherance of the foregoing and (ii) such Member does not withdraw from the Obligated Group in accordance with the Master Indenture within 90 days of the commencement of such case.

(f) An Event of Default (as defined in any Related Bond Indenture) exists under any Related Bond Indenture and any applicable notice and/or cure period has expired.

(g) An Event of Default (as defined in any Related Bond Indenture) occurs under any security instrument provided to the Master Trustee from, on behalf, or for the benefit, of any Member of the Obligated Group (including, if applicable, the expiration of any grace period provided therein).

Acceleration; Annulment of Acceleration.

Upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may and, upon (i) the written request of the Holders of at least half in aggregate Principal Amount of Outstanding Obligations or of any Holder if an Event of Default regarding failure to make punctual payments has occurred or (ii) the acceleration of any Obligation pursuant to the terms of the Related Supplement under which such Obligation was issued, will, by notice to the Members, declare all Outstanding Obligations immediately due and payable, whereupon such Obligations will become and be immediately due and payable, anything in the Obligations or in the Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Related Supplement give a person the right to consent to acceleration of the Obligations issued pursuant to such Related Supplement, the Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In such event, there will

be due and payable on the Obligations an amount equal to the aggregate Principal Amount of all such Obligations, plus all interest accrued thereon.

At any time after the principal of the Obligations will have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices and other payments then due (other than the principal or other payments then due only because of such declaration) on all Outstanding Obligations, (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Master Trustee and any paying agents, (iii) all other amounts then payable by the Obligated Group under the Master Indenture will have been paid or a sum sufficient to pay the same will have been deposited with the Master Trustee, and (iv) every Event of Default (other than a default in the payment of the principal or other payments of such Obligations then due only because of such declaration) will have been remedied, then the Master Trustee may annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies.

Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the request of (i) the Holders of at least half in aggregate Principal Amount of the Obligations Outstanding, (ii) any Holder which, pursuant to a Related Supplement, is given the right to require the Master Trustee to institute actions pursuant to this paragraph, or (iii) any Holder if an Event of Default for failure to make due and punctual payments has occurred, will upon the indemnification of the Master Trustee to its satisfaction therefor, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, will deem expedient, including but not limited to: (i) enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations; (ii) suit upon all or any part of the Obligations; (iii) civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders of Obligations; (iv) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of Obligations; (v) exercise any and all remedies under the Mortgage; and (vi) enforcement of any other right or remedy of the Holders conferred by law or by the Master Indenture.

Regardless of the occurrence of an Event of Default, the Master Trustee, if requested in writing by the Holders of at least half in aggregate Principal Amount of the Obligations then Outstanding, will, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, not unduly prejudicial to the interest of the Holders of Obligations not making such request, it being understood that (subject to the Master Indenture) the Master Trustee will have no duty or obligation to determine whether or not such action or forbearance may be unduly prejudicial to such Holders.

Application of Revenues and Other Moneys After Default.

During the continuance of an Event of Default all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Master Trustee with respect thereto, including fees, expenses and advances of its attorneys, agents and advisors and after payment of all other amounts owed to the Master Trustee under the Master Indenture, will be applied as follows:

Unless the principal of all Outstanding Obligations will have become or have been declared due and payable:

First: To the payment to the Persons entitled thereto of all installments of interest or the interest portion related to payments then due on the Obligations in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments or the principal portion related to payments of any Obligations which will have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available will not be sufficient to pay in full all the Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference;

If the principal of all Outstanding Obligations will have become or have been declared due and payable, to the payment of the principal and interest and payments then due and unpaid upon the Obligations without preference or priority, or of any installment over any other installment, or of any Obligation over any other Obligation, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference.

If the principal of all Outstanding Obligations will have been declared due and payable, and if such declaration will thereafter be rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions of the preceding paragraph in the event that the principal of all Outstanding Obligations will later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of the second paragraph of this section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions under this heading, such moneys will be applied by it at such times, and from time to time, as the Master Trustee will determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee will apply such moneys, it will fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates will cease to accrue. The Master Trustee will give such notices as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the Holder of any unpaid Obligation until such Obligation and all unmatured coupons, if any, appertaining to such Obligation will be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of the Master Indenture and all expenses and charges of the Master Trustee have been paid, any balance remaining will be paid to the Person entitled to receive the same; if no other Person will be entitled thereto, then the balance will be paid to the Members, their successors, or as a court of competent jurisdiction may direct.

Remedies Not Exclusive.

Subject to the limitations of the Master Indenture, no remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Master Indenture or existing at law or in equity or by statute on or after the date hereof.

Remedies Vested in the Master Trustee.

All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Obligations. Subject to the provisions under the heading "Application of Revenues and Other Moneys After Default," any recovery or judgment will be for the equal benefit of the Holders of the Outstanding Obligations.

Master Trustee to Represent Holders.

The Master Trustee is irrevocably appointed (and the successive respective Holders of the Obligations, by taking and holding the same, will be conclusively deemed to have so appointed the Master Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Obligations for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Obligations, the Master Indenture, and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Master Trustee to represent the Holders, the Master Trustee in its discretion may, and upon the written direction of the Holders of at least half in aggregate Principal Amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Master Indenture, or in aid of the execution of any power granted in the Master Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Master Trustee or in such Holders under the Master Indenture, or any other law; and upon instituting such proceeding, the Master Trustee will be entitled, as a matter of right, to the appointment of a receiver of the assets pledged under the Master Indenture, pending such proceedings. All rights of action under the Master Indenture or the Obligations or otherwise may be prosecuted and enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Master Trustee will be brought in the name of the Master Trustee for the benefit and protection of all the Holders of such Obligations, subject to the provisions of the Master Indenture.

Holders' Control of Proceedings.

If an Event of Default will have occurred and be continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of at least a majority in aggregate Principal Amount of Obligations then Outstanding will have the right, at any time, by any instrument in writing executed and delivered to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of this paragraph (including indemnity to the Master Trustee as provided in the Master Indenture) and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of Holders not joining in such direction (it being understood that (subject to the Master Indenture) the Master Trustee will have no duty or obligation to determine whether or not such action or forbearance may be unduly prejudicial to such Holders) and provided further that nothing in this section will impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Termination of Proceedings.

In case any proceeding taken by the Master Trustee on account of an Event of Default will have been discontinued or abandoned for any reason or will have been determined adversely to the Master Trustee or to the Holders, then the Members, the Master Trustee and the Holders will be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Master Trustee and the Holders will continue as if no such proceeding had been taken.

Waiver of Event of Default.

No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given under the Master Indenture to the Master Trustee and the Holders of the Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

The Master Trustee may waive any Event of Default which in its opinion will have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy under the Master Indenture.

Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders of at least a majority of the aggregate Principal Amount of Obligations then Outstanding, will waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in the second paragraph under the heading “Acceleration; Annulment of Acceleration” above, a default in the payment of the principal of, premium, if any, or interest on or other payment with respect to any Obligation, when the same will become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations at the time Outstanding.

In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members, the Master Trustee and the Holders will be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Appointment of Receiver.

Upon the occurrence of any Event of Default unless the same will have been waived as provided in the Master Indenture, the Master Trustee will be entitled as a matter of right if it will so elect, (a) forthwith and without declaring the Obligations to be due and payable, (b) after declaring the same to be due and payable, or (c) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Members with such powers as the court making such appointment will confer. Each Member, respectively, consents and agrees, and will if requested by the Master Trustee, consent and agree at the time of application by the Master Trustee for appointment of a receiver, to the appointment of such receiver and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Remedies Subject to Provisions of Law.

All rights, remedies and powers described under this heading “Default” may be exercised only to the extent that the exercise thereof does not violate any applicable provision of a law, and all the provisions under this heading “Default” are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render the Master Indenture invalid or unenforceable under the provisions of any applicable law.

Notice of Default.

The Master Trustee will, within 10 days after the Master Trustee has actual knowledge or has received written notice of the occurrence of an Event of Default, mail to all Holders (as the names and addresses of such Holders appear upon the books of the Master Trustee), notice of such Event of Default known to the Master Trustee, unless such Event of Default will have been cured before the giving of such notice (the term “Event of Default” for the purposes of this section being defined to be the events specified under paragraphs (a) – (g) under the heading “Events of Default” above, not including any periods of grace provided for in certain subsections therein, and irrespective of the giving of written notice specified in the Master Indenture); and provided that, except in the case of default in the payment of the principal of or premium, if any, or interest or other payments on any of the Obligations and the Events of Default specified in paragraph (d) and (e) under the heading “Events of Default” above, the Master Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trustee committee of directors or Responsible Officers of the Master Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Obligations.

Supplements and Amendments

Supplements Not Requiring Consent of Holders.

The Obligated Group Representative, acting for itself and as agent for each Member, and the Master Trustee may, without the consent of any of the Holders, enter into one or more Related Supplements for one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Master Indenture; (b) to correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which will not materially and adversely affect the interests of the Holders; (c) to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority, or to add to the covenants of and restrictions on the Members; (d) to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect; (e) to create and provide for the issuance of an Obligation or Series of Obligations as provided in the Master Indenture; (f) to obligate a successor to any Member as provided in the Master Indenture; (g) to add a new Member as provided in the Master Indenture or (h) to remove a Member as provided in the Master Indenture.

Supplements Requiring Consent of Holders.

Other than Related Supplements referred to in the Master Indenture, the Obligated Group Representative, acting for itself and as agent for each Member, and the Master Trustee may, with the consent of the Holders of not less than a majority in aggregate Principal Amount of the Obligations then Outstanding and anything contained in the Master Indenture to the contrary notwithstanding, enter into one or more Related Supplements as the Obligated Group Representative will deem necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture; provided, however, that nothing in this section will permit or be construed as permitting a Related Supplement which would:

- (i) Extend the stated maturity of or time for paying interest on any Obligation or reduce the Principal Amount of or the redemption premium or rate of interest or method of calculating interest payable on any Obligation without the consent of the Holder of such Obligation;
- (ii) Modify, alter, amend, add to or rescind any of the terms or provisions contained in the Master Indenture so as to affect the right of the Holders of any Obligations in default as to payment to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of all Obligations then Outstanding; or
- (iii) Reduce the aggregate Principal Amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Obligations then Outstanding.

If at any time the Obligated Group Representative will request the Master Trustee to enter into a Related Supplement pursuant to this section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or if it has no secretary, its comparable officer, and the proposed Related Supplement and if the Master Trustee will receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate Principal Amount or number of Obligations specified in the preceding paragraph for the Related Supplement in question which instrument or instruments will refer to the proposed Related Supplement and will specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Related Supplement in substantially such form, without liability or responsibility to any Holder of any Obligation, whether or not such Holder will have consented thereto.

Any such consent will be binding upon the Holder of the Obligation giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the

execution by the Master Trustee of such Related Supplement, such revocation and, if such Obligation or Obligations are transferable by delivery, proof that such Obligations are held by the signer of such revocation. At any time after the Holders of the required Principal Amount or number of Obligations will have filed their consents to the Related Supplement, the Master Trustee will make and file with the Obligated Group Representative a written statement to that effect. Such written statement will be conclusive that such consents have been so filed.

If the Holders of the required Principal Amount or number of the Outstanding Obligations will have consented to and approved the execution of such Related Supplement as provided in the Master Indenture, no Holder of any Obligation will have any right to object to the execution thereof, or 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 Master Trustee or the Obligated Group Representative from executing the same or from taking any action pursuant to the provisions thereof.

Execution and Effect of Supplements.

In executing any Related Supplement permitted by the Master Indenture, the Master Trustee will be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Related Supplement is authorized or permitted by the Master Indenture. The Master Trustee may but will not be obligated to enter into any such Related Supplement which materially and adversely affects the Master Trustee's own rights, duties or immunities.

Upon the execution and delivery of any Related Supplement in accordance with the Master Indenture, the provisions hereof will be modified in accordance therewith and such Supplement will form a part hereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered under the Master Indenture will be bound thereby.

Any Obligation authenticated and delivered after the execution and delivery of any Related Supplement in accordance with the Master Indenture may, and, if required by the Obligated Group Representative or the Master Trustee will, bear a notation in form approved by the Master Trustee as to any matter provided for in such Related Supplement. If the Obligated Group Representative or the Master Trustee will so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of the Obligated Group Representative to any such Related Supplement may be prepared and executed by the Obligated Group Representative and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

The Master Trustee will give notice, by first class mail, to the Holders of all Obligations then Outstanding of the execution and delivery of any Related Supplement (other than a Related Supplement entered into for the purposes described in clause (e) of the section above relating to supplements not requiring the consent of Holders), setting forth the effective date of such Related Supplement and a summary of the terms thereof (or, in lieu of such a summary, by attaching the form of such Related Supplement to such notice).

Amendment of Related Supplements.

Any Related Supplement may provide that the provisions thereof may be amended without the consent of or notice to any of the Holders or pursuant to such terms and conditions as may be specified in such Related Supplement. If a Related Supplement does not contain provisions relating to the amendment thereof, amendment of such Related Supplement will be governed by the provisions of the Master Indenture described above under the headings "Supplements Not Requiring Consent of Holders" and "Supplements Requiring Consent of Holders."

Satisfaction and Discharge of Indenture

Satisfaction and Discharge of Indenture.

If (i) the Members will deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which will have been mutilated, destroyed, lost or stolen and which will have been replaced or paid as provided in any Related Supplement) and not theretofore cancelled, or (ii) upon payment of all

Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation, or (iii) (unless otherwise provided for an Obligation in the Related Supplement pursuant to which such Obligation was issued) the Members or any thereof will deposit with the Master Trustee as trust funds cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation, including without limitation principal and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in any case the Members or any thereof will also pay or cause to be paid all other sums payable under the Master Indenture by the Members or any thereof, then the Master Indenture will cease to be of further effect, and the Master Trustee, on demand of the Members or any thereof and at the cost and expense of the Members or any thereof, will execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. The Members will cause a report to be prepared by a firm nationally recognized for providing verification services regarding the sufficiency of funds for such discharge and satisfaction, upon which report the Master Trustee may rely. Each Member, respectively, agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Indenture or such Obligations.

Payment of Obligations After Discharge of Lien.

Notwithstanding the discharge of the lien hereof as provided in the Master Indenture, the Master Trustee will nevertheless retain such rights, powers and duties under the Master Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided in any Related Supplement. Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any or interest on any Obligation remaining unclaimed for two years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Master Indenture, will then be paid to the Members and the Holders of any Obligations or coupons not theretofore presented for payment will thereafter be entitled to look only to the members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee or any paying agent with respect to such moneys will thereupon cease.

SUPPLEMENTAL MASTER INDENTURE

General

The Supplemental Master Indenture for Obligation No. 1 (the "Supplement No. 1") provides for the issuance of Obligation No. 1 pursuant to the Master Indenture, and provides the terms and form thereof.

The following are summaries of certain provisions of the Supplement No. 1 and Obligation No. 1 issued thereunder. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of the Supplement No. 1.

Payments on Obligation No. 1; Credits

Principal of and interest and any applicable redemption premium on Obligation No. 1 are payable in any coin or currency of the United States of America which on the payment date is legal tender for the payment of public and private debts. Except as provided in Supplement No. 1 with respect to credits, and Section 5 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Obligation No. 1 will be made at the times and in the amounts specified in Obligation No. 1 by the Members (i) depositing the same with or to the account of the Bond Trustee at or prior to the opening of business on the day such payments will become due or payable (or the next succeeding business day if such date is a Saturday, Sunday or bank holiday in the city in which the principal corporate trust office of the Bond Trustee is located), and (ii) giving notice to the Master Trustee and the Bond Trustee of each payment of principal, interest or premium on Obligation No. 1, specifying the amount paid and identifying such payment as a payment on Obligation No. 1.

(b) The Members will receive credit for payment on Obligation No. 1, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 1 in an amount equal to moneys deposited in the Interest Account created under the Bond Indenture which amounts are available to pay interest on the Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 1;

(ii) On installments of principal of Obligation No. 1 in an amount equal to moneys deposited in the Principal Account created under the Bond Indenture which amounts are available to pay principal of the Bonds and to the extent such amounts have not previously been credited against payments on Obligation No. 1;

(iii) On installments of principal and interest, respectively, on Obligation No. 1 in an amount equal to the principal amount of Bonds for the redemption or payment of which sufficient amounts (as determined by the Bond Indenture) in cash or securities are on deposit as provided in the Bond Indenture, to the extent such amounts have not previously been credited against such payments on Obligation No. 1, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits will be made against the installments of principal and interest on Obligation No. 1 which would have been used, but for such call for payment or redemption, to pay principal of and interest on such Bonds when due;

(iv) On installments of principal and interest, respectively, on Obligation No. 1 in an amount equal to the principal amount of Bonds acquired by any Member and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee and canceled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits will be made against the installments of principal of and interest on Obligation No. 1 which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due; and

(v) On amounts deposited with the Bond Trustee to satisfy any other payment obligations under the Loan Agreement but not transferred by the Bond Trustee to the Borrower pursuant to the Bond Indenture.

Prepayment of Obligation No. 1

So long as all amounts which have become due under Obligation No. 1 have been paid or credits for such payments have occurred, the Members will have the right, at any time and from time to time, to pay in advance and in any order of due dates all or part of the amounts to become due under Obligation No. 1. Prepayments may be made by payments of cash or surrender of the Bonds, as contemplated by the preceding section. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of the Bonds) will be deposited and applied in the manner and subject to the terms and conditions set forth in the Bond Indenture. Notwithstanding any such redemption or surrender of the Bonds, as long as any Bonds remain Outstanding (as defined in the Bond Indenture) or any additional payments required to be made under the Supplemental Master Indenture remain unpaid, the Members will not be relieved of their obligations under the Supplemental Master Indenture.

Prepayments made in accordance with the paragraph described above will be credited against amounts to become due on Obligation No. 1 as provided in Supplement No. 1.

The Members may also prepay all of their indebtedness under Obligation No. 1 by providing for the payment of Bonds in accordance with the Bond Indenture.

Partial Prepayment of Obligation

Upon the selection and call for prepayment and the surrender of Obligation No. 1 for prepayment in part only, the Obligated Group Representative will cause to be executed and the Master Trustee will authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Members, a new Obligation No. 1 in principal amount equal to the unredeemed portion of Obligation No. 1, which new Obligation No. 1 will be a fully registered Obligation without coupons.

The Obligated Group Representative may agree with the Holder of Obligation No. 1 that such Holder may, in lieu of surrendering the Obligation for a new fully registered Obligation without coupons, endorse on the Obligation a notice of such partial prepayment, which notice will set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial prepayment will be valid upon payment of the amount thereof to the registered owner of Obligation No. 1 and the Members and the Master Trustee will be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement will or will not have been made upon the reverse of Obligation No. 1 by the Holder thereof and irrespective of any error or omission in such endorsement.

Effect of Prepayment

On the date cash or securities (as and to the extent permitted by the Bond Indenture), or both, are deposited with the Trustee (for a corresponding amount of Bonds with respect to the Bonds to be redeemed on the date fixed for redemption all as provided in the Bond Indenture), Obligation No. 1 will be deemed paid (in an amount corresponding to the Bonds to be redeemed on the date fixed for redemption) and such corresponding amount of Obligation No. 1 will be deemed not to be outstanding, as defined in the Master Indenture, and will no longer be entitled to the benefits of the Master Indenture.

Event of Default

The Corporation and the Master Trustee covenant to exercise any and all remedies available under any Lease and the Master Trustee will foreclose on the related Mortgage upon an Event of Default, provided that the Master Trustee will only exercise remedies under the Mortgages described in clause (1) of the definition thereof, set forth in the Master Indenture for the benefit of Obligation No. 1.

Miscellaneous

No covenant or agreement contained in Obligation No. 1 or the Master Indenture will be deemed to be a covenant or agreement of any officer, agent or employee of any Member or of the Master Trustee in an individual capacity, and no incorporator, member, officer or member of the governing board of any Member will be liable personally on Obligation No. 1 or be subject to any personal liability or accountability by reason of the issuance of Obligation No. 1.

The Master Trustee acknowledges and agrees that the Leases provide for payment of rental directly to the Bond Trustee for deposit in the Revenue Fund established in the Bond Indenture and that such deposits constitute credits for purposes of Section 4 of the Supplemental Master Indenture.

The Master Trustee further acknowledges that the Members may approve amendments to the Leases subject to the limitations of the Master Indenture.

THE BOND INDENTURE

General

The Bond Indenture sets forth the terms of the Bonds, the terms for the issuance of Additional Bonds, the application of the Bond proceeds, the nature and extent of the security for the Bonds, various rights of the bondholders, rights, duties and immunities of the Bond Trustee and the rights and obligations of the Authority.

The following is a summary of certain provisions of the Bond Indenture. Other provisions are summarized in the Limited Offering Memorandum under the caption "THE BONDS," and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." This summary does not purport to be complete or definitive and reference is made to the Bond Indenture for the complete terms thereof.

Pledge and Assignment

Pledge and Assignment.

(a) Subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture, there are pursuant to the Bond Indenture pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Bond Indenture, all of the Payments (except Payments described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Bond Indenture. Said pledge will constitute a lien on and security interest in such assets and will attach and be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

(b) The Authority pursuant to the Bond Indenture assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Payments (except Payments described in clause (i) of this definition thereof) and other amounts pledged in the Bond Indenture as described in the paragraph above and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights). The Bond Trustee will be entitled to and will receive all of such assigned Payments, and any such Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bond Trustee and will forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee also will be entitled to and will (subject to the provisions of the Bond Indenture, including its rights and protections thereunder) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment (or as directed in writing by the Holder) to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Bond Trustee and all of the obligations of the Borrower under the Loan Agreement.

(c) The Borrower will take all actions necessary for the Bond Trustee to collect directly from the State Controller the amounts set forth in the Intercept Notice on the dates set forth in the Intercept Notice. The Payments described in clause (i) of the definition thereof are assigned to the Bond Trustee, for the benefit of the Holders of the Bonds, by virtue of the filing of the Intercept Notice with the State Controller. The Bond Trustee will be entitled to and will receive all of such assigned Payments.

(d) All Payments will be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee is pursuant to the Bond Indenture directed to establish, maintain and hold in trust. All Payments will be held in trust for the benefit of the Holders from time to time of the Bonds but will nevertheless be disbursed, allocated and applied solely for the uses and purposes in the Bond Indenture set forth.

(e) The Bonds are not and will not be deemed to constitute a debt or liability of the State, or any political subdivision thereof, and are not and will not be deemed to be a pledge of the faith and credit of the State, or any political subdivision thereof, other than the Authority, which will be obligated to pay the Bonds solely from the Payments and funds in the Bond Indenture provided therefor. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever for the Bonds or to make any appropriation for their payment. Nothing in the Bond Indenture, the Act or otherwise is an undertaking by the Authority or the State or any political subdivision thereof to fund the transfers described in the Intercept Notice or to funds available to the Lessee in any amount or at any time.

Application of Principal Account.

(a) All amounts in the Principal Account will be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Bonds, as provided in the Bond Indenture with respect to Bonds.

(b) The Bond Trustee will establish and maintain within the Principal Account a separate subaccount for the Bonds, designated as the "____ Sinking Account," inserting therein the Series and maturity (if more than one

such account established) for each Term Bond. On or before June 1 in each year, the Bond Trustee will transfer the amount deposited in the Principal Account on that date pursuant to the Bond Indenture from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Bond Trustee will transfer the amount deposited in the Principal Account pursuant to the Bond Indenture for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds, upon the notice and in the manner provided in the Bond Indenture; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee will apply such moneys to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, in writing, except that the purchase price (excluding accrued interest) will not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Borrower has deposited Bonds with the Bond Trustee, or Bonds were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. In the event of a redemption pursuant to the provisions of Bond Indenture described in the forepart of this Limited Offering Memorandum under the heading "Optional Redemption," the Borrower will provide the Bond Trustee with a revised sinking fund schedule giving effect to the optional redemption so completed. All Bonds purchased or deposited pursuant to this section will be delivered to the Bond Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds are no longer Outstanding will be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Borrower with the Bond Trustee will be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Borrower directs.

(c) Subject to the terms and conditions set forth in the Bond Indenture, Term Bonds will be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and on the dates set forth in the Bond Indenture.

Establishment and Application of Redemption Fund.

The Bond Trustee will establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Redemption Fund, and within the Redemption Fund, a separate Optional Redemption Account, a separate Special Redemption Account, and a separate Special Optional Redemption Account. The Bond Trustee will accept all moneys deposited for redemption and will deposit such moneys into the Optional Redemption Account, the Special Redemption Account or the Special Optional Redemption Account, as applicable, as designated by the Borrower. All amounts deposited in the Optional Redemption Account, in the Special Redemption Account and in the Special Optional Redemption Account will be accepted and used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Bond Indenture, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account, the Special Redemption Account and the Special Optional Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee will, upon written direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Borrower.

Rebate Fund.

(a) The Bond Trustee will establish and maintain, when required, a fund separate from any other fund established and maintained under the Bond Indenture designated as the Rebate Fund. Within the Rebate Fund, the

Bond Trustee will maintain such accounts as will be necessary to comply with instructions of the Borrower given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund will be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Authority, the Borrower nor the Holder of any Bonds will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Bond Indenture and by the Tax Certificate (which is incorporated in the Bond Indenture by reference). The Bond Trustee will be deemed conclusively to have complied with such provisions if it follows the directions of the Borrower including supplying all necessary information in the manner provided in the Tax Certificate, which the Bond Trustee will be directed by the Borrower to supply, and will have no liability or responsibility to enforce compliance by the Borrower or the Authority with the terms of the Tax Certificate or any other tax covenants contained in the Bond Indenture. The Bond Trustee will not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Bond Trustee will have no independent duty to review such calculations or enforce the compliance by the Borrower with such rebate requirements. The Bond Trustee will have no duty or obligation to determine the applicability of the Code and will only be obligated to act in accordance with written instructions provided by the Borrower.

(b) Upon the Borrower's written direction, an amount will be deposited to the Rebate Fund by the Bond Trustee from deposits by the Borrower, if and to the extent required, so that the balance in the Rebate Fund will equal the Rebate Requirement. Computations of the Rebate Requirement will be furnished by or on behalf of the Borrower in accordance with the Tax Certificate. Upon written request by the Borrower or the Authority, the Bond Trustee is directed to supply to the Borrower and/or the Authority all necessary information in the manner provided in the Tax Certificate and specified in such written direction, to the extent such information is reasonably available to the Bond Trustee.

(c) The Bond Trustee will have no obligation to rebate any amounts required to be rebated pursuant to this section, other than from moneys held in the funds and accounts created under the Bond Indenture or from other moneys provided to it by the Borrower.

(d) At the written direction of the Borrower, which will include a statement to the effect that such direction complies with the restrictions set forth in the Tax Certificate, the Bond Trustee will invest all amounts held in the Rebate Fund in Eligible Securities. Moneys will not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Bond Trustee will not be liable for any consequences arising from such investment.

(e) Upon receipt of the Borrower's written directions, the Bond Trustee will remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Borrower so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Borrower's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Borrower or the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Bond Trustee, will be withdrawn and remitted to the Borrower.

(f) Notwithstanding any other provision of the Bond Indenture, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the Bond Indenture and the Tax Certificate will survive the defeasance or payment in full of the Bonds.

Establishment and Application of Project Fund.

The Bond Trustee will establish, maintain and hold in trust a separate fund designated as the "Project Fund." Moneys in the Project Fund will be transferred and applied to the financing and refinancing of the Project pursuant to Requisitions of the Borrower. Upon completion of the Project, the Borrower will deliver a Completion Certificate to the Bond Trustee and make the final requisition of funds from the Project Fund. Any amounts thereafter remaining in such Project Fund will be transferred by the Bond Trustee, at the direction of the Borrower (i) to the Redemption Fund for the redemption of Bonds pursuant to the Bond Indenture, (ii) to the Interest Account for payment of interest

on the Bonds, or (iii) to the Borrower upon delivery to the Bond Trustee of (A) the Completion Certificate, (B) a written request of the Borrower and, (C) with respect to the Denali Acquisition Sub-Account, Denali Construction Sub-Account, Shasta Construction Sub-Account, or Home Office Construction Sub-Account, delivery of an Opinion of Bond Counsel substantially to the effect that such transfer would not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Upon such transfer, the Project Fund will be closed.

Establishment and Application of Costs of Issuance Fund; Insurance and Condemnation Proceeds Fund.

The Bond Trustee will establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” Moneys deposited in said fund will be used and withdrawn by the Bond Trustee to pay the Costs of Issuance of the Bonds upon Requisition of the Borrower stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund, and including a copy of the invoice or statement evidencing the costs incurred. On the one hundred eightieth (180th) day following the initial issuance of the Bonds, or upon the earlier Request of the Borrower, amounts, if any, remaining in the Costs of Issuance Fund will be transferred to the Project Fund and thereafter, the Costs of Issuance Fund will be closed. As and when needed, the Master Trustee will establish, maintain and hold in trust a separate fund designated as the “Insurance and Condemnation Proceeds Fund,” and administer said fund as set forth in the Master Indenture.

Establishment and Application of the Repair and Replacement Fund.

The Bond Trustee will establish, maintain and hold in trust a separate fund designated as the “Repair and Replacement Fund,” which will be used solely for the purposes set forth in the Bond Indenture. The Bond Trustee will withdraw funds from the Repair and Replacement Fund to pay for capital items not budgeted as ordinary maintenance and repair costs related to the Facility. Moneys in the Repair and Replacement Fund will be disbursed upon receipt of a Requisition of the Borrower for payment, and the Bond Trustee will issue its checks for each such disbursement upon receipt of such a requisition. Amounts on deposit in the Repair and Replacement Fund will be valued by the Bond Trustee at their fair market value each June 1 and December 1, beginning December 1, 2019, and the Bond Trustee will 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 to the Repair and Replacement Fund required by the Bond Indenture. 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 will be withdrawn from the Repair and Replacement Fund and transferred to the Revenue Fund. When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Bonds is equal to or less than the sum of the balance of the Revenue Fund, the balance of the Redemption Fund and the balance of the Repair and Replacement Fund, and (ii) all other amounts owed under the Loan Agreement and the Bond Indenture have been paid, moneys held in the Repair and Replacement Fund may be deposited into the Revenue Fund and credited against payments of Loan Repayments required under the Loan Agreement.

Investment of Moneys in Funds and Accounts.

All moneys in any of the funds and accounts or subaccounts thereof established pursuant to the Bond Indenture will be invested by the Bond Trustee solely in such Eligible Securities as are specified in a Request of the Borrower, provided, however, that, if the Borrower does not file such a Request with the Bond Trustee, the Bond Trustee will invest to the extent practicable in investments described in clause (7) of the definition of the term “Eligible Securities.”

Investments in any and all funds and accounts established pursuant to the Bond Indenture may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Bond Indenture for transfer to or holding in a particular fund amounts received or held by the Bond Trustee under the Bond Indenture, provided that the Bond Trustee will at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Bond Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment. To the extent Eligible Securities are

registrable, such investments will be registered in the name of the Bond Trustee. The Bond Trustee may sell or present for redemption, any securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Bond Trustee will not be liable or responsible for any loss resulting from such investment. The Bond Trustee is pursuant to the Bond Indenture authorized, in making or disposing of any investment permitted by the Bond Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Bond Trustee or for any third person or dealing as principal for its own account. No float forward or forward purchase agreement or other arrangement, agreement or financial product may be utilized in connection with the Revenue Fund. The Borrower and the Authority acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Borrower or the Authority, as applicable, the right to receive brokerage confirmations of security transactions as they occur, the Borrower and the Authority specifically waive receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish the Borrower periodic cash transaction statements which include detail for all investment transactions made by the Bond Trustee under the Bond Indenture.

Amounts Remaining in Funds and Accounts.

Any amounts remaining in the Revenue Fund or any other fund or account established under the Bond Indenture after payments in full of the Bonds (or after provision for payment thereof as provided in the Bond Indenture) and payment of the fees, charges and expenses of the Bond Trustee and the Authority, will belong and be paid to the Borrower by the Bond Trustee.

Covenants

Punctual Payment.

The Authority will punctually pay, but only out of Payments and pledged funds as in the Bond Indenture provided, the principal and interest to become due in respect of every Bond issued under the Bond Indenture at the times and places and in the manner provided in the Bond Indenture and in the Bonds, according to the true intent and meaning thereof.

Extension of Payment of Bonds.

The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement except with the written consent of the Bondholders and, if the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended without the written consent of the Bondholders, such Bonds or claims for interest will not be entitled, in case of any default under the Bond Indenture, to the benefits of the Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which will not have been so extended. Nothing in this paragraph will be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of Bonds.

Encumbrance upon Payments.

The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Payments and other assets pledged or assigned under the Bond Indenture while any of the Bonds are Outstanding, except the pledge and assignment created pursuant to the Bond Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Other Covenants; Amendment of the Loan Agreement and the Lease.

Subject to the provisions of the Bond Indenture, the Bond Trustee will promptly collect all amounts due pursuant to the Loan Agreement and, subject to its rights and protections under the Bond Indenture, diligently enforce

and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority under the Loan Agreement assigned to it pursuant to the Bond Indenture.

The Authority will not amend, modify or terminate any of the terms of the Loan Agreement or consent to any such amendment, modification or termination, without the prior written consent of the Bond Trustee. The Bond Trustee will give such written consent if but only if (1) it has received a written representation from the Borrower to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds; provided that, if an Event of Default described in paragraph (a), (b) or (c) below under the heading “Events of Default; Remedies on Default under the Bond Indenture” has occurred and is continuing, the Bond Trustee rather than the Borrower will make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Bond Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination will reduce the amount of Loan Repayments payable to the Authority, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

The Bond Trustee will promptly collect all amounts due from the Borrower pursuant to the Loan Agreement and Obligation No. 1, will perform all duties imposed upon it pursuant to the Loan Agreement will diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all of the rights of the Authority (other than the Retained Rights) and all of the obligations of the Borrower under the Loan Agreement and Obligation No. 1.

Continuing Disclosure.

Pursuant to the Loan Agreement, the Borrower has undertaken all responsibility for compliance with continuing disclosure requirements pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5), and the Authority will have no liability to the Holders of the Bonds or any other person with respect to Securities and Exchange Commission Rule 15c2-12. The Bond Trustee pursuant to the Bond Indenture covenants and agrees that, subject to the provisions of the Bond Indenture, if appointed by the Borrower as Dissemination Agent it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and the Loan Agreement relating to continuing disclosure applicable to it. Notwithstanding any other provision of the Bond Indenture, failure of the Borrower or the Bond Trustee to comply with the Continuing Disclosure Agreement will not be considered an Event of Default; however, the Bond Trustee at the written request of the Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, will (but only to the extent the Bond Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expenses of its counsel and agents and additional fees and charges of the Bond Trustee) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under the Loan Agreement or, as to any Bondholder or Beneficial Owner, to cause the Bond Trustee to comply with its obligations under the Bond Indenture. For purposes of the Bond Indenture, “Beneficial Owner” means any person which (1) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (2) is treated as the owner of any Bonds for federal income tax purposes.

Tax Covenants.

The Authority covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Tax-Exempt Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated in the Bond Indenture as if fully set forth in the Bond Indenture. The covenant will survive the payment in full or the defeasance of the Tax-Exempt Bonds.

In the event that at any time the Authority is of the opinion that for purposes of the Bond Indenture it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Bond Trustee under the

Bond Indenture, and provided that such action will not conflict with the requirements of the Tax Certificate, the Authority will so instruct the Bond Trustee in a Request of the Authority (which may be accompanied by a supporting Opinion of Bond Counsel), and the Bond Trustee will take such action as may be directed in accordance with such instructions.

Notwithstanding any provisions of the Bond Indenture, if the Authority will provide to the Bond Trustee an Opinion of Bond Counsel to the effect that any specified action required under the Bond Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds, the Bond Trustee may conclusively rely on such opinion in complying with the requirements of the Bond Indenture and the Tax Certificate, and the covenants under the Bond Indenture will be deemed to be modified to that extent.

Intercept Covenants.

The Bond Trustee will, on each Interest Payment Date, each Principal Payment Date, or on any date which a transfer from the Controller to the Bond Trustee is scheduled pursuant to the Intercept Notice, notify the Authority and the Borrower of any shortfall in amounts received by the Bond Trustee from the Controller compared to the amounts set forth in the Intercept Notice for such date. If, subsequent to any shortfall for which the Bond Trustee has sent notice pursuant to the preceding sentence, the Bond Trustee will receive payment of amounts sufficient to cure such shortfall, the Bond Trustee will, within ten (10) business days thereof, notify the Authority and the Borrower of the receipt of such payment. The Bond Trustee will not be required to take any action in connection with the foregoing except as specifically set forth in this paragraph.

Events of Default; Remedies on Default Under the Bond Indenture

Events of Default; Waiver of Default.

If one or more of the following events (“Events of Default”) happens, that is to say—

- (a) if default is made by the Authority in the due and punctual payment of the principal of any Bond as the same becomes due and payable (whether at maturity, by declaration or otherwise);
- (b) if default is made by the Authority in the due and punctual payment of interest on any Bond when and as such interest will become due and payable;
- (c) if any occurrence and continuance of an “Event of Default” under the Loan Agreement; or
- (d) if default is made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Bond Indenture or in the Bonds contained, and such default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority by the Bond Trustee, or to the Authority, the Borrower and the Bond Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, except that, in each case, if such failure can be remedied but not within such 60-day period, such failure will not become an Event of Default for so long as the Authority will diligently proceed to remedy the same in accordance and subject to any directions or limitations of time established by the Master Trustee;

then and in each and every such case during the continuance of such Event of Default, the provisions of the Bond Indenture described below under “Institution of Legal Proceedings by Bond Trustee” will apply.

Institution of Legal Proceedings by Bond Trustee.

- (a) If one or more of the Events of Default occurs, the Bond Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Bond Trustee will proceed to protect or enforce its rights or the rights of the holders of Bonds under the Bond Indenture, the Loan Agreement, the Lease, and Obligation No. 1, by a suit in

equity or action at law, either for the specific performance of any covenant or agreement contained in the Bond Indenture or therein, or in aid of the execution of any power in the Bond Indenture or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Bond Trustee will determine in support of any of its rights or duties under the Bond Indenture, provided that any such request from the Bondholders will not be in conflict with any rule of law or with the Bond Indenture, expose the Bond Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

(b) Notwithstanding anything to the contrary in the Bond Indenture, the Authority will have no obligation to, and instead the Bond Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Bond Indenture) under the Bond 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.

(c) Nothing will be deemed to authorize the Bond Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Bondholder thereof, or to authorize the Bond Trustee to vote in respect of the claim of any Bondholder in any such proceeding without the approval of the Bondholders so affected.

(d) Anything in the Indenture or Loan Agreement to the contrary notwithstanding, the Bond Trustee will not be required to enter, take possession of, or take any other action whatsoever with respect to the failure to initiate foreclosure proceedings with respect to the Project unless the Bond Trustee is satisfied that the Bond Trustee will not be subject to any liability under any Environmental Regulations of any kind whatsoever or from any circumstances present at the Project relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

Application of Moneys Collected by Bond Trustee.

Any moneys collected by the Bond Trustee pursuant to the preceding paragraph and any other amounts then held by the Bond Trustee under the Bond Indenture, will be applied in the following order, at the date or dates fixed by the Bond Trustee and, in the case of distribution of such moneys on account of principal upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection and reasonable compensation to the Bond Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances, together with interest on such advances at a rate per annum equal to the Bond yield plus two percent, made pursuant to the provisions of the Bond Indenture.

Second: In case the principal of any of the Bonds will have become due by declaration or otherwise and remains unpaid, first to the payment of interest in default, and then to the payment of the principal of all Bonds then due and unpaid, in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied pursuant to this paragraph, such moneys will be applied at such times, and from time to time, as the Bond Trustee will 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 Bond Trustee will apply such funds, it will fix the date (which will be the Interest Payment Date unless the Bond Trustee will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date will cease to accrue.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this paragraph and all fees, expenses and charges of the Bond Trustee (including without limitation those of its attorneys) have been paid, any balance remaining in the funds and accounts under the Bond Indenture will be paid to the Borrower.

Effect of Delay or Omission to Pursue Remedy.

No delay or omission of the Bond Trustee or of any Holder of Bonds to exercise any right or power arising from any default will impair any such right or power or will be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given pursuant to the Bond Indenture to the Bond Trustee or to the Holders of Bonds may be exercised from time to time, and as often as will be deemed expedient. In case the Bond Trustee will have proceeded to enforce any right under the Bond Indenture, and such proceedings will have been discontinued or abandoned because of waiver or for any other reason, or will have been determined adversely to the Bond Trustee, then and in every such case the Authority and the Bond Trustee, and the Holders of the Bonds, severally and respectively, will be restored to their former positions and rights under the Bond Indenture in respect to the trust estate; and all remedies, rights and powers of the Authority, the Bond Trustee and the Holders of the Bonds will continue as though no such proceedings had been taken.

Remedies Cumulative.

No remedy in the Bond Indenture conferred upon or reserved to the Bond Trustee or to any Holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Bond Indenture or now or after the Bond Indenture existing at law or in equity.

Covenant to Pay Bonds in Event of Default.

The Authority covenants that, upon the happening of any Event of Default, the Authority will pay, but only out of Payments, to the Bond Trustee, upon demand, for the benefit of the Holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest and principal as the case may be, and all other sums which may be due under the Bond Indenture or secured by the Bond Indenture, including reasonable compensation to the Bond Trustee and its agents and counsel and any expenses or liabilities incurred by the Bond Trustee under the Bond Indenture and, its agents and counsel. In case the Authority will fail to pay the same forthwith upon such demand, the Bond Trustee, in its own name and as trustee of an express trust, will be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees and expenses, subject, however, to the condition that such judgment, if any, will be limited to, and payable solely out of, Payments as in the Bond Indenture provided and not otherwise. The Bond Trustee will be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Bond Indenture, and the right of the Bond Trustee to recover such judgment will not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Bond Indenture.

Bond Trustee Appointed Agent for Bondholders.

The Bond Trustee is appointed the agent and attorney-in-fact of the Holders of all Bonds Outstanding under the Bond Indenture for the purpose of filing any claims relating to the Bonds.

Power of Bond Trustee to Control Proceedings.

Subject to the provision of the Bond Indenture described below under the heading "Limitation on Bondholders' Right to Sue," in the event that the Bond Trustee, upon the happening of an Event of Default, will have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Bond Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Bond Trustee will not, unless there no longer continues an Event of Default under the Bond Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding under the Bond Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders' Right to Sue.

Notwithstanding any other provision of the Bond Indenture, no Holder of any Bond issued under the Bond Indenture will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Bond Indenture, the Loan Agreement or Obligation No. 1 unless (a) such Holder has previously given to the Bond Trustee written notice of the occurrence of an Event of Default under the Bond Indenture; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding have made written request upon the Bond Trustee to exercise the powers granted in the Bond Indenture or to institute such action, suit or proceeding in its own name; (c) said Holders have tendered to the Bond Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Bond Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity has been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are pursuant to the Bond Indenture declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Bond Indenture; it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by his or their action to enforce any right under the Bond Indenture, except in the manner provided in the Bond Indenture, and that all proceedings at law or in equity to enforce any provision of the Bond Indenture will be instituted, had and maintained in the manner provided in the Bond Indenture and for the equal benefit of all Holders of the Outstanding Bonds.

The right of any Holder of any Bond to receive payment of the principal of and interest on such Bond out of Payments and the funds pledged in the Bond Indenture, as in the Bond Indenture provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Holder, notwithstanding the foregoing provisions the Bond Indenture.

Modification of Indenture

Modification Without Consent of Bondholders.

Subject to the conditions and restrictions contained in the Bond Indenture, the Authority and the Bond Trustee, from time to time and at any time may enter into an indenture or indentures supplemental to the Bond Indenture, which indenture or indentures thereafter will form a part of the Bond Indenture, including, without limitation, for one or more of the following purposes, provided that the Authority and the Bond Trustee have received an Opinion of Bond Counsel to the effect that such amendment or modification will not cause the interest on the Tax-Exempt Bonds to be included as gross income for federal income tax purposes and that such amendment or modification is permitted by the Bond Indenture:

(a) to add to the covenants and agreements of the Authority contained in the Bond Indenture, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power in the Bond Indenture reserved to or conferred upon the Authority; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in the Bond Indenture, or in regard to such matters or questions arising under the Bond Indenture as the Authority may deem necessary or desirable and not inconsistent with the Bond Indenture; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(c) to modify, amend or supplement the Bond Indenture or any indenture supplemental to the Bond Indenture in such manner as to permit the qualification of the Bond Indenture or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Bond Indenture or any indenture supplemental to the Bond Indenture such other terms, conditions and provisions

as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds;

(d) in connection with an amendment of any agreement permitted by the provision of the Bond Indenture described above under the heading “Other Covenants; Amendment of the Loan Agreement and the Lease” for the purpose of conforming the terms, conditions and covenants of the Bond Indenture to the corresponding or related provisions of such amended agreement;

(e) to modify or eliminate the book-entry registration system for the Bonds; or

(f) to comply with requirements of a Rating Agency to obtain or maintain a rating on any Bonds.

Any supplemental indenture authorized by the provisions of this section may be executed by the Authority and the Bond Trustee without the consent of the Holders of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Bond Indenture summarized below under the heading “Modification with Consent of Bondholders,” but the Bond Trustee will not be obligated to enter into any such supplemental indenture which affects the Bond Trustee’s own rights, duties or immunities under the Bond Indenture or otherwise.

The Bond Trustee will mail an executed copy of a supplemental indenture authorized pursuant to the Bond Indenture and any document related thereto or executed in connection therewith to the Borrower and each Rating Agency then rating the Bonds promptly after execution by the Authority and the Bond Trustee. The Authority will mail drafts of any such documents to such parties prior to execution thereof.

Modification with Consent of Bondholders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding), the Authority and the Bond Trustee may from time to time and at any time, with an Opinion of Bond Counsel to the effect that such amendment or modification will not, in and of itself, cause the interest on the Tax-Exempt Bonds to be included as gross income for federal income tax purposes, enter into an indenture or indentures supplemental to the Bond Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture will (1) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof or (2) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such supplemental indentures or extend the time of payment or permit the creation of any lien on the Payments or the assets pledged in the Bond Indenture prior to or on a parity with the lien of the Bond Indenture or deprive the Holders of the Bonds of the lien created pursuant to the Bond Indenture upon the Payments or the assets pledged in the Bond Indenture, without the consent of the Holders of all of the Bonds then Outstanding. Upon the filing with the Bond Trustee of evidence of the consent of Bondholders, as aforesaid, the Bond Trustee will join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Bond Trustee’s own rights, duties or immunities under the Bond Indenture or otherwise, in which case the Bond Trustee may in its discretion, but will not be obligated to, enter into such supplemental indenture.

It will not be necessary for the consent of the Bondholders under this section to approve the particular form of any proposed supplemental indenture, but it will be sufficient if such consent approves the substance thereof.

Promptly after the execution by the Authority and the Bond Trustee of any supplemental indenture pursuant to this section, the Authority will mail a notice to the Bond Trustee setting forth in general terms the substance of such supplemental indenture, and the Bond Trustee, upon receipt of such notice, will mail such notice to the Borrower and the Bondholders at the addresses shown on the Bond registration books maintained by the Bond Trustee, at the expense of the Borrower. Any failure of the Authority or the Bond Trustee to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture.

The Bond Trustee will mail an executed copy of such supplemental indenture and any amendment of the Loan Agreement permitted under the provision of the Bond Indenture under the heading “Other Covenants; Amendment of the Loan Agreement and the Lease” to the Borrower, each Rating Agency then rating the Bonds promptly after execution by the Authority, the Bond Trustee, and in the case of the Loan Agreement, the Borrower. The Authority will mail drafts of any such documents to such parties prior to execution thereof.

Effect of Supplemental Indenture.

Upon the execution of any supplemental indenture pursuant to the provisions of the Bond Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Indenture of the Authority, the Bond Trustee and all Holders of Outstanding Bonds will thereafter be determined, exercised and enforced under the Bond Indenture subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture will be part of the terms and conditions of the Bond Indenture for any and all purposes.

Opinion of Counsel as to Supplemental Indenture.

Subject to the provisions of the Bond Indenture and the requirement of the Bond Indenture for an Opinion of Bond Counsel, the Bond Trustee and the Authority may receive an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of the Bond Indenture complies with the requirements of the Bond Indenture and will have no liability to Holders in excluding any Supplemental Indenture in reliance on an Opinion of Bond Counsel.

Notation of Modification on Bonds; Preparation of New Bonds.

Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of the Bond Indenture may bear a notation, in form approved by the Authority, as to any matter provided for in such supplemental indenture, and if such supplemental indenture so provides, new Bonds, so modified as to conform, in the opinion of the Authority, to any modification of the Bond Indenture contained in any such supplemental indenture, may be prepared by the Authority, authenticated by the Bond Trustee and delivered without cost to the Holders of the Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts.

LOAN AGREEMENT

General

The Loan Agreement is an agreement between the Authority and the Borrower whereby the Authority agrees to lend the proceeds of the Bonds to the Borrower and the Borrower agrees to make payments to the Bond Trustee sufficient to pay debt service on the Bonds.

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete or definitive and reference is made to the Loan Agreement for the complete terms thereof.

Loan Financing; Loan Repayments; Indemnification; Construction Draws

Agreement to Issue Bonds and Application of Bond Proceeds.

To fund the Loan and for the other purposes set forth in the Bond Indenture, the Authority, concurrently with the execution of the Loan Agreement, will issue, sell and deliver the Bonds and direct the proceeds thereof to be deposited with the Bond Trustee and applied as provided in the Bond Indenture. The Authority and the Borrower pursuant to the Loan Agreement agree that the proceeds of the Bonds will be applied solely in accordance with the Bond Indenture.

The Borrower pursuant to the Loan Agreement approves the terms and provisions of the Bond Indenture and, to the extent applicable, agrees to be bound by such terms.

The Borrower agrees that, except as otherwise provided in the Loan Agreement, so long as any Bond remains Outstanding, Obligation No. 1 will be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of Obligation No. 1 will be registered under the Master Indenture or be recognized by the Borrower except for transfers to a successor Bond Trustee. Upon the principal of Obligation No. 1 being declared immediately due and payable, Obligation No. 1 may be transferred if and to the extent that the Bond Trustee requests that the aforementioned restrictions on transfers of the Loan Agreement be terminated.

The Loan; Loan Repayments; Additional Payments.

(a) *The Loan.* The Authority agrees, upon the terms and conditions specified in the Loan Agreement, to loan to the Borrower that portion of the proceeds received by the Authority from the sale of the Bonds by causing such proceeds to be deposited with the Bond Trustee for disposition as provided in the Bond Indenture. The obligation of the Authority to make the Loan is limited solely to such sale proceeds of the Bonds received by the Authority and will be deemed fully discharged upon the deposit of the proceeds of the Bonds with the Bond Trustee pursuant to the Loan Agreement.

(b) *Loan Repayments.* In consideration of the issuance of the Bonds by the Authority and the loan of the proceeds thereof to the Borrower, the Borrower agrees that, on or before the 25th day of each month and as long as any of the Bonds remain Outstanding, it will pay to the Bond Trustee for deposit in the Revenue Fund such amount as is required by the Bond Trustee to make the transfers and deposits required on such date by the Bond Indenture. Notwithstanding the foregoing, if five business days prior to any interest or principal payment date with respect to the Bonds, the aggregate amount in the Revenue Fund is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the Borrower will promptly provide written notice to each Member and forthwith pay (or cause to be paid) the amount of any such deficiency (which, in the event there is more than one Member of the Obligated Group, such deficiency will be made up by the various Members of the Obligated Group as set forth in the Master Indenture of Trust) to the Bond Trustee. Each payment by the Borrower to the Bond Trustee under the Loan Agreement (the "Loan Repayments") will be in lawful money of the United States of America and paid to the Bond Trustee at its designated corporate trust office and held, invested, disbursed and applied as provided in the Bond Indenture. Notwithstanding anything to the contrary in the Loan Agreement, the Borrower will instruct or cause the Lessor to instruct the Lessee to cause each School to pay any shortfall in Base Rent directly to the Bond Trustee for deposit in the Revenue Fund.

The Borrower will pay, or cause to be paid, the Loan Repayments from the Gross Revenues of the Borrower, including the Rental Payments, or from any other legally available funds of the Borrower, without any further notice thereof except as may be specifically required by the Loan Agreement. The Loan Repayments payable by the Borrower under the Loan Agreement are expected to be equal in the aggregate to an amount which, together with other funds in the Revenue Fund then available for the payment of principal and interest on the Bonds, will be sufficient to provide for the payment in full of the interest on, premium, if any, and principal of the Bonds as the same become due and payable.

Additional Payments.

In addition to the Loan Repayments, the Borrower will also pay certain Trustee fees, Authority expenses, costs of issuance and other miscellaneous amounts to the Authority or to the Bond Trustee, as the case may be.

Default and Remedies

Events of Default.

Any one of the following which occurs and continues will constitute an Event of Default under the Loan Agreement:

- (a) failure by the Borrower to pay or cause to be paid the Loan Repayments when due; or
- (b) failure by the Borrower to pay or cause to be paid when due any other amounts required to be paid under the Loan Agreement and continuation of such failure to pay for ten (10) Business Days following the giving of written notice thereof to the Borrower; or
- (c) failure of the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement (other than failure by the Borrower to pay the amounts required to be paid under the Loan Agreement as referred to in subparagraphs (a) and (b) above, and other than as provided in subparagraph (d) below) after the Borrower has been given 60 days' written notice specifying such default and requesting it be remedied, unless the Bond Trustee has consented to an extension beyond such 60-day period, which extension will not exceed 90 days; provided that the Borrower, Lessor or a Member of the Obligated Group has commenced cure and be diligently pursuing cure thereof in good faith; or
- (d) voluntary initiation by the Borrower or any Member of the Obligated Group of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower or any Member of the Obligated Group of any such proceeding that remains undismissed for 60 calendar days, or failure by the Borrower or any Member of the Obligated Group to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower or any Member of the Obligated Group to carry on its operations, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower or any Member of the Obligated Group into an agreement of composition with creditors or the failure generally by the Borrower or any Member of the Obligated Group to pay its debts as they become due;
- (e) occurrence and continuance of an "Event of Default" under the Bond Indenture or any of the Borrower Documents, provided, however, that an Event of Default under the Bond Indenture arising solely from the actions or inactions of the Authority or the Bond Trustee will not be an Event of Default under the Loan Agreement; or
- (f) any representation or warranty made in the Loan Agreement or any statement or representation made by the Borrower in any certificate, report, opinion, financial statement or other instrument furnished in connection with the Loan or any of the Borrower Documents proves to be false or misleading in any material respect when made.

Remedies.

- (a) Upon the occurrence of an Event of Default pursuant to the provisions described above under the caption "Events of Default" and at any time thereafter during the continuance of such Event of Default, the Bond Trustee, subject to the Bond Trustee's right and protections under the Indenture, may take one or more or any combination of the following remedial steps:
 - (i) By written notice to the Borrower, declare the unpaid indebtedness on the Bonds and all amounts then due and payable under the Loan Agreement, whether by acceleration of maturity or otherwise, to be immediately due and payable, whereupon the same will become immediately due and payable; and
 - (ii) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement, or to enforce performance and

observance of any obligation, agreement or covenant of the Borrower or the Landlord under the Loan Agreement, the Bonds or any other Borrower Document.

Any amounts collected pursuant to action taken by the Bond Trustee under this section will be applied in accordance with provisions of the Bond Indenture. Notwithstanding anything therein to the contrary, the indebtedness of the Borrower under the Loan Agreement may be separately and independently accelerated with or without an acceleration of the Bonds.

(b) If the Bond Trustee has proceeded to enforce the rights of the Authority under the Loan Agreement and such proceedings have been discontinued or abandoned for any reason or have been determined adversely to the Bond Trustee or the Authority, then the Borrower, the Landlord, the Bond Trustee and the Authority will be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Borrower, the Authority and the Bond Trustee will continue as though no such proceedings had taken place.

Additional Remedies.

In addition to the above remedies, if an Event of Default occurs under the Loan Agreement, the Authority and the Bond Trustee will have the right and remedy, without posting bond or other security, to have the provisions of the Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach will cause irreparable injury to the Bond Trustee and the Authority and that money damages will not provide an adequate remedy thereto.

Miscellaneous

Amendments; Modifications in Writing.

Except as otherwise provided in the Loan Agreement or the Bond Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Bond Indenture, the Loan Agreement may be effectively amended, changed, modified, altered or terminated only as permitted under the Bond Indenture, by written instrument executed by the parties to the Loan Agreement. The Authority agrees that it will not consent to an amendment of the Bond Indenture without the approval of the Borrower.

APPENDIX D

SUMMARY OF THE LEASES

The following is a brief summary of the Leases. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to each Lease.

Unless otherwise defined below, all capitalized terms used herein shall have the meanings ascribed to such terms in the Limited Offering Memorandum or Appendix C to this Limited Offering Memorandum.

DENALI LEASE

As used in the following summary of the Denali Lease, the capitalized terms shall have the following meanings:

“*Bond Documents*” means the Loan Agreement, the Master Indenture of Trust, the Indenture, the Supplemental Indenture, Obligation No. 1, and any related documents and instruments.

“*Condemnation*” means if the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power

“*Extraordinary Monthly Rent*” shall mean the amount set forth in an Extraordinary Monthly Rent Notice, which shall be the Tenants’s Proportionate Share of the Extraordinary Monthly Rent.

“*Fair Market Base Rent*” means, if the Loan is no longer outstanding, the Base Rent component of Rent for the Extension Term (or such portion thereof during which the Loan is not outstanding) determined in accordance with the Lease. Fair Market Base Rent shall be the fair market rent of comparable premises (including square footage, location and quality of the Premises) to the Premises subject to the terms and provisions of the Lease, including without limitation Tenant’s obligation to pay the Additional Rent (if any) and Expenses.

“*Landlord*” means 824 San Aleso, LLC, a California limited liability company.

“*Lease*” means the Lease Agreement dated as of October 1, 2017, by and between the Landlord and the Tenant.

“*Obligated Group Lease*” means any lease between the Tenant and any Member of the Obligated Group, as landlord, which have been financed with Obligations issued under the Master Indenture of Trust.

“*Parties*” and individually a “*Party*” means collectively the Landlord and the Tenant.

“*Proportionate Share*” means the amount required to be paid by Tenant to ensure that all of the required Rent payments with respect to all of the Related Projects have been timely made

“*Real Property Taxes*” shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Premises, Landlord’s right to other income therefrom; and/or Landlord’s business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of the Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to the Lease..

“*School*” means a charter school known as “Summit Public Schools: Denali.”

“*Tenant*” means Summit Public Schools, a California nonprofit public benefit corporation in its capacity as operator of and holder of the charter for the School described in the Lease.

Term and Extension Option

Summit Public Schools, as tenant (the “*Tenant*”), shall lease the Facility (referred to in the Lease as the “*Premises*”) from the 824 San Aleso, LLC, as landlord (“*Landlord*”), pursuant to the Lease. The initial term of the Lease shall be for approximately thirty (30) years commencing as of October 1, 2017 (the “*Commencement Date*”) and ending on June 30, 2047 (the “*Initial Term*”), or such other later date if Tenant exercises any of the Extension Options described in the Lease (such date, as it may be extended, the “*Expiration Date*”).

Tenant shall have three (3) options (each an “*Extension Option*”) to extend the Initial Term, each for a period of five (5) years (such extension terms collectively, the “*Extension Term*” and, collectively with the Initial Term, the “*Term*”) on the terms and conditions, and at the Rent, set forth in the Lease. The Tenant covenants that, so long as the Landlord has any obligations under the Bond Documents, it will exercise each Extension Option under the Lease; provided, that the Lease will continue to be classified as an operating lease for purposes of Senate Bill 740 funding, to the extent applicable.

Letting.

Landlord hereby leases and hires to Tenant, and Tenant hereby leases and hires from Landlord, the Premises for the Term, at the Rent, and upon and subject to all of the terms, covenants and conditions set forth in the Lease.

Rent Defined

Subject to the terms of the Lease, “*Rent*” is defined as and shall consist of the sum of (i) Base Rent, (ii) Additional Rent, (iii) Extraordinary Monthly Rent, and (iv) Expenses (all as defined below), together with all other monetary obligations of Tenant to Landlord or to third parties arising under the terms of the Lease.

Base Rent

So long as the Loan is outstanding, Base Rent shall be payable in accordance with the schedule set forth in Exhibit B attached to the Lease, subject to downward adjustment in the event of any redemption or defeasance of all or a portion of the Bonds or prepayment of all or a portion of the Loan. In the event of redemption or defeasance of all of the Bonds prior to the Expiration Date such that no Bonds remain outstanding and prepayment of all of the Loan prior to the Expiration Date and without termination of the Lease, commencing on the first day of the first calendar month following such defeasance, redemption or full prepayment, the Base Rent shall be revised to be the Fair Market Base Rent determined in accordance with the Lease.

Additional Rent

Tenant shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Landlord on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule from time to time delivered by Landlord. The amount projected as Additional Rent during the Term, assuming no Extraordinary Monthly Rent, is as set forth on Exhibit B. “*Additional Rent*” shall consist of the following: (a) all amounts required to reimburse Landlord, or satisfy Landlord’s obligations, for any fees, expenses, taxes, indemnities, assessments or other payments that the Landlord is obligated to pay under the terms of the Loan Agreement, including, but not limited to, such amounts as described in the Loan Agreement; and (b) any other amounts required to be paid by the Landlord in order for the Landlord to meet its obligations under the Bond Documents on a full and timely basis.

Extraordinary Monthly Rent

This Section and all other references to "Extraordinary Monthly Rent," "Related Bond Trustee" and "Related Project" shall be applicable, only if and for so long as there are Outstanding Related Bonds. In the event that Tenant under the Lease receives a notice (an "Extraordinary Monthly Rent Notice") from either the Landlord under another Obligated Group Lease or from the Related Bond Trustee stating the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Tenant shall pay the Extraordinary Monthly Rent to the Related Bond Trustee within three (3) Business Days after such Tenant's receipt of the Extraordinary Monthly Rent Notice. Landlord covenants to immediately provide Tenant with a copy of any Extraordinary Monthly Rent Notice received by Landlord pursuant to the terms of the Master Indenture of Trust. "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Tenant's Proportionate Share of the Extraordinary Monthly Rent. "Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. If payable, Extraordinary Monthly Rent shall be added to and be a component of Base Rent. There is no assurance that the amount of Extraordinary Monthly Rent will be sufficient to cover any Rent not paid by any other Related Project.

Expenses

Tenant shall be responsible for all Expenses, which Tenant shall pay directly to the providers of any of the items comprising Expenses prior to delinquency, or shall pay to or reimburse Landlord within thirty (30) days after receiving a statement from Landlord itemizing (with reasonable description) all charges included thereon. "Expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair, or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises, the aggregate of the "Maintenance Expenses" and the "General Expenses" set forth below:

(a) "Maintenance Expenses" means all costs of maintaining and repairing the Premises, the parking area, athletic fields and other portions of the Premises, deferred maintenance, installing or extending service systems and other built-in equipment, and improving the Premises, including without limitation all of the following:

(i) All maintenance, replacement and repair costs of air conditioning, heating and ventilation equipment and systems, elevators (if any), landscaping, service areas, parking lots, athletic fields, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, structural components of the Premises, and cost of compliance with applicable laws (including any required upgrades or retrofitting).

(ii) Supplies, materials, labor, equipment, and utilities used in or related to the repair and maintenance of the Premises and such common areas.

(iii) Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises.

(iv) If applicable, amounts payable under any ground lease that is the responsibility of the Landlord and that is similar in nature to the foregoing.

(b) "General Expenses" means all of the following, to the extent not included in Maintenance Expenses:

(i) Gross receipts taxes, whether assessed against Landlord or assessed against Tenant and collected by Landlord.

(ii) Water, sewage, and waste or refuse removal charges.

- (iii) Gas, electricity, telephone and other utilities.
- (iv) The cost of monthly or annual contracts for systems or services such as alarm systems, security systems, internet services, janitorial services or landscaping services.
- (v) All janitorial, cleaning, landscaping, sweeping and repair services relating to the Premises.
- (vi) The costs of signs and directories.
- (vii) The cost of compliance with applicable laws.
- (viii) Reasonable costs incurred by Landlord for operating expenses, including the day-to-day management (if any), including the cost of management personnel (if any), together with any of Landlord's administrative expenses such as state filings, preparation of tax returns or notices, and all taxes, charges, or fees in connection therewith to the extent related to the Premises.
- (ix) Subject to the Lease, Real Property Taxes and personal property taxes, if any.
- (x) Amounts required to be paid as deductibles in connection with any insurance required under the Bond Documents.
- (xi) Any other costs or expenses incurred by Landlord under the Lease.
- (xii) If applicable, amounts payable under any ground lease that is the responsibility of the Landlord and not otherwise paid pursuant to any provisions of this subsection.

Payment

During the Term, all Rent required to be paid in monthly installments shall be paid with respect to each calendar month in advance on the twentieth (20th) day of each calendar month immediately preceding the month with respect to which monthly installment of Rent is due. All Rent shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever (except as specifically provided in the Lease), and without any prior demand therefore. All Rent shall be paid to the Master Trustee for deposit in the Revenue Fund, and at such address as the Master Trustee notifies Tenant, or at such other place as Landlord may designate from time to time, with the approval of the Master Trustee as long as Landlord has any obligations pursuant to the terms of the Bond Documents. Notwithstanding the foregoing, Tenant shall receive a credit for Rent owed to Landlord to the extent the Bond Trustee receives monies on behalf of Tenant under the Intercept. Rent for any period during the Term of the Lease which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Subject to the terms of the Indenture, and so long as any of the Bonds or the Loan remains outstanding, Tenant shall through the Intercept Notice, cause the State Controller to transfer the portion of the State apportionment described in the Intercept Notice and attributable to the School to the Bond Trustee for deposit in the Revenue Fund. Landlord shall have the right, but not the obligation, to collect and impound, in advance, any or all components of Expenses, Additional Rent, or other Rent based upon Landlord's reasonable estimate of Tenant's future liability for such amounts for any calendar year or other period selected by Landlord. At the end of the calendar year or other period with respect to which any such estimate was prepared, Landlord shall reconcile Tenant's actual obligation for such component of Expenses or other Rent and the estimated amounts previously paid by Tenant.

Late Charge and Interest on Rent in Default

If any Rent is not received by or on behalf of Landlord from Tenant within ten (10) calendar days after Landlord has notified Tenant in writing that payment has not been received by Landlord, then Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of such delinquent rent as liquidated damages for Tenant's failure to make timely payment, by paying such sum to the Master Trustee for deposit in the Revenue

Fund. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay any rent due under the Lease in a timely fashion. If any Rent remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the rate of 10% per annum from the date such amount became due until paid by paying such sum to the Master Trustee by depositing the same in the Revenue Fund.

Source of Rent Payments

(a) Notwithstanding anything in the Lease to the contrary, Tenant's obligation to pay the Rent and the other monetary payments provided for in the Lease to any person or entity, including the Landlord, the Authority, the Bond Trustee, Master Trustee, and their respective successors and assigns, is limited to, and shall not exceed, Gross School Revenues, and under no circumstances shall Tenant be required to advance any moneys derived from any source of income other than, or pay Rent or any other monetary obligation under the Lease which is in excess of, the Gross School Revenues, nor shall any other funds or property of Tenant be liable for the payment of Rent or any other monetary obligation under the Lease, and such persons and entities shall look exclusively to Gross School Revenues for satisfaction of any claims under the Lease. Landlord covenants that it shall not take recourse against Tenant with respect to the failure by Tenant to make any payment under the Lease except recourse to the Gross School Revenues.

(b) Nothing contained in the Lease shall be construed to release Landlord from the performance of any of the agreements on its part contained in the Lease, and in the event Landlord shall fail to perform any such agreements on its part, Tenant may institute such action against Landlord as Tenant may deem necessary to compel performance so long as such action does not abrogate the obligations of Tenant contained in the first sentence of this Section (b). Tenant may, however, at Tenant's own cost and expense and in Tenant's own name or in the name of Landlord prosecute or defend any action or proceeding or take any other action involving third persons which Tenant deems reasonably necessary in order to secure or protect Tenant's right of possession, occupancy and use under the Lease, and in such event Landlord agrees to cooperate fully with Tenant and to take such action necessary to effect the substitution of Tenant for Landlord in such action or proceeding if Tenant shall so request.

Use

In addition to any other restrictions on Tenant's use of the Premises, the Premises shall be used by Tenant for the School, for any related and ancillary school and educational purposes, any related administrative purposes, and any related incidental legal uses. Notwithstanding the foregoing, Tenant shall use and occupy the Premises only as an "educational facility" as defined in Section 17173(h) of the Education Code of the State of California in order to operate a charter school. Tenant is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Code Section 501(c)(3) and that qualifies as an "educational organization" as described under Code Section 170(b)(1)(A)(ii); provided that Tenant shall not permit the Premises to be used (a) primarily for sectarian instruction or study or as a place for devotional activities or religious worship; (b) by a Person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Tenant) in an Unrelated Trade or Business, in such manner or to such extent as would result in any of the Tax-Exempt Bonds being treated as an obligation not described in Section 145(a) of the Code; and (c) shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others.

Maintenance; Repairs

Tenant Fully Responsible. During the Term, except in cases of damage or destruction due to casualty loss, or in the event of Condemnation, all repair, maintenance, restoration, retrofitting, construction or reconstruction with respect to the Premises shall be the sole responsibility of Tenant, and Landlord shall have no duty to undertake any such repair, maintenance, restoration, retrofitting, construction or reconstruction, or to pay any costs of the same. Provided, however, that Landlord shall provide Tenant access to the moneys in the Repair and Replacement Fund, and to any moneys in the Insurance and Condemnation Proceeds Fund to the extent necessary or appropriate to pay

the costs of or to reimburse Tenant for its obligations under the Lease, in accordance with the terms and provisions of the Indenture related to the Repair and Replacement Fund and the Insurance and Condemnation Proceeds Fund.

Compliance With Applicable Requirements. If any applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the “Applicable Requirements”) require, during the Term, the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises, Tenant agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification, and the costs therefor shall be incurred solely by Tenant.

Liens. Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use on the Premises, which claims are or may be secured by any mechanic’s or materialmen’s lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days’ notice prior to the commencement of any work in, on, or about the Premises, and Landlord shall have the right to post notices of non-responsibility. If Tenant shall contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend and protect itself, Landlord and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof.

Insurance

Liability. Tenant shall keep in force such liability insurance policies and in such amounts as required in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Premises. Tenant shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Landlord, with loss payable to Landlord and to any lender, including the Bond Trustee and the Master Trustee, insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Rental Interruption. Tenant shall also obtain and keep in force, for the benefit of Landlord, rental interruption insurance insuring Landlord for the amounts of Base Rent arising from an interruption of the payment of the Base Rent, Additional Rent and Expenses otherwise payable by Tenant under the Lease, covering a period of at least 12 months. The limits of such insurance shall be based upon the highest monthly amount of Base Rent and Additional Rent shown on Exhibit B, as revised from time to time. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Indemnity

Except for Landlord’s negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, partners, members, directors, and officers, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys’ and consultants’ fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Tenant. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant’s expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section shall survive the termination of the Lease.

Exemption of Landlord from Liability

Unless caused by Landlord’s negligence or willful misconduct, Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant’s employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of

pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

Damage or Destruction

Definitions

(a) “Damage” shall mean damage or destruction to the improvements on the Premises from fire or other casualty.

(b) “Insured Loss” shall mean Damage that was caused by an event required to be covered by the insurance described in the Lease, irrespective of any deductible amounts or coverage limits involved.

Damage. Subject to the terms of the Master Indenture of Trust, Landlord shall be entitled to any and all insurance proceeds that are available as a result of any Insured Loss, and Landlord may at its election proceed to reconstruct the Premises subject to such Damage to their condition existing immediately prior to the Damage, utilizing available insurance proceeds and any amounts voluntarily contributed by Landlord in its sole discretion. If Landlord elects not to undertake such restoration, Tenant may (i) if such damage is material, terminate the Lease by providing written notice to Landlord, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Tenant of Landlord’s notice of its election not to undertake such restoration, or (ii) require Landlord to restore and rebuild the Premises, so long as the following conditions are met:

(a) The amount of insurance proceeds that are available for restoration, plus any funds that may have been deposited by Tenant, are sufficient to restore and rebuild the Premises to their character, condition and utility immediately prior to the casualty (or to such other condition as Tenant reasonably demonstrates will generate sufficient revenue for Tenant to meet its obligation to pay all Rent thereafter accruing);

(b) The amount of available proceeds of rental interruption insurance plus any funds deposited by Tenant equals an amount determined by Landlord to be sufficient to pay the Rent accruing during the period between the date of such casualty and the date the restoration or rebuilding is substantially completed.

(c) The restoration or rebuilding is estimated by Landlord to be completed at least twelve (12) months prior to the maturity date of the Bonds.

(d) In lieu of making any deposit of funds as described above, Tenant shall have the right to provide other assurances of the payment of restoration costs and Rent acceptable to Landlord in its sole discretion, such as a letter of credit.

Damage—Uninsured Loss. If Damage that is not an Insured Loss occurs, (a) Tenant may repair such damage as soon as reasonably possible at Tenant’s expense, in which event the Lease shall continue in full force and effect or, (b) if Tenant elects not to undertake such repair, and such Damage is material, Landlord or Tenant may terminate the Lease by providing written notice to the other party, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Landlord of knowledge of the occurrence of such Damage.

Waive Statutes. Landlord and Tenant agree that the terms of the Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of the Lease and waive the provisions of any present or future statute to the extent inconsistent with the Lease, including California Civil Code Sections 1932(2) and 1933(4).

Assignment and Subletting

By Tenant. Tenant shall not sublease, assign, mortgage, pledge, hypothecate or encumber the Lease or any of Tenant’s interest under the Lease without the prior written consent of Landlord (which shall not be unreasonably

withheld). Tenant acknowledges that, pursuant to the Bond Documents, Landlord may be required to obtain the Authority's approval to a sublease, assignment or other transfer of Tenant's interest in the Lease and that Landlord's disapproval shall be deemed reasonable if based on any such disapproval by the Authority. Tenant acknowledges that the financing of the Premises through the Tax-Exempt Bonds may restrict the assignees which could be approved by Landlord. In addition, Tenant shall not sublease, assign, mortgage, pledge, hypothecate, or encumber the Lease unless it receives an Opinion of Bond Counsel confirming that such action will not result in use or operation of the Premises not in conjunction with a charter school under the Act.

By Landlord. Tenant acknowledges that Landlord's interest in the Premises are subject to a deed of trust in favor of the Master Trustee and that certain of the Landlord's rights under the Lease are assigned to the Master Trustee as security for the Bonds under the Master Indenture of Trust.

Default; Event of Default

A "Default" is defined as a failure by Tenant to comply with or perform any of the terms, covenants or other obligations of Tenant under the Lease. An "Event of Default" is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

- (a) The abandonment of the Premises.
- (b) The failure of Tenant to make any payment of Rent required to be made by Tenant under the Lease, whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond required under the Lease, or to fulfill any obligation under the Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) business days following written notice to Tenant.
- (c) Any material representation or warranty made in the Lease, or in any report, certificate, financial statement, or instrument furnished in connection with the Lease, proves to have been false or misleading when made, in any material respect, and is not promptly corrected.
- (d) Except as otherwise provided in Exhibit C attached to the Lease, if Tenant violates or fails to observe or perform any covenant contained in Exhibit C attached to the Lease, and fails to cure the same within any notice or grace period contained in Exhibit C or the Lease.
- (e) A Default by Tenant as to the terms, covenants, conditions or provisions of the Lease, other than those described above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Tenant's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.
- (f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where possession is not restored to Tenant within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

Remedies

Upon the occurrence of any Event of Default, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such Event of Default:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case the Lease shall terminate and Tenant shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees of Landlord and the Authority, and that portion of any leasing commission paid by Landlord in connection with the Lease applicable to the unexpired term of the Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Landlord to mitigate damages caused by Tenant's Event of Default of the Lease shall not waive Landlord's right to recover damages under the Lease. If termination of the Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under the Lease was not previously given, a notice to pay rent or quit, or to perform or quit given to Tenant under the unlawful detainer statute shall also constitute the notice required by the Lease. In such case, the applicable grace period required by the Lease and the unlawful detainer statute shall run concurrently, and the failure of Tenant to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and an Event of Default under the Lease entitling Landlord to the remedies provided for in the Lease and/or by said statute.

(b) Continue the Lease and Tenant's right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Landlord's interests, shall not constitute a termination of Tenant's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of the Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under the Lease, including under any indemnity provisions of the Lease as to matters occurring or accruing during the term of the Lease or by reason of Tenant's occupancy of the Premises.

Interest

Any monetary payment due Landlord under the Lease not received by Landlord when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law.

Amendments

Subject to the terms of the Master Indenture of Trust applicable to the modification or amendment of the Lease, the Lease may be modified only in writing, signed by the Parties in interest at the time of the modification.

As long as they do not materially change Tenant's obligations under the Lease, Tenant agrees to make such reasonable non-monetary modifications to the Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

SHASTA LEASE

As used in the following summary of the Shasta Lease, the capitalized terms shall have the following meanings:

"Bond Documents" means the Loan Agreement, the Master Indenture of Trust, the Indenture, the Supplemental Indenture, Obligation No. 1, and any related documents and instruments.

"Condemnation" means if the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power

"Extraordinary Monthly Rent" shall mean the amount set forth in an Extraordinary Monthly Rent Notice, which shall be the Tenants's Proportionate Share of the Extraordinary Monthly Rent.

"Fair Market Base Rent" means, if the Loan is no longer outstanding, the Base Rent component of Rent for the Extension Term (or such portion thereof during which the Loan is not outstanding) determined in accordance with the Lease. Fair Market Base Rent shall be the fair market rent of comparable premises (including square footage, location and quality of the Premises) to the Premises subject to the terms and provisions of the Lease, including without limitation Tenant's obligation to pay the Additional Rent (if any) and Expenses.

"Landlord" means 895 Campus Drive, LLC, a California limited liability company.

"Lease" means the Lease Agreement dated as of October 1, 2017, by and between the Landlord and the Tenant.

"Obligated Group Lease" means any lease between the Tenant and any Member of the Obligated Group, as landlord, which have been financed with Obligations issued under the Master Indenture of Trust.

"Parties" and individually a *"Party"* means collectively the Landlord and the Tenant.

"Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent payments with respect to all of the Related Projects have been timely made

"Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Premises, Landlord's right to other income therefrom; and/or Landlord's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of the Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to the Lease..

“*School*” means a charter school known as “Summit Public Schools: Shasta.”

“*Tenant*” means Summit Public Schools, a California nonprofit public benefit corporation in its capacity as operator of and holder of the charter for the School described in the Lease.

Term and Extension Option

Summit Public Schools, as tenant (the “*Tenant*”), shall lease the Facility (referred to in the Lease as the “*Premises*”) from the 895 Campus Drive, LLC, as landlord (“*Landlord*”), pursuant to the Lease. The initial term of the Lease shall be for approximately thirty (30) years commencing as of October 1, 2017 (the “*Commencement Date*”) and ending on June 30, 2047 (the “*Initial Term*”), or such other later date if Tenant exercises any of the Extension Options described in the Lease (such date, as it may be extended, the “*Expiration Date*”).

Tenant shall have three (3) options (each an “*Extension Option*”) to extend the Initial Term, each for a period of five (5) years (such extension terms collectively, the “*Extension Term*” and, collectively with the Initial Term, the “*Term*”) on the terms and conditions, and at the Rent, set forth in the Lease. The Tenant has covenanted that, so long as the Landlord has any obligations under the Bond Documents it will exercise each Extension Option under the Lease; provided, that the Lease will continue to be classified as an operating lease for purposes of Senate Bill 740 funding, to the extent applicable.

Letting.

Landlord hereby leases and hires to Tenant, and Tenant hereby leases and hires from Landlord, the Premises for the Term, at the Rent, and upon and subject to all of the terms, covenants and conditions set forth in the Lease.

Rent Defined

Subject to the terms of the Lease, “*Rent*” is defined as and shall consist of the sum of (i) Base Rent, (ii) Additional Rent, (iii) Extraordinary Monthly Rent, and (iv) Expenses (all as defined below), together with all other monetary obligations of Tenant to Landlord or to third parties arising under the terms of the Lease.

Base Rent

So long as the Loan is outstanding, Base Rent shall be payable in accordance with the schedule set forth in Exhibit B attached to the Lease, subject to downward adjustment in the event of any redemption or defeasance of all or a portion of the Bonds or prepayment of all or a portion of the Loan. In the event of redemption or defeasance of all of the Bonds prior to the Expiration Date such that no Bonds remain outstanding and prepayment of all of the Loan prior to the Expiration Date and without termination of the Lease, commencing on the first day of the first calendar month following such defeasance, redemption or full prepayment, the Base Rent shall be revised to be the Fair Market Base Rent determined in accordance with the Lease.

Additional Rent

Tenant shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Landlord on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule from time to time delivered by Landlord. The amount projected as Additional Rent during the Term, assuming no Extraordinary Monthly Rent, is as set forth on Exhibit B. “*Additional Rent*” shall consist of the following: (a) all amounts required to reimburse Landlord, or satisfy Landlord’s obligations, for any fees, expenses, taxes, indemnities, assessments or other payments that the Landlord is obligated to pay under the terms of the Loan Agreement, including, but not limited to, such amounts as described in the Loan Agreement; and (b) any other amounts required to be paid by the Landlord in order for the Landlord to meet its obligations under the Bond Documents on a full and timely basis.

Extraordinary Monthly Rent

This Section and all other references to "Extraordinary Monthly Rent," "Related Bond Trustee" and "Related Project" shall be applicable, only if and for so long as there are Outstanding Related Bonds. In the event that Tenant under the Lease receives a notice (an "Extraordinary Monthly Rent Notice") from either the Landlord under another Obligated Group Lease or from the Related Bond Trustee stating the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Tenant shall pay the Extraordinary Monthly Rent to the Related Bond Trustee within three (3) Business Days after such Tenant's receipt of the Extraordinary Monthly Rent Notice. Landlord covenants to immediately provide Tenant with a copy of any Extraordinary Monthly Rent Notice received by Landlord pursuant to the terms of the Master Indenture of Trust. "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Tenant's Proportionate Share of the Extraordinary Monthly Rent. "Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. If payable, Extraordinary Monthly Rent shall be added to and be a component of Base Rent. There is no assurance that the amount of Extraordinary Monthly Rent will be sufficient to cover any Rent not paid by any other Related Project.

Expenses

Tenant shall be responsible for all Expenses, which Tenant shall pay directly to the providers of any of the items comprising Expenses prior to delinquency, or shall pay to or reimburse Landlord within thirty (30) days after receiving a statement from Landlord itemizing (with reasonable description) all charges included thereon. "Expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair, or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises, the aggregate of the "Maintenance Expenses" and the "General Expenses" set forth below:

(d) "Maintenance Expenses" means all costs of maintaining and repairing the Premises, the parking area, athletic fields and other portions of the Premises, deferred maintenance, installing or extending service systems and other built-in equipment, and improving the Premises, including without limitation all of the following:

(i) All maintenance, replacement and repair costs of air conditioning, heating and ventilation equipment and systems, elevators (if any), landscaping, service areas, parking lots, athletic fields, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, structural components of the Premises, and cost of compliance with applicable laws (including any required upgrades or retrofitting).

(ii) Supplies, materials, labor, equipment, and utilities used in or related to the repair and maintenance of the Premises and such common areas.

(iii) Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises.

(iv) If applicable, amounts payable under any ground lease that is the responsibility of the Landlord and that is similar in nature to the foregoing.

(b) "General Expenses" means all of the following, to the extent not included in Maintenance Expenses:

(i) Gross receipts taxes, whether assessed against Landlord or assessed against Tenant and collected by Landlord.

(ii) Water, sewage, and waste or refuse removal charges.

- (iii) Gas, electricity, telephone and other utilities.
- (iv) The cost of monthly or annual contracts for systems or services such as alarm systems, security systems, internet services, janitorial services or landscaping services.
- (v) All janitorial, cleaning, landscaping, sweeping and repair services relating to the Premises.
- (vi) The costs of signs and directories.
- (vii) The cost of compliance with applicable laws.
- (viii) Reasonable costs incurred by Landlord for operating expenses, including the day-to-day management (if any), including the cost of management personnel (if any), together with any of Landlord's administrative expenses such as state filings, preparation of tax returns or notices, and all taxes, charges, or fees in connection therewith to the extent related to the Premises.
- (ix) Subject to the Lease, Real Property Taxes and personal property taxes, if any.
- (x) Amounts required to be paid as deductibles in connection with any insurance required under the Bond Documents.
- (xi) Any other costs or expenses incurred by Landlord under the Lease.
- (xii) If applicable, amounts payable under any ground lease that is the responsibility of the Landlord and not otherwise paid pursuant to any provisions of this subsection.

Payment

During the Term, all Rent required to be paid in monthly installments shall be paid with respect to each calendar month in advance on the twentieth (20th) day of each calendar month immediately preceding the month with respect to which monthly installment of Rent is due. All Rent shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever (except as specifically provided in the Lease), and without any prior demand therefore. All Rent shall be paid to the Master Trustee for deposit in the Revenue Fund, and at such address as the Master Trustee notifies Tenant, or at such other place as Landlord may designate from time to time, with the approval of the Master Trustee as long as Landlord has any obligations pursuant to the terms of the Bond Documents. Notwithstanding the foregoing, Tenant shall receive a credit for Rent owed to Landlord to the extent the Bond Trustee receives monies on behalf of Tenant under the Intercept. Rent for any period during the Term of the Lease which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Subject to the terms of the Indenture, and so long as any of the Bonds or the Loan remains outstanding, Tenant shall through the Intercept Notice, cause the State Controller to transfer the portion of the State apportionment described in the Intercept Notice and attributable to the School to the Bond Trustee for deposit in the Revenue Fund. Landlord shall have the right, but not the obligation, to collect and impound, in advance, any or all components of Expenses, Additional Rent, or other Rent based upon Landlord's reasonable estimate of Tenant's future liability for such amounts for any calendar year or other period selected by Landlord. At the end of the calendar year or other period with respect to which any such estimate was prepared, Landlord shall reconcile Tenant's actual obligation for such component of Expenses or other Rent and the estimated amounts previously paid by Tenant.

Late Charge and Interest on Rent in Default

If any Rent is not received by or on behalf of Landlord from Tenant within ten (10) calendar days after Landlord has notified Tenant in writing that payment has not been received by Landlord, then Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of such delinquent rent as liquidated damages for Tenant's failure to make timely payment, by paying such sum to the Master Trustee for deposit in the Revenue

Fund. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay any rent due under the Lease in a timely fashion. If any Rent remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the rate of 10% per annum from the date such amount became due until paid by paying such sum to the Master Trustee by depositing the same in the Revenue Fund.

Source of Rent Payments

(e) Notwithstanding anything in the Lease to the contrary, Tenant's obligation to pay the Rent and the other monetary payments provided for in the Lease to any person or entity, including the Landlord, the Authority, the Bond Trustee, Master Trustee, and their respective successors and assigns, is limited to, and shall not exceed, Gross School Revenues, and under no circumstances shall Tenant be required to advance any moneys derived from any source of income other than, or pay Rent or any other monetary obligation under the Lease which is in excess of, the Gross School Revenues, nor shall any other funds or property of Tenant be liable for the payment of Rent or any other monetary obligation under the Lease, and such persons and entities shall look exclusively to Gross School Revenues for satisfaction of any claims under the Lease. Landlord covenants that it shall not take recourse against Tenant with respect to the failure by Tenant to make any payment under the Lease except recourse to the Gross School Revenues.

(f) Nothing contained in the Lease shall be construed to release Landlord from the performance of any of the agreements on its part contained in the Lease, and in the event Landlord shall fail to perform any such agreements on its part, Tenant may institute such action against Landlord as Tenant may deem necessary to compel performance so long as such action does not abrogate the obligations of Tenant contained in the first sentence of this Section (b). Tenant may, however, at Tenant's own cost and expense and in Tenant's own name or in the name of Landlord prosecute or defend any action or proceeding or take any other action involving third persons which Tenant deems reasonably necessary in order to secure or protect Tenant's right of possession, occupancy and use under the Lease, and in such event Landlord agrees to cooperate fully with Tenant and to take such action necessary to effect the substitution of Tenant for Landlord in such action or proceeding if Tenant shall so request.

Use

In addition to any other restrictions on Tenant's use of the Premises, the Premises shall be used by Tenant for the School, for any related and ancillary school and educational purposes, any related administrative purposes, and any related incidental legal uses. Notwithstanding the foregoing, Tenant shall use and occupy the Premises only as an "educational facility" as defined in Section 17173(h) of the Education Code of the State of California in order to operate a charter school. Tenant is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Code Section 501(c)(3) and that qualifies as an "educational organization" as described under Code Section 170(b)(1)(A)(ii); provided that Tenant shall not permit the Premises to be used (a) primarily for sectarian instruction or study or as a place for devotional activities or religious worship; (b) by a Person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Tenant) in an Unrelated Trade or Business, in such manner or to such extent as would result in any of the Tax-Exempt Bonds being treated as an obligation not described in Section 145(a) of the Code; and (c) shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others.

Maintenance; Repairs

Tenant Fully Responsible. During the Term, except in cases of damage or destruction due to casualty loss, or in the event of Condemnation, all repair, maintenance, restoration, retrofitting, construction or reconstruction with respect to the Premises shall be the sole responsibility of Tenant, and Landlord shall have no duty to undertake any such repair, maintenance, restoration, retrofitting, construction or reconstruction, or to pay any costs of the same. Provided, however, that Landlord shall provide Tenant access to the moneys in the Repair and Replacement Fund, and to any moneys in the Insurance and Condemnation Proceeds Fund to the extent necessary or appropriate to pay

the costs of or to reimburse Tenant for its obligations under the Lease, in accordance with the terms and provisions of the Indenture related to the Repair and Replacement Fund and the Insurance and Condemnation Proceeds Fund.

Compliance With Applicable Requirements. If any applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the “Applicable Requirements”) require, during the Term, the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises, Tenant agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification, and the costs therefor shall be incurred solely by Tenant.

Liens. Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use on the Premises, which claims are or may be secured by any mechanic’s or materialmen’s lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days’ notice prior to the commencement of any work in, on, or about the Premises, and Landlord shall have the right to post notices of non-responsibility. If Tenant shall contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend and protect itself, Landlord and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof.

Insurance

Liability. Tenant shall keep in force such liability insurance policies and in such amounts as required in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Premises. Tenant shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Landlord, with loss payable to Landlord and to any lender, including the Bond Trustee and the Master Trustee, insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Rental Interruption. Tenant shall also obtain and keep in force, for the benefit of Landlord, rental interruption insurance insuring Landlord for the amounts of Base Rent arising from an interruption of the payment of the Base Rent, Additional Rent and Expenses otherwise payable by Tenant under the Lease, covering a period of at least 12 months. The limits of such insurance shall be based upon the highest monthly amount of Base Rent and Additional Rent shown on Exhibit B, as revised from time to time. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Indemnity

Except for Landlord’s negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, partners, members, directors, and officers, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys’ and consultants’ fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Tenant. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant’s expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section shall survive the termination of the Lease.

Exemption of Landlord from Liability

Unless caused by Landlord’s negligence or willful misconduct, Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant’s employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of

pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

Damage or Destruction

Definitions

(g) “Damage” shall mean damage or destruction to the improvements on the Premises from fire or other casualty.

(h) “Insured Loss” shall mean Damage that was caused by an event required to be covered by the insurance described in the Lease, irrespective of any deductible amounts or coverage limits involved.

Damage. Subject to the terms of the Master Indenture of Trust, Landlord shall be entitled to any and all insurance proceeds that are available as a result of any Insured Loss, and Landlord may at its election proceed to reconstruct the Premises subject to such Damage to their condition existing immediately prior to the Damage, utilizing available insurance proceeds and any amounts voluntarily contributed by Landlord in its sole discretion. If Landlord elects not to undertake such restoration, Tenant may (i) if such damage is material, terminate the Lease by providing written notice to Landlord, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Tenant of Landlord’s notice of its election not to undertake such restoration, or (ii) require Landlord to restore and rebuild the Premises, so long as the following conditions are met:

(i) The amount of insurance proceeds that are available for restoration, plus any funds that may have been deposited by Tenant, are sufficient to restore and rebuild the Premises to their character, condition and utility immediately prior to the casualty (or to such other condition as Tenant reasonably demonstrates will generate sufficient revenue for Tenant to meet its obligation to pay all Rent thereafter accruing);

(b) The amount of available proceeds of rental interruption insurance plus any funds deposited by Tenant equals an amount determined by Landlord to be sufficient to pay the Rent accruing during the period between the date of such casualty and the date the restoration or rebuilding is substantially completed.

(c) The restoration or rebuilding is estimated by Landlord to be completed at least twelve (12) months prior to the maturity date of the Bonds.

(d) In lieu of making any deposit of funds as described above, Tenant shall have the right to provide other assurances of the payment of restoration costs and Rent acceptable to Landlord in its sole discretion, such as a letter of credit.

Damage—Uninsured Loss. If Damage that is not an Insured Loss occurs, (a) Tenant may repair such damage as soon as reasonably possible at Tenant’s expense, in which event the Lease shall continue in full force and effect or, (b) if Tenant elects not to undertake such repair, and such Damage is material, Landlord or Tenant may terminate the Lease by providing written notice to the other party, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Landlord of knowledge of the occurrence of such Damage.

Waive Statutes. Landlord and Tenant agree that the terms of the Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of the Lease and waive the provisions of any present or future statute to the extent inconsistent with the Lease, including California Civil Code Sections 1932(2) and 1933(4).

Assignment and Subletting

By Tenant. Tenant shall not sublease, assign, mortgage, pledge, hypothecate or encumber the Lease or any of Tenant’s interest under the Lease without the prior written consent of Landlord (which shall not be unreasonably

withheld). Tenant acknowledges that, pursuant to the Bond Documents, Landlord may be required to obtain the Authority's approval to a sublease, assignment or other transfer of Tenant's interest in the Lease and that Landlord's disapproval shall be deemed reasonable if based on any such disapproval by the Authority. Tenant acknowledges that the financing of the Premises through the Tax-Exempt Bonds may restrict the assignees which could be approved by Landlord. In addition, Tenant shall not sublease, assign, mortgage, pledge, hypothecate, or encumber the Lease unless it receives an Opinion of Bond Counsel confirming that such action will not result in use or operation of the Premises not in conjunction with a charter school under the Act.

By Landlord. Tenant acknowledges that Landlord's interest in the Premises are subject to a deed of trust in favor of the Master Trustee and that certain of the Landlord's rights under the Lease are assigned to the Master Trustee as security for the Bonds under the Master Indenture of Trust.

Default; Event of Default

A "Default" is defined as a failure by Tenant to comply with or perform any of the terms, covenants or other obligations of Tenant under the Lease. An "Event of Default" is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

- (j) The abandonment of the Premises.
- (k) The failure of Tenant to make any payment of Rent required to be made by Tenant under the Lease, whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond required under the Lease, or to fulfill any obligation under the Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) business days following written notice to Tenant.
- (l) Any material representation or warranty made in the Lease, or in any report, certificate, financial statement, or instrument furnished in connection with the Lease, proves to have been false or misleading when made, in any material respect, and is not promptly corrected.
- (m) Except as otherwise provided in Exhibit C attached to the Lease, if Tenant violates or fails to observe or perform any covenant contained in Exhibit C attached to the Lease, and fails to cure the same within any notice or grace period contained in Exhibit C or the Lease.
- (n) A Default by Tenant as to the terms, covenants, conditions or provisions of the Lease, other than those described above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Tenant's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.
- (o) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where possession is not restored to Tenant within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

Remedies

Upon the occurrence of any Event of Default, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such Event of Default:

(p) Terminate Tenant's right to possession of the Premises by any lawful means, in which case the Lease shall terminate and Tenant shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees of Landlord and the Authority, and that portion of any leasing commission paid by Landlord in connection with the Lease applicable to the unexpired term of the Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Landlord to mitigate damages caused by Tenant's Event of Default of the Lease shall not waive Landlord's right to recover damages under the Lease. If termination of the Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under the Lease was not previously given, a notice to pay rent or quit, or to perform or quit given to Tenant under the unlawful detainer statute shall also constitute the notice required by the Lease. In such case, the applicable grace period required by the Lease and the unlawful detainer statute shall run concurrently, and the failure of Tenant to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and an Event of Default under the Lease entitling Landlord to the remedies provided for in the Lease and/or by said statute.

(q) Continue the Lease and Tenant's right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Landlord's interests, shall not constitute a termination of Tenant's right to possession.

(r) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of the Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under the Lease, including under any indemnity provisions of the Lease as to matters occurring or accruing during the term of the Lease or by reason of Tenant's occupancy of the Premises.

Interest

Any monetary payment due Landlord under the Lease not received by Landlord when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law.

Amendments

Subject to the terms of the Master Indenture of Trust applicable to the modification or amendment of the Lease, the Lease may be modified only in writing, signed by the Parties in interest at the time of the modification.

As long as they do not materially change Tenant's obligations under the Lease, Tenant agrees to make such reasonable non-monetary modifications to the Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

HOME OFFICE LEASE

As used in the following summary of the Home Office Lease, the capitalized terms shall have the following meanings:

"Administrative Offices" means the administrative offices of the Tenant.

"Bond Documents" means the Loan Agreement, the Master Indenture of Trust, the Indenture, the Supplemental Indenture, Obligation No. 1, and any related documents and instruments.

"Condemnation" means if the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power

"Extraordinary Monthly Rent" shall mean the amount set forth in an Extraordinary Monthly Rent Notice, which shall be the Tenants's Proportionate Share of the Extraordinary Monthly Rent.

"Fair Market Base Rent" means, if the Loan is no longer outstanding, the Base Rent component of Rent for the Extension Term (or such portion thereof during which the Loan is not outstanding) determined in accordance with the Lease. Fair Market Base Rent shall be the fair market rent of comparable premises (including square footage, location and quality of the Premises) to the Premises subject to the terms and provisions of the Lease, including without limitation Tenant's obligation to pay the Additional Rent (if any) and Expenses.

"Landlord" means EdFuture, LLC, a California limited liability company.

"Lease" means the Lease Agreement dated as of October 1, 2017, by and between the Landlord and the Tenant.

"Obligated Group Lease" means any lease between the Tenant and any Member of the Obligated Group, as landlord, which have been financed with Obligations issued under the Master Indenture of Trust.

"Parties" and individually a *"Party"* means collectively the Landlord and the Tenant.

"Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent payments with respect to all of the Related Projects have been timely made

"Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Premises, Landlord's right to other income therefrom; and/or Landlord's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the address of the Premises and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises is located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the Term of the Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to the Lease..

"Tenant" means Summit Public Schools, a California nonprofit public benefit corporation in its capacity as operator of and holder of the charter for the School described in the Lease.

Letting

Landlord hereby leases and hires to Tenant, and Tenant hereby leases and hires from Landlord, the Premises for the Term, at the Rent, and upon and subject to all of the terms, covenants and conditions set forth in

this Lease. Tenant has received a fully executed copy of that certain Ground Lease Agreement, dated September 15, 2017 (the “Master Lease”), by and between Landlord, as lessee, and 780 Broadway LLC, a California limited liability company, as lessor (the “Ground Lessor”) and any amendments thereto and understands its terms. This Lease shall not have a Term that exceeds the term of the Master Lease; any sublessee is obligated to observe, comply and perform the obligations of the Tenant under the Master Lease; and this Lease shall not modify or alter the terms of the Master Lease nor modify or reduce the rights of the Ground Lessor under the Master Lease.

Term and Extension Option

Summit Public Schools, as tenant (the “Tenant”), shall lease the Facility (referred to in the Lease as the “Premises”) from the EdFuture, LLC, as landlord (“Landlord”), pursuant to the Lease. The initial term of the Lease shall be for approximately thirty (30) years commencing as of October 1, 2017 (the “Commencement Date”) and ending on June 30, 2047 (the “Initial Term”), or such other later date if Tenant exercises any of the Extension Options described in the Lease (such date, as it may be extended, the “Expiration Date”).

Tenant shall have three (3) options (each an “Extension Option”) to extend the Initial Term, each for a period of up to five (5) years (such extension terms collectively, the “Extension Term” and, collectively with the Initial Term, the “Term”), on the terms and conditions, and at the Rent, set forth in the Lease; provided, however, that no such Extension Term shall cause the Term of the Lease to exceed the term of the Master Lease. The Tenant covenants that, so long as the Landlord has any obligations under the Bond Documents it will exercise each Extension Option under the Lease.

Rent Defined

Subject to the terms of the Lease, "Rent" is defined as and shall consist of the sum of (i) Base Rent, (ii) Additional Rent, (iii) Extraordinary Monthly Rent, and (iv) Expenses (all as defined below), together with all other monetary obligations of Tenant to Landlord or to third parties arising under the terms of the Lease.

Base Rent

So long as the Loan is outstanding, Base Rent shall be payable in accordance with the schedule set forth in Exhibit B attached to the Lease, subject to downward adjustment in the event of any redemption or defeasance of all or a portion of the Bonds or prepayment of all or a portion of the Loan. In the event of redemption or defeasance of all of the Bonds prior to the Expiration Date such that no Bonds remain outstanding and prepayment of all of the Loan prior to the Expiration Date and without termination of the Lease, commencing on the first day of the first calendar month following such defeasance, redemption or full prepayment, the Base Rent shall be revised to be the Fair Market Base Rent determined in accordance with the Lease.

Additional Rent

Tenant shall be responsible for the payment of Additional Rent. Additional Rent shall be paid to Landlord on demand or, if such Additional Rent is ongoing and can be calculated on a periodic basis, on a monthly basis pursuant to a written schedule from time to time delivered by Landlord. The amount projected as Additional Rent during the Term, assuming no Extraordinary Monthly Rent, is as set forth on Exhibit B. Additional Rent” shall consist of the following: (a) all amounts required to reimburse Landlord, or satisfy Landlord’s obligations, for any fees, expenses, taxes, indemnities, assessments or other payments that the Landlord is obligated to pay under the terms of the Loan Agreement, including, but not limited to, such amounts as described in the Loan Agreement; and (b) any other amounts required to be paid by the Landlord in order for the Landlord to meet its obligations under the Bond Documents on a full and timely basis.

Extraordinary Monthly Rent

This Section and all other references to “Extraordinary Monthly Rent,” “Related Bond Trustee” and “Related Project” shall be applicable, only if and for so long as there are Outstanding Related Bonds. In the event that Tenant under the Lease receives a notice (an “Extraordinary Monthly Rent Notice”) from either the Landlord

under another Obligated Group Lease or from the Related Bond Trustee stating the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Tenant shall pay the Extraordinary Monthly Rent to the Related Bond Trustee within three (3) Business Days after such Tenant's receipt of the Extraordinary Monthly Rent Notice. Landlord covenants to immediately provide Tenant with a copy of any Extraordinary Monthly Rent Notice received by Landlord pursuant to the terms of the Master Indenture of Trust. "Extraordinary Monthly Rent" means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be Tenant's Proportionate Share of the Extraordinary Monthly Rent. "Proportionate Share" means the amount required to be paid by Tenant to ensure that all of the required Rent with respect to all of the Related Projects have been timely made. If payable, Extraordinary Monthly Rent shall be added to and be a component of Base Rent. There is no assurance that the amount of Extraordinary Monthly Rent will be sufficient to cover any Rent not paid by any other Related Project.

Expenses

Tenant shall be responsible for all Expenses, which Tenant shall pay directly to the providers of any of the items comprising Expenses prior to delinquency, or shall pay to or reimburse Landlord within thirty (30) days after receiving a statement from Landlord itemizing (with reasonable description) all charges included thereon. "Expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair, or replacement, and insurance of the Premises, as determined by standard accounting practices, including, by way of illustration only, and not by way of limitation, to the extent they apply to the Premises, the aggregate of the "Maintenance Expenses" and the "General Expenses" set forth below:

(s) "Maintenance Expenses" means all costs of maintaining and repairing the Premises, the parking area, athletic fields and other portions of the Premises, deferred maintenance, installing or extending service systems and other built-in equipment, and improving the Premises, including without limitation all of the following:

(i) All maintenance, replacement and repair costs of air conditioning, heating and ventilation equipment and systems, elevators (if any), landscaping, service areas, parking lots, athletic fields, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, structural components of the Premises, and cost of compliance with applicable laws (including any required upgrades or retrofitting).

(ii) Supplies, materials, labor, equipment, and utilities used in or related to the repair and maintenance of the Premises and such common areas.

(iii) Capital improvements made to the Premises (whether funded in full or amortized with reasonable financing charges) which may be required by any government authority or which will improve the operating efficiency of the Premises.

(iv) If applicable, amounts payable under any ground lease that is the responsibility of the Landlord and that is similar in nature to the foregoing.

(b) "General Expenses" means all of the following, to the extent not included in Maintenance Expenses:

(i) Gross receipts taxes, whether assessed against Landlord or assessed against Tenant and collected by Landlord.

(ii) Water, sewage, and waste or refuse removal charges.

(iii) Gas, electricity, telephone and other utilities.

(iv) The cost of monthly or annual contracts for systems or services such as alarm systems, security systems, internet services, janitorial services or landscaping services.

- (v) All janitorial, cleaning, landscaping, sweeping and repair services relating to the Premises.
- (vi) The costs of signs and directories.
- (vii) The cost of compliance with applicable laws.
- (viii) Reasonable costs incurred by Landlord for operating expenses, including the day-to-day management (if any), including the cost of management personnel (if any), together with any of Landlord's administrative expenses such as state filings, preparation of tax returns or notices, and all taxes, charges, or fees in connection therewith to the extent related to the Premises.
- (ix) Subject to the Lease, Real Property Taxes and personal property taxes, if any.
- (x) Amounts required to be paid as deductibles in connection with any insurance required under the Bond Documents.
- (xi) Any other costs or expenses incurred by Landlord under the Lease.
- (xii) If applicable, amounts payable under any ground lease that is the responsibility of the Landlord and not otherwise paid pursuant to any provisions of this subsection.

Payment

During the Term, all Rent required to be paid in monthly installments shall be paid with respect to each calendar month in advance on the twentieth (20th) day of each calendar month immediately preceding the month with respect to which monthly installment of Rent is due. All Rent shall be paid in lawful money of the United States, without any abatement, deduction or offset whatsoever (except as specifically provided in the Lease), and without any prior demand therefore. All Rent shall be paid to the Master Trustee for deposit in the Revenue Fund, and at such address as the Master Trustee notifies Tenant, or at such other place as Landlord may designate from time to time, with the approval of the Master Trustee as long as Landlord has any obligations pursuant to the terms of the Bond Documents. Notwithstanding the foregoing, Tenant shall receive a credit for Rent owed to Landlord to the extent the Bond Trustee receives monies on behalf of Tenant under the Intercept. Rent for any period during the Term of the Lease which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Subject to the terms of the Indenture, and so long as any of the Bonds or the Loan remains outstanding, Tenant shall through the Intercept Notice, cause the State Controller to transfer the portion of the State apportionment described in the Intercept Notice and attributable to the Administrative Offices to the Bond Trustee for deposit in the Revenue Fund. Landlord shall have the right, but not the obligation, to collect and impound, in advance, any or all components of Expenses, Additional Rent, or other Rent based upon Landlord's reasonable estimate of Tenant's future liability for such amounts for any calendar year or other period selected by Landlord. At the end of the calendar year or other period with respect to which any such estimate was prepared, Landlord shall reconcile Tenant's actual obligation for such component of Expenses or other Rent and the estimated amounts previously paid by Tenant.

Late Charge and Interest on Rent in Default

If any Rent is not received by or on behalf of Landlord from Tenant within ten (10) calendar days after Landlord has notified Tenant in writing that payment has not been received by Landlord, then Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of such delinquent rent as liquidated damages for Tenant's failure to make timely payment, by paying such sum to the Master Trustee for deposit in the Revenue Fund. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rent or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay any rent due under the Lease in a timely fashion. If any Rent remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any

rent that is not paid when due at the rate of 10% per annum from the date such amount became due until paid by paying such sum to the Master Trustee by depositing the same in the Revenue Fund.

Source of Rent Payments

(t) Notwithstanding anything in the Lease to the contrary, Tenant's obligation to pay the Rent and the other monetary payments provided for in the Lease to any person or entity, including the Landlord, the Authority, the Bond Trustee, Master Trustee, and their respective successors and assigns, is limited to, and shall not exceed, Gross Management Fee Revenues, and under no circumstances shall Tenant be required to advance any moneys derived from any source of income other than, or pay Rent or any other monetary obligation under the Lease which is in excess of, the Gross Management Fee Revenues, nor shall any other funds or property of Tenant be liable for the payment of Rent or any other monetary obligation under the Lease, and such persons and entities shall look exclusively to Gross Management Fee Revenues for satisfaction of any claims under the Lease. Landlord covenants that it shall not take recourse against Tenant with respect to the failure by Tenant to make any payment under the Lease except recourse to the Gross Management Fee Revenues.

(u) Nothing contained in the Lease shall be construed to release Landlord from the performance of any of the agreements on its part contained in the Lease, and in the event Landlord shall fail to perform any such agreements on its part, Tenant may institute such action against Landlord as Tenant may deem necessary to compel performance so long as such action does not abrogate the obligations of Tenant contained in the first sentence of this Section (b). Tenant may, however, at Tenant's own cost and expense and in Tenant's own name or in the name of Landlord prosecute or defend any action or proceeding or take any other action involving third persons which Tenant deems reasonably necessary in order to secure or protect Tenant's right of possession, occupancy and use under the Lease, and in such event Landlord agrees to cooperate fully with Tenant and to take such action necessary to effect the substitution of Tenant for Landlord in such action or proceeding if Tenant shall so request.

Use

In addition to any other restrictions on Tenant's use of the Premises, the Premises shall be used by Tenant for its Administrative Offices, for any related and ancillary school and educational purposes, any related administrative purposes, any related incidental legal uses, or for the operation by Tenant of a charter school. Notwithstanding the foregoing, Tenant shall use and occupy the Premises only as an "educational facility" as defined in Section 17173(h) of the Education Code of the State of California in order to operate charter schools. Tenant is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Code Section 501(c)(3) and that qualifies as an "educational organization" as described under Code Section 170(b)(1)(A)(ii); provided that Tenant shall not permit the Premises to be used (a) primarily for sectarian instruction or study or as a place for devotional activities or religious worship; (b) by a Person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Tenant) in an Unrelated Trade or Business, in such manner or to such extent as would result in any of the Tax-Exempt Bonds being treated as an obligation not described in Section 145(a) of the Code; and (c) shall not rent the Premises as residential rental property to others, or permit any subtenant to rent the Premises as residential rental property to others.

Maintenance; Repairs

Tenant Fully Responsible. During the Term, except in cases of damage or destruction due to casualty loss, or in the event of Condemnation, all repair, maintenance, restoration, retrofitting, construction or reconstruction with respect to the Premises shall be the sole responsibility of Tenant, and Landlord shall have no duty to undertake any such repair, maintenance, restoration, retrofitting, construction or reconstruction, or to pay any costs of the same. Provided, however, that Landlord shall provide Tenant access to the moneys in the Repair and Replacement Fund, and to any moneys in the Insurance and Condemnation Proceeds Fund to the extent necessary or appropriate to pay the costs of or to reimburse Tenant for its obligations under the Lease, in accordance with the terms and provisions of the Indenture related to the Repair and Replacement Fund and the Insurance and Condemnation Proceeds Fund.

Compliance With Applicable Requirements. If any applicable building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (the “Applicable Requirements”) require, during the Term, the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises, Tenant agrees to undertake and complete such construction, alteration, remediation, reinforcement or other modification, and the costs therefor shall be incurred solely by Tenant.

Liens. Tenant shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Tenant at or for use on the Premises, which claims are or may be secured by any mechanic’s or materialmen’s lien against the Premises or any interest therein. Tenant shall give Landlord not less than ten (10) days’ notice prior to the commencement of any work in, on, or about the Premises, and Landlord shall have the right to post notices of non-responsibility. If Tenant shall contest the validity of any such lien, claim or demand, then Tenant shall, at its sole expense defend and protect itself, Landlord and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof.

Insurance

Liability. Tenant shall keep in force such liability insurance policies and in such amounts as required in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Premises. Tenant shall obtain and keep in force a policy or policies of property insurance in the name, and for the benefit, of Landlord, with loss payable to Landlord and to any lender, including the Bond Trustee and the Master Trustee, insuring loss or damage to the Premises. The amount of such insurance shall be as set forth in the Master Indenture of Trust. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Rental Interruption. Tenant shall also obtain and keep in force, for the benefit of Landlord, rental interruption insurance insuring Landlord for the amounts of Base Rent arising from an interruption of the payment of the Base Rent, Additional Rent and Expenses otherwise payable by Tenant under the Lease, covering a period of at least 12 months. The limits of such insurance shall be based upon the highest monthly amount of Base Rent and Additional Rent shown on Exhibit B, as revised from time to time. The premium for such insurance shall be paid by Tenant and shall be deemed an “Expense” under the Lease.

Indemnity

Except for Landlord’s negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and its agents, partners, members, directors, and officers, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys’ and consultants’ fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Tenant. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant’s expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section shall survive the termination of the Lease.

Exemption of Landlord from Liability

Unless caused by Landlord’s negligence or willful misconduct, Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant’s employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or from other sources or places.

Damage or Destruction

Definitions

(v) “Damage” shall mean damage or destruction to the improvements on the Premises from fire or other casualty.

(w) “Insured Loss” shall mean Damage that was caused by an event required to be covered by the insurance described in the Lease, irrespective of any deductible amounts or coverage limits involved.

Damage. Subject to the terms of the Master Indenture of Trust, Landlord shall be entitled to any and all insurance proceeds that are available as a result of any Insured Loss, and Landlord may at its election proceed to reconstruct the Premises subject to such Damage to their condition existing immediately prior to the Damage, utilizing available insurance proceeds and any amounts voluntarily contributed by Landlord in its sole discretion. If Landlord elects not to undertake such restoration, Tenant may (i) if such damage is material, terminate the Lease by providing written notice to Landlord, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Tenant of Landlord’s notice of its election not to undertake such restoration, or (ii) require Landlord to restore and rebuild the Premises, so long as the following conditions are met:

(x) The amount of insurance proceeds that are available for restoration, plus any funds that may have been deposited by Tenant, are sufficient to restore and rebuild the Premises to their character, condition and utility immediately prior to the casualty (or to such other condition as Tenant reasonably demonstrates will generate sufficient revenue for Tenant to meet its obligation to pay all Rent thereafter accruing);

(b) The amount of available proceeds of rental interruption insurance plus any funds deposited by Tenant equals an amount determined by Landlord to be sufficient to pay the Rent accruing during the period between the date of such casualty and the date the restoration or rebuilding is substantially completed.

(c) The restoration or rebuilding is estimated by Landlord to be completed at least twelve (12) months prior to the maturity date of the Bonds.

(d) In lieu of making any deposit of funds as described above, Tenant shall have the right to provide other assurances of the payment of restoration costs and Rent acceptable to Landlord in its sole discretion, such as a letter of credit.

Damage—Uninsured Loss. If Damage that is not an Insured Loss occurs, (a) Tenant may repair such damage as soon as reasonably possible at Tenant’s expense, in which event the Lease shall continue in full force and effect or, (b) if Tenant elects not to undertake such repair, and such Damage is material, Landlord or Tenant may terminate the Lease by providing written notice to the other party, and to Bond Trustee, Master Trustee and Authority, within 30 days after receipt by Landlord of knowledge of the occurrence of such Damage.

Waive Statutes. Landlord and Tenant agree that the terms of the Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of the Lease and waive the provisions of any present or future statute to the extent inconsistent with the Lease, including California Civil Code Sections 1932(2) and 1933(4).

Assignment and Subletting*By Tenant.* Tenant shall not sublease, assign, mortgage, pledge, hypothecate or encumber the Lease or any of Tenant’s interest under the Lease without the prior written consent of Landlord (which shall not be unreasonably withheld). Tenant acknowledges that, pursuant to the Bond Documents, Landlord may be required to obtain the Authority’s approval to a sublease, assignment or other transfer of Tenant’s interest in the Lease and that Landlord’s disapproval shall be deemed reasonable if based on any such disapproval by the Authority. Tenant acknowledges that the financing of the Premises through the Tax-Exempt Bonds may restrict the assignees which could be approved by Landlord. In addition, Tenant shall not sublease, assign, mortgage, pledge,

hypothecate, or encumber the Lease unless it receives an Opinion of Bond Counsel confirming that such action will not result in use or operation of the Premises not in conjunction with an educational facility under the Act.

By Landlord. Tenant acknowledges that Landlord's interest in the Premises are subject to a deed of trust in favor of the Master Trustee and that certain of the Landlord's rights under the Lease are assigned to the Master Trustee as security for the Bonds under the Master Indenture of Trust.

Default; Event of Default

A "Default" is defined as a failure by Tenant to comply with or perform any of the terms, covenants or other obligations of Tenant under the Lease. An "Event of Default" is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

(y) The abandonment of the Premises.

(z) The failure of Tenant to make any payment of Rent required to be made by Tenant under the Lease, whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond required under the Lease, or to fulfill any obligation under the Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) business days following written notice to Tenant.

(aa) Any material representation or warranty made in the Lease, or in any report, certificate, financial statement, or instrument furnished in connection with the Lease, proves to have been false or misleading when made, in any material respect, and is not promptly corrected.

(bb) Except as otherwise provided in Exhibit C attached to the Lease, if Tenant violates or fails to observe or perform any covenant contained in Exhibit C attached to the Lease, and fails to cure the same within any notice or grace period contained in Exhibit C or the Lease.

(cc) A Default by Tenant as to the terms, covenants, conditions or provisions of the Lease, other than those described above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Tenant's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(dd) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within 90 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where possession is not restored to Tenant within sixty (60) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where such seizure is not discharged within sixty (60) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

Remedies

Upon the occurrence of any Event of Default, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such Event of Default:

(ee) Terminate Tenant's right to possession of the Premises by any lawful means, in which case the Lease shall terminate and Tenant shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent which had been earned at the

time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees of Landlord and the Authority, and that portion of any leasing commission paid by Landlord in connection with the Lease applicable to the unexpired term of the Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Landlord to mitigate damages caused by Tenant's Event of Default of the Lease shall not waive Landlord's right to recover damages under the Lease. If termination of the Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under the Lease was not previously given, a notice to pay rent or quit, or to perform or quit given to Tenant under the unlawful detainer statute shall also constitute the notice required by the Lease. In such case, the applicable grace period required by the Lease and the unlawful detainer statute shall run concurrently, and the failure of Tenant to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and an Event of Default under the Lease entitling Landlord to the remedies provided for in the Lease and/or by said statute.

(ff) Continue the Lease and Tenant's right to possession and recover the Rent as it becomes due. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect Landlord's interests, shall not constitute a termination of Tenant's right to possession.

(gg) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of the Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under the Lease, including under any indemnity provisions of the Lease as to matters occurring or accruing during the term of the Lease or by reason of Tenant's occupancy of the Premises.

Interest

Any monetary payment due Landlord under the Lease not received by Landlord when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payments, shall bear interest from the date when due as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law.

Amendments

Subject to the terms of the Master Indenture of Trust applicable to the modification or amendment of the Lease, the Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Tenant's obligations under the Lease, Tenant agrees to make such reasonable non-monetary modifications to the Lease as may be reasonably required by a lender in connection with the obtaining of normal financing or refinancing of the Premises.

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APPENDIX E

WASHINGTON CHARTER SCHOOLS, RELATED STATUTES, AND FUNDING

This Appendix provides a brief overview of the laws governing charter schools in the State of Washington (hereinafter, the “State”). Prospective purchasers of the Bonds should note that the overview contained in this Appendix E and the summary of the relevant law noted by cross-reference in the sections that follow are provided for the convenience of prospective purchasers, but are not and do not purport to be comprehensive. Additional information regarding various aspects of Charter Schools in the State is available on numerous State-maintained websites and through other publicly available sources.

The summary and description of the State Charter School and education funding laws set forth in this Appendix E are based upon existing laws and regulations as of the date of this Limited Offering Memorandum. Prospective purchasers should note that the laws applicable to Charter Schools in Washington have developed over time and are subject to further changes in the future. From time to time, there are proposals at the federal, state and local level that, if enacted, could alter or amend the laws, rules and regulations applicable to Charter Schools in the State. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, how they might impact Charter Schools in the State. See “CERTAIN RISK FACTORS – Risks Associated with the Operation of Charter Schools in the State” in the forepart of this Limited Offering Memorandum.

GENERAL

Prior Charter School Law. In November 2012, the voters of the State approved Initiative 1240, which established a process for creating and operating up to 40 public charter schools within five years (the “Prior Charter School Law”). The Prior Charter School Law established a system for authorizing and monitoring charter schools, and gave such charter schools the ability to operate independently of local school districts and most state laws and school district policies. The Prior Charter School Law designated charter schools as common schools, however did not place them under the governance of locally elected school boards. The first charter school in the State began serving students in the 2014-15 school year, with nine charter schools serving students in the State in the 2015-16 school year.

On September 4, 2015, the Washington State Supreme Court (the “Supreme Court”) ruled the Prior Charter School Law unconstitutional. The Supreme Court held that charter schools are not common schools because they are not subject to and under the complete control of the qualified voters of a school district and, since they are not common schools, cannot receive funds from the common school construction fund or be funded by the common school state property tax. The Supreme Court held that because the Prior Charter School Law could not be implemented without the impermissible common school construction funds or common school state property tax, the Prior Charter School Law was unconstitutional and void in its entirety.

Current Charter School Law. On April 3, 2016, a new charter school law (E2SSB 6194, or, the “Charter School Act”) was enacted and took effect in the State and codified as Chapter 28A.710 of the Revised Code of Washington (“RCW”), reenacting and amending the Prior Charter School Law. Like the Prior Charter School Law, the Charter School Act provides for the establishment of up to 40 charter schools within five years.

Unlike the Prior Charter School Law, the Charter School Act designates charter schools as public schools serving as an “alternative to traditional common schools” instead of as common schools. Additionally, the Charter School Act appropriates funds for charter schools exclusively from the State’s Opportunity Pathways Account, which is funded solely from lottery revenues, instead of from the common school construction fund or common school state property tax.

Section 28A.710.900 of the RCW declares that any contracts entered into pursuant to the Prior Charter School Law that were in effect on December 1, 2015, may, with the agreement of all parties thereto within 60 days after April 3, 2016, be executed as new contracts with substantially the same terms and duration as were in effect on December 1, 2015.

El Centro de la Raza v. State of Washington. In August 2016, a lawsuit was filed in the King County Superior Court challenging the constitutionality of the Charter School Act. In an order dated February 17, 2017, the King County Superior Court dismissed the plaintiffs' claims, concluding that the plaintiffs have not demonstrated that the Charter School Act is unconstitutional beyond a reasonable doubt. The plaintiffs have since appealed the decision to the Supreme Court, where the case is currently pending. See "CERTAIN RISK FACTORS – Risks Associated With the Operation of Charter Schools in Washington State" in the forepart of this Limited Offering Memorandum.

Neither the Borrower nor Summit can predict what further actions will be taken by the Supreme Court or what effect, if any, this case may have on Summit's operations or finances.

CHARTER SCHOOL ACT

Charter Schools in Washington are publicly-funded, privately-operated schools created under the Charter Schools Act contained in Sections 28A.710.100 et. seq. of the RCW.

General. Under the Charter School Act, a charter school is defined as a public school that is open to all children free of charge and by choice, and operated separately from the common school system as an alternative to traditional common schools. A charter school may offer any program of course of study that any other public school may offer, including one or more of grades K-12, and is governed by a charter school board according to the terms of a renewable, five-year charter contract. Charter schools function as a local education agency under applicable federal laws and regulations and are responsible for meeting the requirements of local education agencies and public schools under those laws and regulations.

Authorizers. Under the Charter School Act, charters may be authorized by (1) the Washington State Charter School Commission (the "Commission"), or (2) by school district boards of directors that have received approval by the State Board of Education ("SBE") to be a charter authorizer. Charter school authorizers have the duty to approve and monitor their authorized charter schools, and may take corrective actions, impose sanctions, and revoke, renew or not renew a charter. Authorizers must establish reasonable preopening requirements or conditions to monitor the start-up progress of newly approved charter schools, ensure that they are prepared to open smoothly on the date agreed, and ensure that each school meets specified requirements for school opening.

The Commission is an independent state agency to authorize charter schools throughout the state. The Commission has 11 members: the Superintendent of Public Instruction ("SPI") or SPI's designee, the chair of the SBE or the chair's designee, three members appointed by the Governor of the State (the "Governor"), three appointed by the Senate, and three appointed by the House of Representatives. To date, the Commission has authorized eleven charter schools in Washington (of which one has since converted to a private school in 2015).

Once approved by the SBE, a school district board of directors may authorize charter schools within the school district. Pursuant to the Charter School Act, the SBE has established a process and timeline for approving school district authorizers. Once granted, authorization for a school district to approve charters lasts for six years and may be renewed. To date, only the Spokane School District has been approved as a charter authorizer. Spokane School District has authorized two charter schools in Washington.

SBE has established an oversight fee for authorizers to charge charter schools in order to fulfill their oversight duties. Currently, the authorizer fee is equal to four percent of a charter school's annual funding, and lowers to three percent after the authorizer has authorized ten charter schools. SBE may adjust the oversight

fee in the future; however, pursuant to the Charter School Act, it may not exceed four percent. The fee is deducted from each charter school's funding distribution.

Each charter school authorizer must submit an annual report to SBE that includes specified components, including the academic and financial performance of each charter school overseen by the authorizer. By December 1st of each year (beginning in the first year after there have been charter schools operating for a full school year), SBE, in collaboration with the Commission, must submit to the public, Governor, and State legislature (the "Legislature"), an annual report based on the authorizer reports (the "Annual Report"). The Annual Report must contain specified information, including a comparison of the student performance of charter schools with non-charter schools.

Number of Charter Schools. Under the Charter School Act, a maximum of 40 charter schools may be established over a five-year period beginning April 3, 2016. No more than eight charter schools may be established in a single year. If fewer than eight schools are established in a year, additional schools up to the difference between the number established and eight may be established in subsequent years. Schools established on or before December 1, 2015, do not count against the annual cap.

Together with the issuance of the fifth Annual Report, SBE, in collaboration with the Commission, will submit a recommendation regarding whether or not the Legislature should authorize the establishment of additional charter schools.

There are currently ten charter schools operating in Washington. Three of such charter schools are managed by Summit Public Schools. See "APPENDIX A – SUMMIT PUBLIC SCHOOLS – Charter Schools Operated by Summit" attached to this Limited Offering Memorandum. Two additional charter schools have been authorized and are expected to open in the 2018-19 school year.

Applicability of Traditional Public School Laws. A charter school is exempt from all state laws and rules as well as school district policies, except those specifically in the Charter School Act and in a charter school's authorized charter contract.

Pursuant to the Charter School Act, all charter schools must:

- i. comply with local, State and federal health, safety, parents' rights, civil rights, and non-discrimination laws applicable to school districts;
- ii. provide a program of basic education that (a) meets the State's basic education goals and includes the essential academic learning requirements and participation in the statewide student assessment system, and (b) is subject to SBE's performance improvement goals;
- iii. employ certificated instructional staff, except in exceptional cases;
- iv. adhere to generally accepted accounting principles and be subject to financial examinations and audits as determined by the State auditor, and contract for an independent performance audit of the school (a) the second year following the school's first year of operation, and (b) every three years thereafter;
- v. be subject to the supervision of the SPI and SBE, including accountability measures;
- vi. be subject to the State's open public meetings act and public records requirements in chapter 42.56 of the RCW;
- vii. comply with employee record check requirements;
- viii. comply with the annual performance report under RCW 28A.655.110; and

- ix. be subject to and comply with legislation enacted after December 6, 2012, that governs the operation and management of charter schools..

Legal Requirements for Charter School Operators. An applicant for a charter must be either a public benefit nonprofit corporation or a nonprofit corporation that has applied for tax exempt status under Section 501(c) of the Internal Revenue Code of 1986, as amended (the “Code”). The nonprofit corporation may not be a sectarian or religious organization and must meet all of the requirements for a public benefit nonprofit corporation before receiving any funding under the Charter School Act.

The Charter School Act defines a “charter school board” as the board of directors appointed or selected under the terms of a charter application to manage and operate the charter school (a “Charter Board”). To fulfill its duty to manage and operate a charter school and to execute the terms of its charter contract, a Charter Board may:

- i. hire, manage, and discharge charter school employees;
- ii. establish additional graduation requirements and issue diplomas;
- iii. receive and disburse funds;
- iv. enter into contracts for management and operation, only with nonprofit organizations, and for real property, equipment, goods, supplies, and services;
- v. rent, lease, purchase, or own real property;
- vi. solicit and accept gifts, but not from sectarian or religious organizations; and
- vii. issue secured and unsecured debt, which is not an obligation of the State, the charter school authorizer, the school district in which the charter school is located, or any other political subdivision or agency of the State.

A Charter Board may not levy taxes, issue tax-backed bonds, acquire property by eminent domain, or pledge, assign or encumber any public funds received or to be received pursuant to State appropriations.

Charter school employees are hired, managed, and discharged by the Charter Board. The employees are included in the established State employee insurance and health care systems and are included in the State retirement systems if that does not jeopardize the status of the systems as governmental plans under the Code.

The State collective bargaining laws for classified and certificated charter school employees apply for charter school employees. The bargaining units for charter schools must be separate from other school district bargaining units. Years of service in a charter school are included in the service calculation for the statewide salary allocation schedule, but a charter school is not required to pay a particular salary.

Each Charter Board, through web site postings and written notice with receipt acknowledged by signature of the recipient, must advise families of new, ongoing, and prospective students of any ongoing litigation challenging the constitutionality of charter schools or that may require charter schools to cease operations. See “GENERAL – El Centro de la Raza v. State of Washington” herein.

Charter Terms. Within ninety days of an authorizer’s approval of a charter school application, the authorizer and the Charter Board must execute a charter contract (the “Charter Contract”), which establishes the terms by which the charter school will provide educational services in return for a distribution of public funds. A Charter Contract may govern one or more authorized charter schools, and a Charter Board may hold more than one Charter Contract. However, each individual charter school is separate and distinct from any

others for purposes of authorization and for determining how many schools may be established under the Charter School Act.

An initial Charter Contract must be granted for a term of five years, commencing on the charter school's first day of operation. A Charter Contract may be renewed by the authorizer for successive five-year terms, or the authorizer may vary the renewal term based on the performance, demonstrated capacities and particular circumstances of a charter school.

A Charter Contract may be non-renewed or revoked if the authorizer determines that the charter school commits a material and substantial violation of the Charter Contract or laws applicable to the charter school; fails to meet or make sufficient progress toward the performance expectations in the Charter Contract; or fails to meet generally accepted standards of fiscal management. A Charter Contract may also not be renewed if at the time of the renewal application the charter school's performance falls in the bottom quartile of schools on SBE's accountability index, unless the charter school demonstrates exceptional circumstances that the authorizer finds justifiable.

No later than six months before the expiration of a Charter Contract, the authorizer must issue a performance report and Charter Contract renewal application guidance to the charter school. The performance report must summarize the charter school's performance record to date and provide notice of any weakness or concerns perceived by the authorizer that may jeopardize its renewal. In making charter renewal decisions, an authorizer must base its decisions in evidence of the school's performance over the term of the Charter Contract in accordance with the performance framework set forth in the Charter Contract, ensure that data used in making renewal decisions are available to the school and the public, and provide a public report summarizing the evidence basis for its decision.

Before nonrenewal or revocation of a charter contract, the authorizer must develop a charter school termination protocol to ensure an orderly transition. If the nonprofit corporation operator who was the applicant for the charter school should dissolve because of the termination of the Charter Contract, then the public school funds of the charter school that have been provided must be returned to the State or local account from which the public funds originated. If the charter school has commingled the funds, the funds must be returned in proportion to the proportion of those funds received by the charter school from the public accounts in the last year preceding the dissolution.

Admission, enrollment. A charter school is open to all children, tuition-free, and may not limit admission except by age group, grade level, or enrollment capacity. However, a charter school may organize around a special emphasis, theme, or concept, including focusing on services for particular groups of students. If student applications exceed the enrollment capacity of a charter school, then the school must grant an enrollment preference to siblings of enrolled students, with any remaining enrollments allocated through a lottery. A charter school may offer an enrollment preference for at-risk students or to children of full-time employees of the school if the employee's children reside within the State and the Commission has approved the admission policy. If a student transfers from a charter school to a non-charter school, the non-charter school must accept the student's credits in the same manner as non-charter school credits. School districts must provide information to parents and the public that charter schools within the district are an enrollment option for students.

Charter Review Process. In reviewing and evaluating charter applications, authorizers must employ procedures, practices, and criteria consistent with nationally recognized principles and standards for quality charter authorizing. Authorizers will give preference to applications for charter schools that are designed to enroll and serve at-risk student populations; however the establishment of charter schools is not limited to those that serve a substantial portion of at-risk students. The application review process must include thorough evaluation of each application, an in-person interview with the applicant group, and an opportunity to learn about and provide input on each application in a public forum including, without limitation, parents, community members, local residents, and school district board members and staff.

In deciding whether to approve an application, authorizers must:

- a) Grant charters only to applicants that have demonstrated competence in each element of the authorizer's published approval criteria and are likely to open and operate a successful charter public school;
- b) Base decisions on documented evidence collected through the application review process;
- c) Follow charter-granting policies and practices that are transparent and based on merit; and
- d) Avoid any conflicts of interest, whether real or apparent.

An approval decision may include, if appropriate, reasonable conditions that the charter applicant must meet before a Charter Contract may be executed.

For any denial of an application, the authorizer must clearly state in writing its reasons for denial. A denied applicant may subsequently reapply to that authorizer or apply to another authorizer in the State.

Facilities. Charter schools are eligible for State funding for school construction but not from the common school construction fund. A charter school may purchase or lease facilities or property from a school district at fair market value and may rent from a public or private entity at fair market rent. If a school district decides to sell or lease surplus public school facility or property, a charter school located within the boundaries of the district has a right of first refusal to purchase or lease such property at fair market value by negotiated agreement. Public libraries, community service organizations, museums, performing arts venues, theaters, and public or private colleges and universities may provide space to charter schools within their facilities.

Charter Schools and Enrollment by Year. The following table shows the number of charter schools authorized, and total charter school enrollment, in the State by year.

TOTAL CHARTER SCHOOLS AND ENROLLMENT IN WASHINGTON
Fiscal Years 2014-15 through 2016-17

<u>Fiscal Year</u>	<u>Number of Charter Schools</u>	<u>Total Enrollment</u>
2017-18	10	2,632
2016-17	8	1,680
2015-16	8	1,116
2014-15	1	72

Source: Washington State Charter Schools Association; Washington Office of Superintendent of Public Instruction.

CHARTER SCHOOL FUNDING

The Charter School Act provides that State funding for charter schools be distributed equitably with State funding provided for other public schools. Accordingly, the SPI must calculate and transmit funding for charter schools based on the same ratios as used to appropriate general apportionment for other public schools: the prototypical school funding, any enrichment specified in the budget, and categorical program funding.

Charter public schools may receive state funding for school construction but not from the common school construction fund. Charter schools are not eligible for local school district levy funds.

Charter schools are funded entirely from an account in the State treasury called the Washington Opportunity Pathways Account, which is itself funded by State lottery revenues. The Charter School Act requires the Legislature to, at each regular session in an odd-numbered year, to appropriate the full State charter school apportionment amount for the ensuing two years from the Washington Opportunity Pathways Account.

General. Funding for school districts is described, in part, in chapter 28.150 RCW. The Legislature is required to appropriate funds for basic education, student transportation, and special education programs for students with disabilities. Legislation passed in 1979 (chapters 28A.165 and 28A.180 RCW) recognized the State's responsibility to fund bilingual and remediation programs. The Legislature may also appropriate funds to school districts for population factors, such as urban costs, enrollment fluctuations and for special programs, including, but not limited to, vocational-technical institutes, compensatory programs, bilingual education, urban, rural, racial and disadvantaged programs, programs for gifted students and other special programs. State funding is based primarily upon average full-time equivalent student enrollment.

Basic Education Allocation. The primary objective of the Basic Education Allocation formula is to equalize educational opportunities among the State's public school districts. The Basic Education Allocation distribution formula is reviewed biennially by the SPI and the Governor. The Governor will and SPI may, pursuant to RCW 28A.150.260, recommend to the Legislature a formula based on the ratio of students to staff. Once the Legislature adopts a formula, it is used for the distribution of basic education allocation for each annual average full time equivalent student enrolled in a common school. If the Legislature rejects the distribution formula recommended without adopting a new distribution formula, the distribution formula utilized for the previous school year will remain effective. In the event of an unforeseen emergency, in the nature of either unavoidable costs to a district or unexpected variations in anticipated revenue of a district, SPI is authorized to make an adjustment, not to exceed two years, in the allocation of funds.

In addition to the basic education allocation, eligible school districts receive money from the State under the Local Effort Assistance Program ("LEA"). LEA was originally implemented in 1989 and seeks to equalize the tax burden by providing matching state funds to districts with low property values and high levy rates. Eligible school districts are those school districts with an assessed value (for excess levy purposes) per pupil lower than the State average.

Passed by voters in 2000, Initiative 732 ("I-732") required the State to provide annual cost-of-living increases for Washington's public school employees. The Legislature suspended inflation increases required by I-732 in 2003 and in the 2009-11, 2011-13, and 2013-15 State biennial budgets.

Passed by voters in 2014, Initiative 1351 ("I-1351") required the State Legislature to provide funding for smaller K-12 class sizes, with extra class-size reductions for all grades in defined high-poverty schools and for grades K-3 in all schools; and for increased student support staffing, including counselors, teaching assistants, librarians, and others. Increased funding for these changes would be phased in over four years. The State Legislature has suspended the implementation phase-in schedule of I-1351, and if and to the extent that the State Legislature specifically funds any of the enriched staffing ratios in the future, the funded units become part of the prototypical school formula and part of the State's program of basic education.

Constitutional Challenge to State Funding of K-12 Education. In 2007, a coalition of parents, students, school districts, teachers' unions and other nonprofit organizations filed a lawsuit, *McCleary et al. v. State* ("McCleary"), challenging the State's approach to funding local school districts. In a January 2012 decision, the Supreme Court affirmed a lower court decision that the State's approach to funding K-12 education fails the State's "paramount duty" described under Article IX of the State Constitution to make "ample provision" for education. The Supreme Court retained jurisdiction of the case to monitor the State's compliance. In January 2014, the Supreme Court ordered the State to submit a complete plan for fully implementing the program of basic education for each school year through the 2017-18 school year.

Following subsequent legislative sessions, the Supreme Court reviewed reports prepared by a legislative committee to evaluate the State's progress to fund education reforms fully by 2017-18. In 2014, the Supreme Court held the State in contempt for not complying with the Supreme Court's order to submit to the Supreme Court a plan to implement the program of basic education by 2017-18. In 2015, following its review of the 2015 legislative session, the Supreme Court imposed sanctions, fining the State \$100,000 per day until it adopts a plan for complying with Article IX by 2017-18.

In a third special session of the 2017 legislative session, the legislature passed Engrossed House Bill 2242 ("EHB 2242"), which comprehensively modifies State funding of public education. See "— EHB 2242" below. The Supreme Court has not yet ruled on whether EHB 2242 adequately complies with the constitutional requirements at issue in *McCleary*.

EHB 2242. To address basic education funding in response to the *McCleary* decision, on July 6, 2017, the Governor signed into law EHB 2242. The following information is drawn from the Engrossed House Bill Report on EHB 2242, as it passed the Legislature.

Enhancements are made to specific elements of the basic education funding formula and to categorical programs as follows, effective with the 2017-18 school year:

- Learning Assistance Program ("LAP"): A new LAP allocation is provided to fund an additional 1.1 hours of instruction per week for students in high-poverty schools. In addition, enhanced LAP instructional hours currently funded in the budget are codified in the Basic Education Act. Terminology in the LAP program is revised to refer to "students who are not meeting standards."
- Special Education: The funded enrollment percentage is increased from 12.7 percent to 13.5 percent. In addition, the SPI must review special education safety net rules and make recommendations on providing new access to safety net funding.
- Career and technical education ("CTE") and skill centers: CTE class sizes are reduced to 23 students, and skills center class sizes are reduced to 20 students. Districts may spend the portion of CTE funding that exceeds general education funding only on CTE, and permitted uses of this funding for CTE are specified. The SPI must establish a grant program to assist districts with the purchase of CTE equipment. In addition, the SPI must establish methodologies for implementing CTE course equivalency crediting on a broader scale.
- Highly Capable Program: The funded enrollment percentage is increased from 2.314 to 5.
- Transitional Bilingual Instruction Program: For students in middle and high school, the funded instructional hours are increased by 2 hours to 6.778 hours. In addition, instructional hours for exited students that are currently specified and funded in the budget are codified in the Basic Education Act.
- Funding for guidance counselors and parent involvement coordinators that is currently provided in the budget is codified as part of the Basic Education Act, and maintenance, supplies and operating costs values are updated.

To promote transparency, for each school district the SPI must report per-pupil allocations for general apportionment and specified categorical programs in a user-friendly format on the main page of the SPI's website. School district websites must link to this information. In addition, legislative budget documents must report statewide average per-pupil funding levels for the same programs.

Per-Pupil Funding Per Year. The following table shows historical and projected per-pupil funding of charter schools in the State by year.

PER-PUPIL CHARTER SCHOOL FUNDING IN WASHINGTON
Fiscal Years 2016-17 through 2020-21

<u>Fiscal Year</u>	<u>Per-Pupil Funding</u>
2016-17	\$7,343
2017-18	8,279
2018-19	9,630
2019-20	10,698
2020-21	10,882

Source: Washington State Charter Schools Association.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of October 1, 2017, is executed and delivered by and between Community High School Foundation, Inc., a California nonprofit public benefit corporation (the “Borrower”), Summit Public Schools, a California nonprofit public benefit corporation (“Summit”) and Wilmington Trust, National Association, as dissemination agent (the “Dissemination Agent”) in connection with the issuance by the California School Finance Authority (the “Authority”) of its Charter School Revenue Bonds (Summit Public Schools – Obligated Group) Series 2017 (the “Bonds”). The Bonds are being issued pursuant to an Indenture dated as of October 1, 2017 (the “Bond Indenture”) by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”). The proceeds of the Bonds are being loaned by the Authority to the Borrower pursuant to a Loan Agreement dated as of October 1, 2017 (the “Loan Agreement”). Pursuant to the Loan Agreement, the Borrower has covenanted and agreed to provide the continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events.

Section 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower and Summit for the benefit of the Registered Owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered Registered Owners of the Bonds) and to assist Stifel, Nicolaus & Company, Incorporated (the “Participating Underwriter”), in complying with the Rule.

Section 2. Defined Terms. In addition to the definitions set forth in the Bond Indenture, the Leases (as herein defined) or the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

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

“*Authority*” means the California School Finance Authority, its successors and assigns.

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

“*Bond Indenture*” means the Indenture, dated as of October 1, 2017, between the Authority and the Trustee.

“*Bonds*” means the Series 2017 Bonds.

“*Borrower*” means Community High School Foundation, Inc., a California nonprofit public benefit corporation.

“*Disclosure Representative*” shall mean the chief financial officer of Summit or such other officer, agent or employee as Summit shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” means Wilmington Trust, National Association, as dissemination agent under this Disclosure Agreement, its successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule.

“Events Notices” means the notices required to be given by Summit pursuant to Section 5 of this Disclosure Agreement.

“Fiscal Year” means the twelve month accounting period used with respect to the operations of Summit ending June 30 of each year; provided, however, Summit, by resolution duly passed, may change such accounting period to end on another date if such change is found and determined to be necessary or appropriate for budgetary or other fiscal purposes.

“Leases” means (i) that certain Sublease Agreement, dated as of October 1, 2017, by and between Summit, as tenant, and 895 Campus LLC, as lessor; (ii) that certain Lease Agreement, dated as of October 1, 2017, by and between Summit, as tenant, and 824 San Aleso, LLC, as lessor; and (iii) that certain Sublease Agreement, dated as of October 1, 2017, by and between Summit, as tenant, and EdFuture, LLC, as lessor, each with respect to the charter school facilities financed with proceeds of the Bonds used by Summit for the operation of the Schools and Summit Home Office, as applicable.

“Limited Offering Memorandum” means the Limited Offering Memorandum dated _____, 2017, relating to the Bonds.

“Master Trust Indenture” means that certain Master Indenture of Trust, dated as of October 1, 2017, by and among the Borrower and Wilmington Trust, National Association, as Master Trustee thereunder.

“Member” shall have the meaning ascribed thereto in the Master Trust Indenture.

“MSRB” means the Municipal Securities Rulemaking Board, located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, its successors and assigns.

“Operations Report” means the financial information and operating data required to be transferred by Summit to the Dissemination Agent pursuant to the Section 4 of this Disclosure Agreement.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds, its successors and assigns.

“Quarterly Report” means the financial information and operating data required to be transferred by Summit to the Dissemination Agent pursuant to Section 7 of this Disclosure Agreement.

“Repository” means EMMA.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as amended or supplemented by the SEC from time to time.

“Schools” shall mean Summit Public School: Shasta and grades 9-12 of Summit Public School: Denali.

“SEC” means the Securities and Exchange Commission, its successors and assigns.

“Series 2017 Bonds” means the Authority’s Charter School Revenue Bonds (Summit Public Schools – Obligated Group) Series 2017.

“Summit Home Office” means Summit Public Schools’ home office operations.

“Trustee” means Wilmington Trust, National Association, its successors and assigns.

Section 3. Provision of Annual Reports.

(a) Summit shall provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than 180 days after the end of Summit's Fiscal Year, commencing with the Fiscal Year ending June 30, 2018 (except as hereinafter provided), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of Summit (and any information determined from the audited financial statement) 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 Summit's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Borrower hereby agrees to provide to Summit any information required from the Borrower for the Annual Report. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify Bonds by name and CUSIP number, if available.

(b) Summit shall be responsible for the preparation of the Annual Report. Not later than five (5) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, Summit shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact Summit to determine if Summit is or expects to be in compliance with the first sentence of subsection (a) above.

(c) The Dissemination Agent shall transmit the Annual Report to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB.

Section 4. Content of Annual Reports.

(a) The Annual Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) The audited financial statements of Summit for the prior Fiscal Year beginning with the Fiscal Year ending June 30, 2018, prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available. The audited financial statements of Summit for the Fiscal Year ending June 30, 2017, not later than 180 days after the end of Summit's Fiscal Year, or on a later date if they are not available by that date.

(ii) For the Fiscal Years ended June 30, 2019 and thereafter, an Executed Certificate for Annual Filing of Certain Financial and Operating Covenants completed substantially in the form attached hereto as Exhibit A.

(iii) For the Fiscal Years ended June 30, 2018 and thereafter, (A) the enrollment data with respect to the Schools provided to the State of California under the Charter School Law with respect to the prior Fiscal Year, and (B) a copy of all annual charter school reports with respect to the Schools required to be prepared by Summit under California law.

(b) Any or all of the items listed above may be included by specific reference to other documents, including any official statement or prospectus of debt issues for the benefit of the Schools, Summit Home Office or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. Summit shall clearly identify each such other document so included by reference. Summit and the Borrower are solely responsible for the content and format of the Annual Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy or completeness of such Annual Report.

(c) Any or all of the disclosure reports may be incorporated by reference from other documents, including official statements, which have been submitted to the Repository. If the disclosure report information is changed or this Disclosure Agreement is amended in accordance with its terms, then Summit is to include in the next disclosure report to be delivered thereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, Summit shall give, or cause to be given, notice of the occurrence of any of the following events with respect to Bonds, if material:

- (i) the satisfaction of escrow conditions and release of funds from any Project Fund sub-account;
- (ii) non-payment related defaults;
- (iii) modifications to rights of Bond holders;
- (iv) Bond calls;
- (v) unless described in Section 5(b)(vii) below, other material notices or determinations with respect to the tax exempt status of the Bonds or other events affecting the tax exempt status of the Bonds;
- (vi) release, substitution or sale of property securing repayment of Bonds;
- (vii) the consummation of a merger, consolidation or acquisition involving any Member or Summit or the sale of all or substantially all of the assets of any Member or Summit (other than in the ordinary course of business) or 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 in accordance with its terms; or
- (viii) appointment of a successor or additional trustee or change in name of a trustee.

(b) Pursuant to the provisions of this Section 5, Summit shall give, or cause to be given, notice of the occurrence of any of the following events with respect to Bonds:

- (i) principal and interest payment delinquencies;
- (ii) defeasances;
- (iii) rating changes;
- (iv) unscheduled draws on debt service reserves reflecting financial difficulties;
- (v) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (vi) substitution of credit or liquidity providers, or their failure to perform;
- (vii) adverse tax opinions affecting the tax exempt status of the Bonds, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB);

(viii) tender offers; and

(ix) bankruptcy, insolvency, receivership or a similar proceeding by the Borrower or Summit.

For purposes of the event identified in clause (ix) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for Summit or the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of Summit or the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of Summit or the Borrower.

(c) Upon the occurrence of a Listed Event specified in Section 5(a), Summit shall as soon as possible determine if such event would be material. The Dissemination Agent shall have no responsibility for such determination.

(d) If Summit has determined that the occurrence of a Listed Event specified in Section 5(a) would be material, or upon the occurrence of a Listed Event specified in Section 5(b), Summit shall notify the Dissemination Agent in writing within three business days of the occurrence of such event in a format suitable for filing with the MSRB, with instructions to the Dissemination Agent to file a notice of the occurrence of such Listed Event pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed in writing by Summit to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file such notice with the MSRB with a copy to the Participating Underwriter in a timely manner not in excess of ten business days after the occurrence of the event.

(f) The Borrower hereby agrees to provide to Summit notice of any events specified in this Section 5 of which it has actual notice within five (5) days of receipt of such notice by the Borrower.

Section 6. Provision of Quarterly Reports.

(a) Summit agrees to provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than 60 days after the end of each of Summit's fiscal quarters, commencing with the fiscal quarter ending December 31, 2017, a Quarterly Report which is consistent with the requirements of Section 7 of this Disclosure Agreement. The Quarterly Report may be submitted as a single document or as separate documents constituting a package, and may include by reference other information as provided in Section 7 of this Disclosure Agreement. The Borrower hereby agrees to provide to Summit any information required from the Borrower for the Quarterly Reports.

(b) Summit shall be responsible for the preparation of the Quarterly Report. Not later than five (5) business days prior to the date specified in subsection (a) for providing the Quarterly Report to the MSRB, Summit agrees to provide the Quarterly Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Quarterly Report, the Dissemination Agent shall contact Summit to determine if Summit is or expects to be in compliance with the first sentence of subsection (a) above.

(c) The Dissemination Agent shall transmit the Quarterly Report to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB.

Section 7. Content of Quarterly Reports.

(a) Summit's Quarterly Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) A construction progress report with respect to any Facility being constructed, until such construction is substantially complete.

(ii) For the Obligated Group, the Officer Certificate executed in connection with any addition or withdrawal of a Member pursuant to Sections 3.11 and 3.12, respectively, of the Master Trust Indenture.

(iii) The unaudited financial statements and operating data for the previous fiscal quarter of the type and in the format provided in audited financial statements of Summit for the prior Fiscal Year.

(iv) For the Schools, enrollment data and waitlist data by grade for the previous fiscal quarter.

(v) For the last fiscal quarter of each Fiscal Year, a copy of Summit's budget for the subsequent Fiscal Year.

(vi) A year-to-date comparison of the revenues and expenditures in the unaudited financial statements to the annual budget.

(vii) Recommendations of any consultant received in accordance with the Master Trust Indenture during such fiscal quarter.

(viii) Notice of any threatened termination of any license, charter or other official approval or accreditation which is material to the activities of Summit or of any School, or of the commencement of any litigation or other governmental or judicial proceeding in which an outcome adverse to Summit could result in a judgment in excess of available insurance coverage or otherwise have a material adverse effect on the operations or financial condition of Summit, and any other event which reasonably could be expected to have a material adverse effect on the operations or financial condition of Summit.

(ix) Management discussion of any significant variance between budgeted and actual revenues and expenditures during the previous fiscal quarter.

(x) Any change in Key Management Personnel for the Summit Executive Team.

(b) Any or all of the items listed in subsection (a) above may be included by specific reference to other documents, including any official statement or prospectus of debt issues for the benefit of the Schools or related public entities, which have been submitted to each of the MSRB. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. Summit shall clearly identify each such other document so included by reference. Summit is solely responsible for the content and format of the Quarterly Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy or completeness of such Quarterly Report.

Section 8. Use of EMMA. Any filings required to be made with or notices to be given to the MSRB under this Disclosure Agreement shall be effected by sending the filing or notice to EMMA at www.emma.msrb.org in an electronic format accompanied by identifying information as prescribed by the MSRB, or to such other entity and in such other format as may be designated under the Rule. The

Dissemination Agent agrees to comply with the provisions of EMMA in making such filings and giving such notices under this Disclosure Agreement.

Section 9. Termination of Reporting Obligation. The obligations of Summit, the Borrower and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, prepayment or payment in full of all of Bonds. If such termination occurs prior to the final maturity of Bonds, Summit shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) hereof.

Section 10. Semi-Annual Conference Calls. Summit shall schedule semi-annual conference calls (following the end of the 2017-18 School Year) for Beneficial Owners to be held during normal business hours (for both prevailing Eastern Time and prevailing Pacific Time), and shall provide the Dissemination Agent and the Participating Underwriter with a notice of date and time for such call and contact telephone information.

Section 11. Failure to File. If Summit does not provide to the Dissemination Agent a copy of an Annual Report or a Quarterly Report by the applicable dates required in Section 3(a) or Section 6(a) above, the Dissemination Agent in a timely manner shall send a notice to the Borrower, Summit and the Participating Underwriter in substantially the form attached as Exhibit B. If the Borrower or Summit files any report directly with MSRB, the Borrower shall promptly provide the Dissemination Agent with a confirmation or documentation reasonably required by the Dissemination Agent confirming that the filing of such report was made in a timely manner on or before the date required herein (or if not as of such date, specifying the date of filing) and that such filing contained the information required by this Disclosure Agreement.

Section 12. Dissemination Agent. Summit 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 Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by Summit pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, Summit shall be the Dissemination Agent. The initial Dissemination Agent shall be Wilmington Trust, National Association. The Dissemination Agent may resign its duties under this Disclosure Agreement upon 60 days prior written notice to Summit.

Section 13. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, Summit, the Borrower and the Dissemination Agent may amend this Disclosure Agreement, 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), 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 with respect to Bonds, or the type of business conducted;

(b) The undertaking, 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by the Holders of Bonds in the same manner as provided in the Bond Indenture for amendments to the Bond Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel or another party unaffiliated with Summit, materially impair the interests of the Holders or Beneficial Owners of Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, Summit 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 Summit. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 5(d).

Section 14. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent Summit 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 Summit chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, Summit shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 15. Default. In the event of a failure of Summit, the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent (at the written direction of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding and upon being indemnified to its satisfaction therefor, shall, or the Participating Underwriter or any Holder of Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause Summit or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under Bonds, the Bond Indenture, or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of Summit or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. The Dissemination Agent shall not be required to take any action whatsoever to cause Summit to comply with its obligations under this Dissemination Agreement other than those specifically set forth in Section 3 hereof.

Section 16. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants or obligations of the Dissemination Agent shall arise in this Disclosure Agreement. Summit and the Borrower agree jointly and severally to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, fees, expenses and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, as the case may be. The obligations of Summit under this Section shall survive resignation or removal of the Dissemination Agent, termination of this Disclosure Agreement and payment of Bonds. The Dissemination Agent shall have no liability for Summit's failure to report any event or any financial information or operating data as to which Summit has not provided an information report in format suitable for filing with the MSRB. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in a fiduciary capacity. The obligations of Summit under this Section shall survive resignation of the Dissemination Agent or the termination of this Dissemination Agreement. In the absence of bad faith on its part, the Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent by the Disclosure Representative and conforming to the requirements of this Disclosure Agreement. In the case of any Annual Reports or description of any Listed Events, or any opinions which by any provision hereof are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Disclosure Agreement, but shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. No provision of this Disclosure Agreement shall

require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the Disclosure Representative. The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to Summit. Summit shall not be liable for the fees and expenses of any such counsel consulted by the Dissemination Agent without the prior consent of Summit. The Dissemination Agent shall not be bound to make any investigation into the facts or matters stated in and Annual Report or description of a Listed Event. To the extent not otherwise provided in this Disclosure Agreement, the Dissemination Agent shall be entitled to discharge its obligation hereunder in like manner as specified in the Bond Indenture for the discharge of the obligations of the Trustee thereunder.

Section 17. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To Summit and Borrower: Summit Public Schools
Attn: Chief Financial Officer
900 Island Drive
Redwood City, CA 94065

(upon completion of the Summit Home Office Facility,
as defined in the Limited Offering Memorandum)

Summit Public Schools
Attn: Chief Financial Officer
780 Broadway Street
Redwood City, CA 94063

To Dissemination Agent: Wilmington Trust, National Association
650 Town Center Drive, Suite 600
Costa Mesa, CA 92626

A copy of each notice shall be sent to the Participating Underwriter as follows:

Stifel, Nicolaus & Company, Incorporated
Attn: John Kim
515 S. Figueroa Street, Suite 1800
Los Angeles, CA 90071

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 18. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Summit, the Dissemination Agent, the Participating Underwriter, the Trustee and Holders and Beneficial Owners from time to time of Bonds, and shall create no rights in any other person or entity.

Section 19. Fees and Expenses. Except to the extent limited by Section 15 hereof, the Dissemination Agent shall be entitled to payment and reimbursement from Summit for its services rendered hereunder and all rightful advances and other expenses reasonably made or incurred by the Dissemination Agent.

Section 20. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 21. Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California, 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 22. Severability. If any portion of this Disclosure Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Agreement shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 23. Other Instruments. Summit and the Dissemination Agent covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Disclosure Agreement.

Section 24. Captions, Titles, and Headings. The captions, titles, and headings used in this Disclosure Agreement are for convenience only and shall not be construed in interpreting this Disclosure Agreement.

Section 25. Entire Agreement. This Disclosure Agreement contains the entire understanding among the parties and supersedes any prior understandings or written or oral agreements between them respecting the subject matter of this Disclosure Agreement.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Continuing Disclosure Agreement as of the date first written above.

**WILMINGTON TRUST, NATIONAL
ASSOCIATION**, as Dissemination Agent

By: _____
Its: Authorized Officer

**COMMUNITY HIGH SCHOOL FOUNDATION,
INC.**, a California nonprofit public benefit corporation

By: _____
Its: Authorized Officer

SUMMIT PUBLIC SCHOOLS, a California nonprofit
public benefit corporation

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF CERTIFICATE FOR ANNUAL FILING OF CERTAIN FINANCIAL AND OPERATING COVENANTS

Name of Issuer: California School Finance Authority

Name of Bond Issue: California School Finance Authority Charter School Revenue Bonds (Summit Public Schools – Obligated Group) Series 2017

Dissemination Agent: Wilmington Trust, National Association

Name of Borrower: Community High School Foundation, Inc.

Date of Issuance: _____, 2017

The undersigned authorized representative of Summit Public Schools (“Summit”), is providing to the Dissemination Agent the following operational information as required under Section 4 of the Continuing Disclosure Agreement, dated as of October 1, 2017 (the “Disclosure Agreement”), between the Dissemination Agent, the Borrower and Summit. The Disclosure Agreement requires that this information be provided to the Dissemination Agent within 180 days of the end of each fiscal year. Defined terms used in this certificate and not defined herein shall have the meaning granted to such terms in the Disclosure Agreement or, if not defined therein, in the Master Trust Indenture. The information contained below is unaudited.

1. The undersigned is familiar with the provisions of the Leases, and based on such review and familiarity, Summit has fulfilled all of its obligations thereunder throughout Fiscal Year preceding the date hereof, and there have been no Defaults or Events of Default under the Leases (or, if there has been a Default or Event of Default in the fulfillment of any such obligation in such Fiscal Year, attached hereto as Appendix I is additional information specifying each such Default or Event of Default known to the undersigned and the nature and status thereof and the actions taken or being taken to correct such Default or Event of Default).

2. All insurance required by the Leases is in full force and effect as of the date hereof.

3. Obligated Group – Financial Covenants As of June 30, 20__:

- (a) The Debt Service Coverage Ratio pursuant to Section 3.07 of the Master Trust Indenture for the Fiscal Year ended June 30, 20__ was ____x.
- (b) Cash and cash equivalents of the Obligated Group Schools on hand was ____days, (cash and cash equivalents of the Obligated Group Schools on hand as shown on Summit’s audited financial statements for each Fiscal Year, and any State payments accrued to such Fiscal Year and scheduled to be received within two months following the end of such Fiscal Year (“Cash on Hand”) in the amount of \$_____, divided by (ii) the Average Daily Expenses for Obligated Group Schools for the 20__-__ fiscal year of \$_____), which [does/does not] comply with the liquidity covenant in Section 3.2 of Exhibit B of the Leases. (This financial covenant calculation only needs to be calculated once among the Obligated Group Schools.)

4. Individual School Tenants – Financial Covenants (To be completed for each Individual School Tenant, except as noted below.) As of June 30, 20__, Base Rent Coverage Ratio was ____, which [does/does not] comply with the Base Rent Coverage Ratio covenant in Exhibit C of the Lease.

5. The following information with respect to the Schools:

(a) Enrollment by Grade Level (Actual for Prior + Projected for Two Following Years)

Summit Shasta

Grade Level	20 - 20	20 - 20	20 – 20
9 th Grade			
10 th Grade			
11 th Grade			
12 th Grade			
Totals			

Summit Denali

Grade Level	20 - 20	20 - 20	20 – 20
6 th Grade			
7 th Grade			
8 th Grade			
9 th Grade			
10 th Grade			
11 th Grade			
12 th Grade			
Totals			

(b) Retention by Grade Level (Prior Year)

Summit Shasta

School Year 20 - 20	Re- Enrolled	Did Not Re- Enroll	% Re-Enrolled
9 th Grade			
10 th Grade			
11 th Grade			
12 th Grade			
Totals			%

Summit Denali

School Year 20__ - 20__	Re- Enrolled	Did Not Re- Enroll	% Re-Enrolled
6 th Grade			
7 th Grade			
8 th Grade			
9 th Grade			
10 th Grade			
11 th Grade			
12 th Grade			
Totals			%

(c) Teacher Retention Rate (Prior Year)

Summit Shasta

School Year 20__ - 20__	Number of Teachers	Number of Teachers that Did Not Return	Teacher Retention Rate
			%

Summit Denali

School Year 20__ - 20__	Number of Teachers	Number of Teachers that Did Not Return	Teacher Retention Rate
			%

(d) The State’s Smarter Balanced Assessment scores (Prior Year), indicating for English language arts and literacy (“ELA/L”) and mathematics (“Math”) the aggregate percentages of students meeting or exceeding the State’s standards.

	Grades Served	SBAC – ELA⁽¹⁾	SBAC – Math⁽¹⁾
OBLIGATED GROUP SCHOOLS⁽²⁾			
Summit Shasta	9-12		
Summit Denali ⁽³⁾	6-12		
NON-OBLIGATED GROUP SCHOOLS⁽²⁾			
Summit Preparatory Charter High	9-12		
Everest Public High	9-12		
Summit Public School: Rainier	9-12		
Summit Public School: Tahoma	9-12		
Summit Public School K2	7-12		
Summit Public School: Tamalpais	7-12		
COMPARATIVE LOCAL SCHOOLS⁽⁴⁾⁽⁵⁾			
Westmoor High School (for Shasta)	9-12		
Jefferson High School (for Shasta)	9-12		
Oceana High School (for Shasta)	9-12		
Terra Nova High School (for Shasta)	9-12		
Columbia Middle School (for Denali)	6-8		
Peterson Middle School (for Denali)	6-8		
Don Callejon School (for Denali)	6-8		
LOCAL SCHOOL DISTRICTS			
Jefferson Union High School District	9-12		
Sunnyvale School District ⁽⁵⁾	6-8		
Fremont Union High School District	9-12		
STATE			
State of California (Middle Schools) ⁽⁵⁾	6-8		
State of California (High Schools)	9-12		

(1) Represents the aggregate percentages of test-taking students that met or exceeded the SBAC standard.

(2) Any additional schools managed by Summit in California shall be added.

(3) For the 2017-18 only, Summit Denali will continue to show SBAC results for grades 6-8. Beginning in 2018-19, when Summit Denali is expected to have 11th grade students, Summit Denali will show SBAC results for grades 6-8 and 11. Beginning in 2019-20, Summit Denali will discontinue showing SBAC results for grades 6-8 and only show SBAC results for grade 11.

(4) Comparative public district schools nearby.

(5) The comparative results of grades 6-8 for local schools, districts and the State will be shown for 2017-18 and 2018-19 school years only; beginning in 2019-20, only SBAC results for grade 11 will be shown for Summit Denali. Furthermore, beginning in 2019-20, 11th grade SBAC results for three local comparative high schools near the Summit Denali Facility will be included.

(e) Wait List Data by School for 20__ - 20__.

	Applications Received	Open Seats	Wait List
OBLIGATED GROUP SCHOOLS⁽²⁾			
Summit Shasta			
Summit Denali			

This certificate is being provided by Summit to the Dissemination Agent on a date which is [within][outside] of 180 days from the end of its prior fiscal year.

Dated: _____

SUMMIT PUBLIC SCHOOLS

By: _____
Its: _____

EXHIBIT B

**NOTICE TO REPOSITORIES OF FAILURE TO
FILE ANNUAL OR QUARTERLY REPORT**

Name of Issuer: California School Finance Authority

Name of Bond Issue: California School Finance Authority Charter School Revenue Bonds
(Summit Public Schools – Obligated Group) Series 2017

Dissemination Agent: Wilmington Trust, National Association

Name of Borrower: Community High School Foundation, Inc.

Name of Charter School: _____

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the Borrower has not provided an [Annual Report][Quarterly Report] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of October 1, 2017, between the undersigned Dissemination Agent, the Borrower and Summit. The Borrower anticipates that the [Annual Report] [Quarterly Report] will be filed by _____.

Dated: _____

**WILMINGTON TRUST, NATIONAL
ASSOCIATION.**
as Dissemination Agent

By _____
Authorized Signatory

cc: Stifel, Nicolaus & Company, Incorporated

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APPENDIX G

BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of that maturity of Bonds, and will be deposited with DTC. If, however, the aggregate principal amount of any series and maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series and maturity.

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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but neither the Authority nor the Borrower take responsibility for the accuracy thereof.

APPENDIX H

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

California School Finance Authority
Los Angeles, California

California School Finance Authority
Charter School Revenue Bonds
(Summit Public Schools – Obligated Group)
Series 2017

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California School Finance Authority (the “Authority”) in connection with the issuance of \$_____ aggregate principal amount of California School Finance Authority Charter School Revenue Bonds (Summit Public Schools – Obligated Group) Series 2017 (the “Bonds”). The Bonds are issued pursuant to an Indenture, dated as of September 1, 2017 (the “Indenture”), between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”). The Indenture provides that the Bonds are issued for the stated purpose of making a loan of the proceeds thereof to Community High School Foundation, Inc., a California nonprofit public benefit corporation (the “Borrower”) pursuant to a Loan Agreement, dated as of September 1, 2017 (the “Loan Agreement”), between the Authority and the Borrower and 895 Campus Drive, LLC, 824 San Aleso, LLC, and EdFuture, LLC, each a California limited liability company (collectively, the “Landlord”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Master Indenture of Trust, the Supplemental Master Indenture for Obligation No. 1, the Intercept Notices, the Leases, the Tax Certificate and Agreement, opinions of counsel to the Authority, the Borrower, the Landlord, Summit Public Schools, a California nonprofit public benefit corporation (“Summit”), and the Trustee, certificates of the Authority, the Borrower, the Landlord, Summit, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Kutak Rock LLP, counsel to the Borrower, the Landlord and Summit, regarding, among other matters, the current qualification of the Borrower and Summit as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”), and the use of the facilities financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code, and the status of Summit as a charter school organized under the Charter School Law. We note that such opinion is subject to a number of qualifications and limitations. We have also relied upon representations of Summit concerning the intended operation of the facilities to be financed or refinanced with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of Summit within the meaning of Section 513 of the Code. Failure of the Borrower or of Summit to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its respective status as an organization described in Section 501(c)(3) of the Code, or use of the Bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities of the Borrower and Summit within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to

our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Master Indenture of Trust, the Supplemental Master Indenture for Obligation No. 1, the Leases, the Intercept Notices and the Tax Certificate and Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we have assumed that actions of the Borrower, the Landlord and Summit and other persons will not cause any of the Bonds to exceed the \$150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities set forth in Section 145(b) of the Code. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement, the Master Indenture of Trust, the Supplemental Master Indenture for Obligation No. 1, the Leases, the Intercept Notices and the Tax Certificate and Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against instrumentalities of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture, the Loan Agreement, the Master Indenture of Trust, the Supplemental Master Indenture for Obligation No. 1, the Leases or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Limited Offering Memorandum or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Payments (except Payments pursuant to the Intercept Notices) and any other amounts (excluding proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject 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 Bonds are further secured by apportionments from the State Controller, pursuant to Section 17199.4 of the Education Code and the Intercept Notices, of amounts specified in the Intercept Notices and paid directly to the Trustee.
3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX I

SHASTA GROUND LEASE

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GROUND LEASE AGREEMENT

The SITE GROUND LEASE AGREEMENT ("Lease") is entered into as of October 20, 2015 (the "Effective Date"), between the Community High School Foundation, a California non-profit public benefit corporation ("Lessee") and the Jefferson Union High School District, a public school district organized and existing under the laws of the State of California ("Lessor").

RECITALS

WHEREAS, Lessor is the owner of record of all of that certain real property (the "Site") situated in San Mateo County, California, made up of 1.7 acres located at the school campus at 699 Serramonte Boulevard, Daly City, CA, 94015, and more particularly described in Attachment 1.

WHEREAS, subject to the following terms and conditions, Lessor wishes to lease to Lessee and Lessee leases from Lessor that portion of the Site, depicted in Attachment 2 (the "Property"), together with all rights, privileges, easements appurtenant to the Property (except access to or use of the north portion of Campus Drive) and easements for pedestrian and vehicular access, ingress, egress upon, over, through and across the Site and any driveways, access ways and sidewalks located from time to time on any adjoining property of Lessor (except access to or use of the north portion of Campus Drive), and the right to use any and all utility installations or systems located on the Site. The Property, such appurtenant rights, privileges and easements are collectively referred to as the "Property."

WHEREAS, Lessee is authorized to construct a permanent school facility and related buildings and installations for a number of high school students consistent with the enrollment provided for in Lessee's approved charter on the Property ("Lessee's Facility").

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessor and Lessee hereby agree as follows:

The parties hereto agree as follows:

1. Delivery and Condition of Property.

- A. Except as set forth herein, Lessee agrees to take the Property "as is" as of the commencement of the Lease term and to make any improvements, repairs, and/or maintenance that Lessee deems are necessary, at Lessee's sole cost and discretion, subject to the provisions set forth in this Lease.
- B. Lessee acknowledges and agrees that the Property is leased on an "as is" and "with all faults" basis, with no express or implied representations or warranties whatsoever. Lessee is solely responsible for any and all planning, design, permits, approvals, construction, utilities, taxes, homeowners' association dues, costs and other things of any nature required or convenient to permit the use of

the Property contemplated by Lessee, including in connection therewith, compliance with the California Environmental Quality Act.

- C. Lessor shall deliver to Lessee on the Commencement Date the actual and exclusive possession of the Property, clear of all tenancies and rights of occupancy by any third party. If for any reason Lessor cannot deliver possession of the Property to Lessee on the Commencement Date, then Lessor's failure to deliver the Property shall not affect the validity of this Lease or the obligations of Lessee hereunder, but in such case, the date on which Lessee commences to pay rent shall be deferred one day for each day of delay in delivery and the Lease Term shall be extended by a period of days equal to the delay in delivery of possession.

2. Use.

- A. Subject to the terms of this Lease, Lessee shall have the right to use the Property as a facility for a California public charter high school and for any other purposes reasonably related thereto. In connection with such use, Lessee has the right to remove, install, construct and maintain any facilities for school purposes Lessee deems necessary in its sole discretion and to make any other improvements to the Property that Lessee deems reasonably necessary to carry out such purposes, including without limitation the right to construct a permanent school facility and related buildings and installations ("Lessee's Facility"). Lessee has the right to hire contractors, architects, consultants, attorneys, accountants, teachers, administrators and other person Lessee deems necessary in its sole discretion, in connection with Lessee's use and construction of Lessee's Facility. In its sole discretion, Lessee shall have the right to make repairs as it deems necessary to maintain and operate Lessee's Facility and to furnish any services or facilities or to make alterations to the Property or Lessee's Facility, so long as the performance of any construction, repair and/or maintenance work on the Property does not interfere with Lessor's instructional program, in which case Lessor and Lessee shall work together and shall identify a manner in which Lessee may perform its construction, repair and/or maintenance work without interfering with Lessor's instructional program.
- B. Lessee shall at all times comply with all applicable laws, codes, rules, regulations and agreements applicable to the Property, including without limitation any rules and regulations relating to (1) installation and construction of Lessee's Facility, (2) Lessee's use of the Property and (3) the conduct of business on the Property.
- C. Lessee shall not commit, or suffer to be committed, any waste or nuisance upon the Site or the Property, or allow any sale by auction upon the Property or allow the Property to be used for any unlawful purpose, or place any harmful liquids in the plumbing, sewer or storm water drainage systems of the Property. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Property except in trash containers designated for that purpose.

3. Use of Parking Lots.

- A. To the extent that Lessor has access to parking spots in the Physician's Medical Center parking lot located at 901 Campus Drive, Daly City, Lessor transfers those parking rights to Lessee. Lessor will also take any reasonable action, at no cost to Lessor, necessary to support Lessee in its efforts to request additional parking spaces from the Medical Center.

4. Term.

- A. The original term of this Lease ("Original Term") shall commence on July 1, 2015 and terminate on June 30, 2114 ("Commencement Date").
- B. As provided herein, Lessee may extend the Original Term for one additional period of twenty-five years ("Renewal Term") by providing notice the Lessor no later than thirty (30) days before the expiration of the Original Term of the Lease. The Renewal Term shall be on the same terms and conditions as set forth in this Lease except the rent (as provided for in Section 5) shall be the fair market value of the undeveloped land under the Lessee's Facilities as determined by an appraiser agreed upon between the parties.
- C. Upon the termination of the Original Term, or the Renewal Term, whichever is later, the title to the Lessee's Facility shall transfer to the Lessor.

5. Rent.

- A. Original Term and Renewal Term. The annual rent for the Property ("Annual Rent") shall be fifty percent (50%) of the fair market lease value of the Property leased as undeveloped land per year. In order to determine the fair market value of the Property, the Parties will retain Cushman & Wakefield to conduct an assessment of the lease value of the Property as undeveloped land zoned for commercial use. After the initial assessment, every five (5) calendar years from the date of the first valuation, the District and the Foundation will engage Cushman & Wakefield, or a mutually agreed upon firm, to conduct a new assessment of the lease value of the Property as if it was still undeveloped land, and this updated amount shall be the new rent value for the next five (5) years, including for any Renewal Period. Any increase or decrease in the assessed value and rent to be paid for each five (5) year period shall not exceed 10% of the prior year's Annual Rent.

Lessee shall begin paying Annual Rent on September 1, 2017 or upon charter school occupation of the permanent Lessee Facility on the Property, whichever is later. Lessee shall not otherwise be charged for the lease of the land.

- B. Payment of Annual Rent. Annual Rent shall be payable in equal monthly installments in advance on the first day of each month. Annual Rent shall be payable to Lessor at its address specified at the end of this Lease, or at such address as Lessor may otherwise direct from time to time, in writing at least 30 days prior to any rent payment date. Any payment of Annual Rent received ten (10) or more calendar days after the due date shall accrue interest at the rate of ten percent (10%) per annum from the due date until payment in full is received by Lessor.

6. Improvement: Access.

- A. Lessee shall have the right (but not the obligation) with prior notification, at any time following the Effective Date, to enter the Property for the purpose of making inspections and preparing engineering surveys, soil tests, environmental studies, geological tests and other tests relative to installing and constructing Lessee's Facility and to prepare for the construction of Lessee's Facility.
- B. Lessor approves the construction of a public high school facility for a number of high school students consistent with the enrollment provided for in Lessee's approved charter (with ancillary and related administrative offices) on the Property as well as all related site improvements, and utility installations as well as the lease of the Lessee's Facility to a California public charter high school ("Charter School") for any length of time not to exceed the Original Term and any Renewal Term. Lessee may construct and install both leased and owned buildings on the Property.
- C. The construction documents for the improvements shall be prepared at the cost and expense of the Lessee and the design and construction of the improvements shall be in accord with plans and specifications approved by the DSA and shall be constructed in accordance with all applicable laws, including but not limited to CEQA (if applicable), the Field Act (if applicable), and Title 24 of the California Code of Regulations. In any area where the City of Daly City has jurisdiction, such as curb cuts or utility connections, Lessee will obtain City approval and comply with the City ordinances.
- D. Lessee shall have discretion over the layout and nature of construction, and shall have the right to make changes in the site layout from the original design as it deems fit in conjunction with its educational mission and its budgetary requirements.
- E. Lessee shall contract with a licensed California architect to prepare plans, schematic drawings, construction documents, and all other documents necessary to complete the design and construction of the improvements and associated landscaping, hardscaping, and fences. Lessee shall submit the construction documents to the Division of the State Architect ("DSA") for final review and approval.

- F. Lessor and Lessee shall meet, discuss, and adopt specific reasonable guidelines for the performance of construction work on the Property as it relates to the safety of Lessor's students, staff and other persons and to minimize any interference with Lessor's instructional program and, in such case, Lessee shall comply with such reasonable guidelines.
- G. Lessee shall give Lessor no less than twenty (20) days prior written notice before commencing any work on the construction of any Improvements on the Property so that Lessor may post any notices of non-responsibility with respect thereto as Lessor may deem appropriate.
- H. Prior to commencing construction, Lessee shall obtain all required approvals and permits for construction of any improvements on the Property and Lessee and Lessee's contractor(s) shall have in effect, with premiums paid, adequate casualty and liability insurance coverage, builders risk insurance and workers' compensation as set forth in Attachment 3 hereto, with proof of such insurance provided to Lessor.
- I. Lessee shall be responsible for obtaining at its sole cost and expense all legally necessary and required governmental approvals and authorizations related to the design and construction of the improvements and the operation of its school on the Property. To the extent reasonably necessary, Lessor will cooperate with Lessee in Lessee's processing and securing of all applicable approvals and authorizations provided that nothing herein shall obligate Lessor to incur any out-of-pocket expenses. Throughout the course of construction of the improvements, Lessee shall contract with and pay for at its sole cost and expense a DSA certified Inspector of Record to provide inspection services for the construction of the improvements. Any costs or fees, including attorneys' fee and legal costs, associated with any proceedings relating to the government approval of the construction of Lessee's improvements shall be solely paid for by Lessee.
- J. Lessee shall be solely responsible for cost of the construction of any improvements on the Property.
- K. Lessee shall require that each contractor and subcontractor agree in writing to indemnify, hold harmless and defend the Lessor, its officers, trustees, employees and agents, the State of California, the project inspector of record, Lessee and its employees and agents from and against any injury, damage, loss, claim or damages (including payment of attorneys' fees and legal costs) to persons or property resulting from, in whole or in part, the contractor's or subcontractor's work on the Property.
- L. Prior to the commencement of construction, Lessee shall install and maintain throughout the construction process a reasonable barrier with screening between the Property and the rest of Lessor's property which is adjacent to the Property.

The location, design and construction of the barrier shall be reasonably designed to accomplish the mutual goal of separating the two properties physically and enhancing the safety of Lessor's staff, students and invitees on Lessor's property.

- M. During the course of construction, Lessee shall require that each contractor, subcontractor and design professional, prior to commencing any work, provide evidence of the insurance coverages set forth in Attachment 3.
- N. During the course of construction, Lessee shall require that each contractor, for itself and its subcontractors, comply with all applicable laws, ordinances and regulations.
- O. Upon commencement of any work, Lessee shall cause the construction of the improvements to be diligently pursued to completion, subject to unavoidable delays caused by weather, supply shortages, strikes, other unforeseen non-monetary contingencies beyond the reasonable control of the Lessee, or acts of God.
- P. The construction of the improvements shall be performed in a sound and workmanlike manner and in accordance with all applicable laws and regulations.
- Q. Lessor or Lessor's agent shall have a continuing right at all times and upon reasonable notice during the period of any construction on the Property and thereafter to enter the Property and to inspect the work on the Property provided that such entries and inspections do not unreasonably interfere with the progress of the work. Lessee shall require its contractors who perform any work on the Property to reasonably cooperate with Lessor or its agent in such inspections.
- R. Within ninety (90) days after completion of any work on the Property, Lessee shall deliver to Lessor two (2) full and complete sets of as-built plans for the work so completed.
- S. Upon completion of the construction of the improvements Lessee shall diligently and promptly submit all required certifications to DSA and obtain DSA approval and close-out of the project and provide evidence of the same to Lessor.

7. Taxes, Permits, Utilities and Maintenance.

- A. Except as otherwise stated herein, Lessee shall pay all water, electricity, gas, telephone, and other utility service used by Lessee or any of its officers, employees, agents, contractors, volunteers or students used on, in or in connection with the Property ("Utility Charges"). Lessee shall also be responsible for all other taxes, costs, expenses, homeowners' association dues or maintenance charges applicable to the Property. Lessee covenants to pay any such sum or sums payable by Lessee for any Utility Charges, or any other charges and expenses of whatsoever nature that Lessee assumes or agrees to pay pursuant to

this Lease ("Reimbursable Expenses"), as additional rent under this Lease, payable within thirty (30) days after Lessor invoices Lessee therefor. Lessor shall have the same rights and remedies in the event of the non-payment of any such sums by Lessor as in the case of default by Lessee in the payment of Annual Rent.

- B. If for any reason Lessee's Facility is assessed for tax purposes as part of Site, Lessee shall reimburse Lessor any increase in Lessor's real property taxes attributable to the value of cost of Lessee's Facility. Lessor shall apply for a tax exemption for the Property with the appropriate authority.
- C. Lessor will from time to time during the Original Term or Renewal Term execute and deliver all applications for permits, licenses or other authorizations relating to the Property required by any municipal, county, state, or Federal authorities, or required in connection with the construction, reconstruction, repair or alteration of any buildings or improvements now or hereafter constituting a part of the Property. Lessor will from time to time during the Original Term or Renewal Term execute, acknowledge, and deliver any and all instruments required to grant rights-of-way and easements in favor of municipal and other governmental authorities or public utility companies incident to the installation of water lines, fire hydrants, sewers, electricity, telephone, gas, steam, and other facilities and utilities reasonably required for the use and occupancy of the Property and for the construction of Lessee's Facilities.
- D. Lessee shall fully and promptly pay for all utilities furnished to the Property for the use, operation and maintenance of the telecommunications facilities and installations serving the Property and Lessee's Facility. If practicable, Lessee shall install, at Lessee's expense, a separate electric meter and pay for electricity directly. If electricity is provided by Lessor, Lessee shall install a sub-meter for determining the cost for utility service as used by Lessee.
- E. Lessee, at its sole cost and expense, shall keep the Property in condition and repair reasonably similar to the condition received throughout the Original Term and any Renewal Term, reasonable wear and tear excepted. Lessor shall not be required to make any repairs to the Site, except as stated in Section 8 below and except for damage to the Site caused by Lessor, its employees, agents, contractors, subcontractors, sublessees, or invitees. Except as otherwise stated herein, Lessor shall not be required to furnish any services or to make any repairs or alterations to the Property or Lessee's Facility and Lessee hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Property and Lessee's Facility.
- F. Lessor shall use commercially reasonable efforts to maintain accurate books and records of Reimbursable Expenses. Lessor shall keep copies of the actual paid bills and copies of any applicable contracts for a minimum of three (3) years. The books and records of Lessor pertaining to the Reimbursable Expenses incurred for a given calendar year may be audited by Lessee during normal business hours,

upon at least fourteen (14) days' prior written notice to Lessor, at any time within two (2) years after the date of Lessee's receipt of a statement from Lessor for such Reimbursable Expenses. If Lessee disputes any amount set forth on a Statement of Reimbursable Expenses, Lessee shall give Lessor notice stating Lessee's objections and Lessee shall continue to pay such Reimbursable Expenses, without prejudice, as if Lessee had not audited Lessor, until they are resolved in accordance with this subparagraph. If Lessee's audit of Reimbursable Expenses for any calendar year indicates that Lessee was overcharged, Lessor shall credit to Lessee against Annual Rent (or, if the Term is over, pay to Lessee within 30 days) the amount of all such overpayments. If Lessee's audit indicates that Lessee was overcharged by five percent (5%) or more of the amount that should have been paid by Lessee, Lessor shall promptly reimburse Lessee for Lessee's reasonable third party out of pocket audit costs. If there is a change in ownership of the Property, Lessor agrees to use commercially reasonable efforts to give complete copies of all records affecting Reimbursable Expenses in Lessor's possession or control to the subsequent owner. If Lessor does not agree with Lessee's audit, Lessor and Lessee shall negotiate with each other in good faith to attempt to resolve the dispute prior to resorting to any legal remedy.

8. Termination; Remedies Upon Default.

- A. This Lease may be terminated by Lessee, in Lessee's sole discretion, on ninety (90) days prior written notice to Lessor (or any shorter notice expressly set forth below) if:
- i. The charter of the charter school located on the Property is revoked, but not before Lessee has exhausted its rights to appeal the revocation, and Lessor shall not be entitled to terminate this Lease if Lessee successfully appeals the revocation of its charter;
 - ii. The charter of the charter school located on the Property is not renewed, but not before Lessee has exhausted its rights to appeal the non-renewal, and Lessor shall not be entitled to terminate this Lease if Lessee successfully appeals the non-renewal of its charter;
 - iii. Any hazardous material is found to exist on or near the Property;
 - iv. Lessor commits a default under this Lease and fails to cure such default within 90 days after written notice thereof from Lessee; provided that if the cure takes longer than 90 days and Lessor commences to cure the default within the 90-day notice period, then the Lessor shall have such additional time as shall be reasonably necessary to diligently effect a complete cure.
 - v. Upon the occurrence of Lessor's default and the failure of Lessor to cure the same within the cure period specified herein, Lessee shall have

any remedies available at law or in equity. In addition to the foregoing, Lessee shall also have the right, but not the obligation, to fulfill such obligations (which can possibly be fulfilled by Lessee) on behalf of Lessor after the expiration of the above notice and cure period at Lessor's expense. The cost of such performance by Lessee shall be applied as a credit against payment of Annual Rent.

B. Subject to the provisions of Section 14 below, this Lease may be terminated by Lessor if:

- i. Lessee commits a monetary default under this Lease and fails to cure such default by paying such amount within ninety (90) business days after Lessee receives written notice of the monetary default; or
- ii. Ninety (90) days after Lessee receives written notice of any other default and fails to cure such default within such 90-day period, provided that if the period to cure takes longer than 90 days and Lessee commences to cure the default within the 90-day notice period, then Lessee shall have such additional time as shall be reasonably necessary to diligently effect a complete cure; and
- iii. The Parties have proceeded through formal dispute resolution as follows:
 1. The party initiating the dispute resolution shall first frame the issue in written format ("dispute statement") and to refer the issue to the Lessor's Superintendent ("Superintendent") and a representative of Lessee with decision-making authority ("Representative"). The Representative and Superintendent shall informally meet and confer in a timely fashion to attempt to resolve the dispute, not later than 15 business days from receipt of the dispute statement.
 2. If this joint meeting fails to resolve the dispute, the Superintendent and the Representative shall meet to jointly identify a neutral third party mediator to engage the Parties in a mediation session designed to facilitate resolution of the dispute. The format of the mediation session shall be developed jointly by the Superintendent and the Representative. The parties will schedule mediation within sixty (60) business days of receipt of the dispute statement, to occur as soon as reasonably practicable. The costs of the mediator shall be split equally between the Lessor and Lessee. If mediation does not resolve the dispute either party may pursue any other remedy available under the law. All timelines and procedures in this section may be revised upon mutual written agreement of the Lessor and Lessee.

C. Upon termination, neither party shall have any further rights, obligation or liabilities to the other except:

- i. with respect to provision of this Lease which by their sense and context survive termination, and/or;
- ii. where termination is by reason of breach of default of the other part, and/or;
- iii. with respect to the rights and remedies of the parties relating to the period prior to termination.

9. Destruction or Condemnation.

- A. Subject to Section 14 below, if all or any material part of the Property, Lessee's Facility or any right granted to Lessee herein is damaged or destroyed by fire, earthquake or any other cause whatsoever, whether insured or uninsured during the term of this Lease, Lessee may, in its sole discretion, to the extent of available insurance proceeds payable to Lessee as a result of such damage together with any deductible, elect to (i) rebuild, replace and repair such damaged or destroyed property substantially to the same condition and general appearance as existed immediately prior to such damage or destruction or (ii) elect to terminate this Lease and retain the insurance proceeds, if any, and not rebuild, replace or repair such damaged or destroyed improvements made by Lessee on Property, in which event Lessee shall at its cost, promptly remove any debris.
- B. Subject to Section 14 below, if the whole of the Property, or any portion thereof which, in Lessee's judgment, renders the balance of the Property unsuitable for Lessee's normal operations, is taken by any public or quasi-public authority by condemnation, or sold under threat or in lieu of any such taking, whether separately or as part of the Site, Lessee may elect to terminate this Lease effective as of the date possession is delivered to the condemning authority. Lessee shall have the right to participate in all condemnation proceedings and/or negotiations regarding the Property and shall have the right to any award specifically designed as compensation for Lessee's interest under this Lease, the value of any improvements owned by Lessee and located on any condemned portion of the Property, the cost of removal of Lessee's Facility or any other amounts recoverable under applicable law.

10. Title to and Removal of Lessee's Facility.

- A. Title to Lessee's Facility and any equipment placed on the Property by Lessee shall be held solely by Lessee. All of the Lessee's Facility shall remain the personal property of Lessee and shall not be treated as real property or become a part of the Site even though affixed thereto.

- B. Lessee shall, on the last day of the term of this Lease, including any Renewal Term, surrender and transfer to Lessor any buildings and improvements upon the Property, together with all alterations and fixtures to the Property then existing free of all mortgages, liens and encumbrances.

11. Insurance.

- A. During the Original Term and any Renewal Term Lessee shall obtain and maintain insurance against perils normally covered by insurance ("Insurance") on the improvements at the Property in an amount equal to the full replacement cost of the improvements as the same shall exist from time to time. The Insurance shall also include rental value insurance for up to 12 months' worth of Rent payable under this Lease. Lessee shall be responsible, at its expense, for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Property.
- B. Lessee shall, at its expense, maintain a policy or policies of commercial general liability insurance for the planned operations at the Property with such insurance to afford minimum protection of not less than \$2,000,000 combined single limit coverage of bodily injury, property damage or combination thereof. Lessor shall be listed as an additional insured on Lessee's policy or policies of commercial general liability insurance, and Lessee shall provide Lessor with current Certificates of Insurance evidencing Lessee's compliance with this Paragraph. Lessee shall obtain the agreement of Lessee's insurers to notify Lessor that a policy is due to expire at least thirty (30) days prior to such expiration. Lessor shall not be required to maintain insurance against thefts within the Property or the improvements thereon.

12. Indemnification.

- A. Except for Lessor's negligence or willful misconduct, Lessee shall indemnify, defend, protect and hold harmless Lessor, its affiliates, and each of its directors, officers, partners, shareholders, agents, students, invitees, and employees, from and against any claim, cause of action, demand, injury, damage, liability, loss, cost or expense (including but not limited to reasonable attorneys' fees) arising out of or resulting from:
 - i. the use and occupancy of the Property or the operation and construction of Lessee's Facility by Lessee or its employees, agents, contractors, subcontractors, students or invitees; and/or
 - ii. any mechanics or material man's liens or stop notices filed in connection with any work done on the Property and at the request or direction of Lessor, cause any such mechanic's or material man's liens and any such stop notices to be released by posting an appropriate release bond therefore.

- B. Except for Lessee's negligence or willful misconduct, Lessor shall indemnify, defend, protect and hold harmless Lessee and Summit Public Schools, and its affiliates, and each of their directors, officers, partners, shareholders, agents and employees from and against any claim, cause of action, demand, injury, damage, liability, loss, cost or expense (including but not limited to reasonable attorneys' fees) arising out of or resulting from use and operation of the Site by Lessor or its employees, agents, contractors, lessees (other than Lessee) or invitees or the condition of the Site; provided that Lessor, its affiliates and each of their directors, officers, partners, shareholder, agents, students, volunteers, and employees shall have no liability for any injury, damage, danger, liability, loss, cost or expense occasioned by third party theft, fire, act of God, civil disturbance, strike, order of governmental authority, or interruption of utility service.
- C. With the exception of any liability, claims, or damages caused by Lessor's negligence or willful misconduct, Lessee shall indemnify, hold harmless, and defend the District, its trustees, officers, employees and agents against and from any and all claims, demands, actions, causes of action, suits, losses, liability, expenses, penalties, obligations, errors, omissions and costs, including legal costs, attorneys' fees and expert witness fees, whether or not suit is actually filed, and/or any judgment rendered against Lessor, its trustees, officers, employees and agents, that may be asserted or claimed by any person (including but not limited to Summit students), firm or entity for any injury, death or damage, arising from, or in connection with, Lessee's use of the Site during construction of Lessee's permanent facility, or from the conduct of its business, including conduct of its board of directors, administrators, employees, agents, representatives, volunteers, subcontractors, invitees, successors and/or assigns or from any activity, work, or other things done, permitted or suffered by Summit in or about the Site during construction of Summit's permanent facility.

13. Title.

A. Lessor warrants that:

- i. it owns good and sufficient title to and interest in the Property and the Site; and
- ii. there are no liens, encumbrances, covenants, restrictions or judgments affecting the Property or the Site which impede or adversely affect Lessee's intended use of the Property; and
- iii. Lessor has full right, power and authority to execute, deliver and perform its duties and obligations under this Lease and to comply with the terms and conditions therein; and
- iv. there are no actions, suits or proceedings of any kind or nature whatsoever, legal or equitable, pending or to Lessor's knowledge

threatened against the Property or Lessor in any court or before or by any federal, state, county or municipal department, commission, board, bureau or agency or other governmental instrumentality that would affect the exercise of Lessee's rights or the performance of Lessee's duties under this Lease; and

- v. no person, government agency, firm, corporation or other legal entity whatsoever (other than Lessee) has any right or option whatsoever to acquire or lease the Property or any portion or portions thereof or any interest or interests therein; and
- vi. no consents or approvals are required to be obtained from any third-party lessees, occupants or lenders for the use permitted under this Lease, the construction of Lessee's Facility, or the granting of the easements provided for in this Lease; and
- vii. Lessor has provided Lessee with copies of all environmental site assessments, audits and similar reports concerning the Site and the Property in Lessor's possession or control; provided, however, that Lessor makes no representation or warranty whatsoever as to the accuracy or completeness of such reports.
- viii. Notwithstanding any other provision of this Lease, Lessee relies upon the representations stated herein as a material inducement of entering into this Lease.
- ix. So long as Lessee is not in material default under this Lease, Lessor shall assure Lessee that it shall have undisturbed, quiet enjoyment and possession of the Property throughout the Original Term and any Renewal Term and shall not be required to subordinate its interest to any future holder of any underlying lease, mortgage, land contract, deed of trust or other existing lien rights on the Property.

14. Leasehold Mortgage.

Lessee shall be entitled to subject its leasehold estate and all of its rights and interests in and to the Property and Lessee Facility under this Lease (sometimes referred to herein as the "Leasehold Interest") to a mortgage, mortgages, deed of trust or deeds of trust from time to time on the Leasehold Interest its rights, title, and interests in and to the Property and Lessee Facility under or pursuant to this Lease (each a "Leasehold Mortgage"), for the benefit of, and to secure financing from, any mortgage lender(s) from time to time providing construction, interim, or permanent financing or refinancing for the Lessee Facility and/or the business of Lessee being conducted on the Property (each a "Leasehold Mortgage"). There may be one or more Leasehold Mortgages and Leasehold Mortgagees, at Lessee's discretion. To facilitate the financing of the improvements, Lessor agrees to the following:

- A. Consent to Leasehold Mortgages. Lessor's consent and approval shall not be required in connection with any Leasehold Mortgage, the transfer of Lessee's interest in this Lease and Property and Lessee Facility in connection with a judicial or non-judicial sale proceeding pursuant to the Leasehold Mortgage, any transfer pursuant to a deed or assignment in lieu of foreclosure, any sale or transfer in any bankruptcy or insolvency proceedings, or any similar transfer pursuant to any exercise of remedies under any Leasehold Mortgage (collectively, a "Foreclosure"), subject to compliance with the terms of this Section 14 and subject to such transferee expressly assuming all of the Lessee's obligations under the Lease. Notwithstanding the foregoing, Lessee shall provide Lessor with prompt written notice of the creation of any Leasehold Mortgage, and failure to provide such written notice shall excuse Lessor from complying with the notice requirements to the Leasehold Mortgagee contained in this Section 14 until such written notice is provided.
- B. Effect on Lessor's Interests. The Leasehold Mortgage and other lender documents shall be subject to the terms of this Lease, and nothing contained in herein or in any Lessor Agreement (as defined below at Section 14.T) shall be construed as consent by Lessor that any mortgage, deed of trust or other encumbrance granted or permitted to exist by Lessee shall encumber Lessor's ownership of the Site or Property, or affect Lessor's rights hereunder or under the Lease, except as specifically provided herein.
- C. Forbearance by Lessor. For as long as any Leasehold Mortgage remains in effect, Lessor will delay and forbear from the exercise of its remedies (including the acceleration of rentals) as hereinafter provided in Sections 14.D, E, F, G, H and I.
- D. No Changes to Lease. Lessor will not make or accept any voluntary surrender, cancellation, modification or amendment of or to this Lease at any time while the Leasehold Mortgage is in effect, nor will Lessor convey all or any part of the property subject to the Leasehold Interest to Lessee, or Lessee accept such conveyance, without first obtaining the prior written consent of each Leasehold Mortgagee. In no event shall any transfer of the Leasehold Interest to Lessor result in a merger or termination of this Lease so long as any Leasehold Mortgage shall be in effect, and Lessor, Lessee and Leasehold Mortgagee shall remain bound by the provisions of this Section 14 and this Lease.
- E. Voluntary Termination. In no event shall any abandonment of the Property and Lessee Facility or any action by Lessee to terminate this Lease be effective without the prior written consent of each Leasehold Mortgagee who has provided Lessor written notice of such mortgage and the address and other contact information of such Leasehold Mortgagee. Lessor agrees that it shall give notice of any such abandonment or action by Lessee to Leasehold Mortgagee of which Lessor has knowledge of and contact information for, and Leasehold Mortgagee shall thereupon be entitled to exercise its rights and remedies under its Leasehold Mortgage and the provisions of this Section 14.

- F. New Lease. In the event that, for any reason, this Lease terminates prior to satisfaction of all indebtedness and obligations secured or intended to be secured by any Leasehold Mortgage, the holder(s) of any such Leasehold Mortgage shall be entitled to enter into a new lease with Lessor, for the balance of the term of this Lease (including rights to all extension or renewal options that have not been exercised), and on the same terms as set forth in this Lease (a "New Lease"). Such right shall be exercisable by Leasehold Mortgagee within thirty (30) days following written notice by Lessor to Leasehold Mortgagee of the termination of this Lease, by written notice from Leasehold Mortgagee to Lessor given within such 30-day period. Upon exercise of such right, Lessor and Leasehold Mortgagee (or an affiliate or nominee of Leasehold Mortgagee, as Leasehold Mortgagee may elect) shall enter into the New Lease within thirty (30) days thereafter. Upon execution of any such New Lease, the Lessee thereunder shall be required to cure those outstanding defaults of the Lessee under this Lease that are actually curable, in the same manner and within the same time period as required under the provisions of this Section 14, provided any monetary default and any other sum that may be due from Lessee to Lessor under the Lease or by reason of Lessee's default thereunder shall be cured and/or paid from any rent thereafter due under the New Lease.
- G. Notices by Lessor. Leasehold Mortgagee shall promptly provide Lessor written notice of when the Leasehold Mortgage is made or released. Until such time as this Leasehold Mortgage is released or canceled of record, Lessor agrees that it will provide Leasehold Mortgagee whose Leasehold Mortgage is most senior in priority (unless otherwise directed in writing by such senior Leasehold Mortgagee and delivered to Lessor) with a copy of any notices sent to Lessee under this Lease, including any default notices, within one business day of delivery of such notices to Lessee. Lessor agrees that no notice to Leasehold Mortgagee shall be effective unless it is reduced to writing and delivered to Lessee and such Leasehold Mortgagee, at the address and in the manner indicated in this Lease (in the case of Lessee) and at the address and in the manner indicated in the Lessor Agreement (in the case of Leasehold Mortgagee), and no grace or cure periods for Lessee's cure of a default of its obligations under this Lease or the time permitted to a Leasehold Mortgagee to cure such default shall be deemed to commence unless and until such notice is so delivered.
- H. Leasehold Mortgagee Performance and Cure Rights. Lessor hereby agrees to accept from any Leasehold Mortgagee any and all payments and performance of Lessee's obligations under this Lease, whether before or after default (but within the applicable periods provided for in this Section 14), with the same force and effect as if paid or performed by Lessee. Lessor agrees that in the event that Lessee shall not cure or remedy any default or breach of covenant by Lessee under this Lease within the curative period provided for such cure or remedy in this Lease, then Leasehold Mortgagee shall have the right, at its sole option, to exercise any one or more of the following rights:

- i. to cure or remedy, or cause to be cured or remedied, for an additional period following the "Leasehold Mortgagee Curative Commencement Date" (as hereinafter defined), such default or breach of covenant, and Lessor shall accept such cure or remedy; it being agreed that (a) in the case of any default in the payment of any sum of money, Leasehold Mortgagee shall have ten (10) business days following the Leasehold Mortgagee Curative Commencement Date in which to cure such default, (b) in the event that the default of Lessee is not a default in the payment of a sum of money, Leasehold Mortgagee shall have thirty (30) days following the Leasehold Mortgagee Curative Commencement Date in which to cure such default, provided that if such default cannot reasonably be cured within such thirty (30) day period and that Leasehold Mortgagee has commenced efforts to cure such default (or efforts to exercise remedies to enable it to cure such default) within thirty (30) days following the Leasehold Mortgagee Curative Commencement Date, Leasehold Mortgagee shall have an additional reasonable period of time following the end of such thirty (30) day period within which to cure such default, and so long as Leasehold Mortgagee shall be diligently pursuing its efforts to cure, Lessor shall accept such cure or remedy when effected, (c) in no event shall any Leasehold Mortgagee be required to cure any defaults by Lessee that by their nature are not susceptible to cure by Leasehold Mortgagee, and with respect to such defaults, the same shall be deemed cured by Leasehold Mortgagee if Leasehold Mortgagee has commenced efforts to exercise remedies under its Leasehold Mortgage and succeeding to the Leasehold Interest in accordance with the provisions of this Section 14; it being agreed that Lessor shall not terminate this Lease or commence eviction proceedings during the foregoing curative periods extended to Leasehold Mortgagee; provided that it is hereby expressly agreed that the time permitted to the Leasehold Mortgagee to cure defaults shall include and shall be extended by the time required to pursue any remedies necessary to enable Leasehold Mortgagee to effect such cure, and the time permitted to the Leasehold Mortgagee to cure defaults shall include and shall be extended by any period in which Leasehold Mortgagee is prevented from curing by reason of any stay in any bankruptcy of Lessee or other stay of enforcement proceedings to which Leasehold Mortgagee may be subject (but such extension shall apply only to those defaults that Leasehold Mortgagee is so prevented from curing);
- ii. to require Lessor to terminate Lessee's rights under this Lease by reason of such default, and to substitute Leasehold Mortgagee as lessee of the Property with Lessor for the balance of the term of this Lease (including any renewal options) by entering into a New Lease (as defined above) and upon payment to Lessor of Lessor's reasonable attorneys' fees in connection therewith and payment of Annual Rent, damages and other sums due under the Lease at the time of execution of the New Lease by Leasehold Mortgagee, its affiliates or nominees, Lessee hereby agreeing to

execute such cancellations as may be reasonably required in connection therewith; and

- iii. to acquire pursuant to any Foreclosure the Leasehold Interest and Lessee's rights under this Lease and assume the obligations of Lessee under this Lease as required under this Section 14, and in such event, Lessor shall not exercise its right of termination with respect to such default, provided that upon such acquisition, Leasehold Mortgagee shall be entitled to cure any and defaults within the curative periods provided above other than payment of Rent, damages and other sums due under the Lease at the time of execution of the New Lease, which shall be paid by Leasehold Mortgagee, its affiliates or nominees no later than ten (10) days following such acquisition.
- I. As used herein, "Leasehold Mortgagee Curative Commencement Date" shall mean (a) in the case of monetary defaults, upon receipt of written notice from Lessor of the lapse of Lessee's curative period; or (b) in the case of non-monetary defaults for which a curative period is provided under this Lease, when both the following have occurred: (i) Leasehold Mortgagee's receipt of notice of such default, and (ii) receipt of written notice from Lessor of Lessee's failure to cure such default within the applicable curative period provided in this Lease. Leasehold Mortgagee may cure any monetary default under this Lease by payment of the Rent and other sums or damages then due and owing under the Lease, but Lessor will not require Leasehold Mortgagee to pay any accelerated or future rents in curing such a payment default and will accept such payment as full satisfaction and cure of the outstanding default with respect to the payment of Rent, damages or other sums due under the Lease.
- J. Recognition of Leasehold Mortgagee. Upon any Foreclosure and resulting transfer of the Leasehold Interest, Lessor will recognize (i) Leasehold Mortgagee, (ii) any affiliate or nominee or Leasehold Mortgagee, or (iii) any other person, firm or corporation acquiring the Leasehold Interest as lessee under this Lease pursuant to any foreclosure, deed or assignment in lieu of foreclosure, or similar transfer pursuant to any exercise of remedies under any Leasehold Mortgage (collectively, a "Purchaser"), on the same terms and provisions for the remaining term of the Lease, including any unexpired option periods, and with all of the rights and privileges of Lessee, provided such Purchaser agrees to assume and be bound by all of the terms, covenants and conditions of this Lease pursuant to an assumption agreement in a form reasonably acceptable to Lessor (subject to the provisions of Section 14.P. below), and provided that Purchaser shall cure all defaults under this Lease as required under the provisions of this Section 14, including those with regard to the payment of Rent, damages and other sums then due and owing under the Lease (which payment of defaults shall be cured within ten (10) days of such Foreclosure). No consent or approval by Lessor shall be required in connection with the commencement or completion of any Foreclosure or any assignment or transfer of Lessee's rights under this Lease in connection with any such Foreclosure.

- K. Attornment. In the event that any Purchaser shall acquire the rights of Lessee pursuant to the provisions of this Section 14, such Purchaser will attorn to Lessor in a writing reasonably acceptable to Lessor, and Lessor will thereupon recognize Purchaser as the lessee under this Lease. In the attornment document, the Purchaser shall agree to assume all of the obligations of the Lessee to Lessor under this Lease, subject to the provisions of Section 14.P. below, and provided that the Purchaser shall not be deemed to have assumed any responsibility or liability for any unsatisfied indemnification obligations of Lessee under the Lease, nor any responsibility or liability to any third party for any liabilities or obligations of the Lessee under this Lease, arising prior to the Purchaser's acquisition of the Leasehold Interest.
- L. Transfer Not a Default. In the event of the assignment or transfer of Lessee's Leasehold Interest pursuant to any Foreclosure, no such Foreclosure shall constitute a default by Lessee under this Lease, and any Purchaser of the Leasehold Interest shall be entitled to all the benefits of this Lease. Lessor agrees to execute such documents as may be reasonably necessary to evidence such Purchaser's rights as lessee under this Lease upon Purchaser's payment of Lessor's reasonable attorneys' fees to review or revise such documents.
- M. Exercise of Lease Options. It is expressly agreed that the Leasehold Mortgage includes a pledge and assignment of all rights and options of Lessee to extend or renew the Lease, and that upon any assignment or transfer of the Leasehold Interest pursuant to any Foreclosure, such assignment or transfer shall include all such rights and options. No option granted to Lessee to extend or renew this Lease shall be exercisable without the prior, written consent of Leasehold Mortgagee, and in the event of any exercise thereof without such consent, (i) Leasehold Mortgagee shall not be bound thereby and (ii) the option shall not have been validly exercised and Lessee shall be a holdover Lessee. In addition, in any case in which Lessee has failed to exercise any option to extend or renew this Lease within the time required under this Lease, Lessor shall give Leasehold Mortgagee written notice of such failure, and at the written request of Leasehold Mortgagee, (i) Lessor shall extend the period for such exercise by a period of up to sixty (60) days, and (ii) during such 60-day period, if the Leasehold Mortgagee shall cure all defaults that Leasehold Mortgagee is capable of curing and, as to any other defaults, commences the exercise of remedies against Lessee and thereafter diligently pursues the same to completion within the applicable time periods set forth in this Section 14, the right to exercise such option shall continue throughout the curative period provided in Section 14.H above, and upon succeeding to the Leasehold Interest from Lessee, Leasehold Mortgagee or other assignee thereof shall be entitled to exercise such option within fifteen (15) days of succeeding to Lessee's Leasehold Interest.
- N. Assignments by Leasehold Mortgagee. In the event that the Leasehold Mortgagee or any affiliate or nominee thereof shall acquire the Leasehold Interest pursuant to the Leasehold Mortgage and the provisions set forth above, Leasehold Mortgagee or such affiliate or nominee shall be entitled to further assign the Leasehold

Interest in connection with the sale and assignment of such interest and the New Improvements, subject to the terms and conditions of this Lease and only to a transferee who expressly agrees to be bound by the terms of this Lease. Any subsequent assignment of the Leasehold Interest shall be subject to such consent as required under the terms of this Lease.

- O. Leasehold Mortgagee as Beneficiary. Each Leasehold Mortgagee is an express third party beneficiary of the provisions of this Section 14 and shall be entitled to enforce the same directly against Lessor.
- P. Bankruptcy of Lessor. In the event that the Lessor shall become subject to any bankruptcy or insolvency proceeding and subject to applicable law, any rights, elections, or actions available to Lessee therein shall be subject to the rights of Leasehold Mortgagee under the Leasehold Mortgage to consent to, or to exercise on behalf of Lessee, such rights, elections, or actions. Without limiting the foregoing but subject to applicable law, no consent or acquiescence by Lessee to any rejection of this Lease by Lessor or any successor or trustee in such proceeding shall be binding or effective without the prior, written consent thereto by each Leasehold Mortgagee, and the rights, liens, and claims of Leasehold Mortgagee shall extend to, encumber, and include all rights to damages for any such rejection and all rights to continued possession of the Property and Lessee Facility.
- Q. Liability of Leasehold Mortgagee. In no event shall Leasehold Mortgagee have or be deemed to assume any personal liability under this Lease or any personal liability for performance of any of Lessee's obligations under this Lease prior to becoming the Lessee under the Lease, it being agreed that (i) Leasehold Mortgagee's commencement of any Foreclosure or any efforts to cure any default under this Lease shall be for its own protection and shall not by itself constitute an assumption of the Lease nor obligate Leasehold Mortgagee to complete any such proceedings or cure, and (iii) in the event Leasehold Mortgagee or any affiliate or nominee thereof shall have acquired the Leasehold Interest, upon any subsequent assignment of this Lease, Leasehold Mortgagee or such any affiliate or nominee shall be released from any further liability under this Lease accruing after the date of such assignment, other than any unsatisfied indemnification obligations of Lessee under the Lease or any responsibility or liability to any third party for any liabilities or obligations of the Lessee under this Lease, accruing during the assignor's tenancy period.
- R. Rights As Among Leasehold Mortgagees. In any case in which there shall be more than one Leasehold Mortgage, each Leasehold Mortgagee shall be entitled to the benefit of the provisions of this Section 14, provided, that (i) any actions or elections permitted to be taken or made hereunder shall be determined and exercised by the Leasehold Mortgagee whose Leasehold Mortgage is most senior in priority (unless otherwise directed in writing by such senior Leasehold Mortgagee and delivered to Lessor), and (ii) the time periods in this Section 14

for any action or response by a Leasehold Mortgagee shall run concurrently for all Leasehold Mortgagees.

- S. No Encumbrances by Lessor. Lessor agrees not to mortgage or otherwise encumber its interests in the Site and this Lease following the date hereof, unless all holders of any such mortgage, deed of trust, or other encumbrance expressly agree to be subject to and bound by the terms of this Lease (expressly including this Section 14) and that no foreclosure or other enforcement of such mortgage, deed of trust or other encumbrance in and of itself will disturb or effect this Lease or the rights of Leasehold Mortgagees hereunder.
- T. Casualty and Condemnation. In the event of any casualty or condemnation affecting the Property and Lessee's Facility, and notwithstanding any other provision of this Lease to the contrary, (i) any net proceeds of insurance or condemnation that are required to be applied to restoration of the Property and Lessee's Facility or New Improvements shall be payable to Leasehold Mortgagee (or if there is more than one Leasehold Mortgage, to the Leasehold Mortgagee having senior priority) and administered by such Leasehold Mortgagee for application to such restoration in accordance with the provisions of the Lease and the terms and conditions governing such application as set forth in the Leasehold Mortgage, it being agreed that such terms and conditions may not change the obligation of Lessor or Lessee under the Lease to restore the Property and Lessee Facility in a timely manner, (ii) in any case not involving a total condemnation of the Property and Lessee Facility in which any such proceeds are not required under the Lease to be applied to restoration of the Property and Lessee Facility, all such proceeds not required for such restoration shall be payable first to Leasehold Mortgagee (or if there is more than one Leasehold Mortgage, to each Leasehold Mortgagee in order of priority) until the indebtedness and obligations under each Leasehold Mortgage have been paid and satisfied in full, after which they shall be paid to or apportioned between Lessor and/or Lessee as provided under the other provisions of this Lease, and (iii) no election by Lessee to terminate this Lease upon any such casualty or condemnation shall be effective without the prior written consent of each Leasehold Mortgagee.
- U. Lessor Agreement. At the request of any Leasehold Mortgagee (or prospective Leasehold Mortgagee) and upon payment of Lessor's reasonable attorney's fees in connection therewith, Lessor will enter into an agreement with such Leasehold Mortgagee (as executed, together with any amendments thereto and renewals and replacements therefor, the "Lessor Agreement"), containing in substantial substance the following assurances or undertakings, or such additional provisions as may be mutually acceptable to Lessor, Lessee and Leasehold Mortgagee:
- i. Stating that, as of the date of the Lessor Agreement, this Lease is valid and in full force and effect, and has not been altered, amended or modified, in any respect whatsoever, other than pursuant to disclosed amendments delivered to Leasehold Mortgagee;

- ii. Stating, if true, that (a) no notice of any default by Lessee under the Lease has been issued by Lessor, other than with respect to defaults that have been cured or waived by Lessor, and (b) to the best of Lessor's knowledge with no duty of investigation, no default, nor any event that, with the passage of time or the giving of notice, or both, would constitute a default under this Lease has occurred and is continuing as of the date of the Lessor Agreement;
 - iii. Confirming the commencement and termination dates of this Lease, the amount of Annual Rent currently payable by Lessee and the date through which such payments have been made, and whether any options to renew or extend the Lease or to purchase the Lessor's interests in the Property have been exercised or have lapsed; and
 - iv. Expressly identifying each Leasehold Mortgage and Leasehold Mortgagee and setting forth the address(es) of Lessor and each Leasehold Mortgagee for purposes of notices to be given and received pursuant to the provisions of this Section 14.
- V. The parties agree that the form of Lessor's Agreement shall satisfy the requirements of this Section 14.U and shall be executed by Lessor concurrently with its execution of this Lease.
- W. In addition, in the event that there is any transfer of Lessor's interests in the Property, in connection with the execution of all documents required in connection therewith, Lessor will cause any such transferee to provide a Lessor Agreement and acknowledge the rights of Leasehold Mortgagee pursuant to this Section 14.
- X. Nothing in this Section 14 shall prevent or hinder Lessor from exercising its right under the Lease or at law to self-help or to cure Lessee's breach or default under the Lease following issuance of written notice of such default to Lessee and Leasehold Mortgagee. Lessor need not wait until the Leasehold Mortgagee Curative Commencement Date before exercising such rights to self-help or cure. Lessor shall provide to Leasehold Mortgagee written notice of Lessor's election to exercise such rights as soon as reasonably practicable under the circumstances.

15. Environmental

- A. Lessor represents that to the best of its knowledge the Property and Site have not been used for the generation, storage, treatment or disposal of Hazardous Materials. In addition, Lessor represents that to the best of this knowledge no Hazardous Materials or underground storage tanks are located on or near the Property or Site. Notwithstanding any other provision of this Lease, Lessee relies upon the representations stated herein as a material inducement of entering into this Lease. During the Original Term and Renewal Term, Lessor shall handle, store and dispose of all Hazardous Material it brings onto the Site in accordance

with all federal, state and local laws and regulations and shall impose on any lessee, licensee or other party using any portion of Site the same obligation. Lessee shall not bring any Hazardous Materials onto the Property except for those normally used at a public high school campus (e.g., cleaning solvents). Lessee shall handle, store and dispose of all Hazardous Materials it brings onto the Property in accordance with all federal, state and local laws and regulations. "Hazardous Materials" means any substance, chemical, pollutant or waste that is presently identified as hazardous, toxic or dangerous under any applicable federal, state or local law or regulations and specifically includes but is not limited to asbestos and asbestos containing materials, polychlorinated biphenyl's (PCBs) and petroleum or other fuels (including crude oil or any fraction or derivative thereof).

- B. Lessor shall indemnify, defend by counsel reasonably acceptable to the Lessee, and hold harmless Lessee and Summit Public Schools from and against any and all claims, losses, liability, costs, or expenses made against or incurred or suffered by Lessee as a result, directly or indirectly, of the use, generation, treatment, storage, disposal, emission, discharge, release or threatened release of Hazardous Materials in, on or from the Property or Site, by Lessor or any prior or contemporaneous owner, Lessee, sublessee, occupant or licensee of the Property or Site.
- C. Lessee shall indemnify, defend by counsel reasonably acceptable to the Lessor, and hold harmless the Lessor from and against any and all claims, losses, liability, costs, or expenses, arising out of the use, generation, treatment, storage, disposal, emission, discharge, release or threatened release of Hazardous Materials by Lessee in, on or from the Site or Property at any time during the Term of this Lease in violation of Laws governing Hazardous Materials. Nothing in this Lease shall be deemed to require Lessee to assume any liability in respect of the use, generation, treatment, storage, disposal, emission, discharge, release or threatened release of Hazardous Materials at the Site, the Property or any part of the Property occurring prior to the commencement of this Lease or caused by any person or entity other than Lessee or its employees, agents, contractors or invitees.
- D. Lessor's and Lessee's obligations pursuant to this Section shall survive the termination of the Lease.

16. Dispute Resolution

- A. The parties agree to mediate any dispute among them arising out of this Agreement prior to any court action. If the parties cannot agree on a mediator, the Superior Court of San Mateo County shall appoint a mediator. The mediator may conduct more than one session and the costs associated with the mediation shall be divided equally between Lessor and Lessee. The parties agree that the jurisdiction of any further action lies in the state court of San Mateo County, with the further understanding that the parties may stipulate at any time to binding arbitration.

17. Complete Settlement of Proposition 39 Rights and Obligations

- A. Lessee and Summit Public Schools acknowledge and agree that this Lease fulfills all Proposition 39 obligations of the Lessor for the Summit Public Schools: Shasta Charter School for the term (including any Renewal Term) of this Lease except if the Premises are destroyed by a casualty that is not the fault of Lessee or an Act of God, or if all or any portion of the Premises is taken under the power of eminent domain or sold under the threat of that power. Lessor is hereby forever discharged from and released from any claims, demands, losses, lawsuits, or damages that the charter school has against Lessor related in any way to its Proposition 39 obligations to the Charter School except as set forth herein.

18. Miscellaneous.

- A. If any provision of this Lease, the deletion or modification of which would not adversely affect the receipt of any material benefit by either party, is declared by a court of competent jurisdiction (or by an arbitrator) to be invalid or unenforceable, then the remainder of this Lease shall not be affected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law. In lieu of each provision of this Lease that is valid or unenforceable, there shall be added as part of this Lease an enforceable provision as similar in terms to such invalid or unenforceable provision as possible.
- B. This Lease shall be binding on and inure to the benefit of the successors and permitted assignees of the respective parties.
- C. Any notice or demand required herein shall be given personally, by certified or registered mail, postage prepaid, return receipt requested by confirmed fax, or by reliable overnight courier to the address of the respective parties set forth on the signature page. Any notice served personally shall be deemed delivered upon receipt, served by facsimile transmission shall be deemed delivered on the date of receipt or on the date receipt is refused as shown on the records or manifest of the U.S. Postal Service or such courier. Lessor or Lessee may from time to time designate any other address for this purpose by written notice to the other party.
- D. Except for consent or approval in which a party has sole discretion, where the consent or approval of either Lessor or Lessee is required, such consent or approval shall not be unreasonably withheld or delayed.
- E. This Lease shall be governed, construed and interpreted under the laws of the State of California. This Lease shall be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against either party. This Lease shall not be interpreted or construed against the party preparing it.

- F. Any dispute arising out of this Agreement shall be venued in the San Mateo County Superior Court.
- G. Lessee may not assign all or any portion of this Lease or its rights under this Lease or sublet all or any part of the Property without obtaining the prior written consent of Lessor which shall not be unreasonably withheld conditioned or delayed. Notwithstanding the foregoing, Lessee may assign all or any portion of this Lease or its rights under this Lease or sublet all or any part of the Property without obtaining the Lessor's consent, to any entity which (a) controls, is controlled by, or is under common control with Lessee; (b) to any entity which results from a merger of, reorganization of, or consolidation with Lessee; (c) to any entity engaged in a joint venture with Lessee or any of its affiliates; (d) or to any other school, day care center or any other entity or organization for use as a place of education or instruction.
- H. If performance of the Lease or of any obligation hereunder (not including Lessee's duties and obligations to pay Annual Rent, additional rent or any other monetary charges) is prevented or substantially restricted or interfered with by reason of an event of "Force Majeure" (defined below), the affected party, upon giving notice to the other party, shall be excused from such performance to the extent of and for the duration of such prevention, restriction or interference. The affected party shall use its reasonable efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder whenever such causes are removed. "**Force Majeure**" means fire, earthquake, flood, natural disaster, or "acts of god" or other casualty or accident; strikes or labor disputes; war, civil strife or other violence; or any other act or condition beyond the reasonable control and without the fault or negligence of the party claiming Force Majeure.
- I. Terms and condition of this Lease which by their sense and context survive the termination, cancellation or expiration of this Lease will so survive.
- J. Each person executing this Lease for either Lessee or Lessor represents for himself or herself and for the path for which the person purports to act, that such person is authorized to execute the Lease on behalf of such party, that such person is acting within the scope of such person's authority, and the party has the authority, to enter in to this Lease and to be bound by the terms of this Lease.
- K. Time is of the essence of this Lease.
- L. This Lease including all attachments and riders constitutes the entire agreement and understanding between the parties and supersedes all offers, negotiations and other leases and agreements, written or oral, concerning the subject matter contained herein. There are no representations or understandings of any kind not set forth herein. Any amendments to this Lease shall be effective only if in writing and executed by both parties.

M. Lessor consents to the recording of a memorandum of this Lease or of the entire Lease by Lessee in the Office of the County Recorder of San Mateo, California.

IN WITNESS WHEREOF, the parties have executed this Lease as of _____, 2015.

LESSOR:

JEFFERSON UNION HIGH SCHOOL DISTRICT,
a public school district organized and existing under
the laws of the State of California

By: _____
Superintendent

By: _____
Board of Education

Approved at its Board meeting of _____, 2015 by a vote of _____ to _____.

699 Serramonte Blvd., Suite 100
Daly City, California 94015

LESSEE:

COMMUNITY HIGH SCHOOL FOUNDATION, a California
non-profit public benefit corporation

By:  10/19/15
Director or Designee

890 Broadway Street
Redwood City, CA 94063

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APPENDIX J

HOME OFFICE GROUND LEASE

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GROUND LEASE AGREEMENT

This GROUND LEASE AGREEMENT (“**Ground Lease**”) is entered into as of September, 15, 2017 for reference purposes only, by and between the EdFuture LLC, a California limited liability company, (“**Lessee**”) and 780 Broadway LLC, a California limited liability company, owner of the property identified below (“**Lessor**”). Lessee and Lessor are collectively referred to herein as the “**Parties**” or individually as a “**Party**.” This Ground Lease shall be effective as of the last date that this Ground Lease is signed by a signatory hereto as noted on the signature page (“**Effective Date**”).

RECITALS

WHEREAS, Lessee is a special purpose entity whose sole member is Community High School Foundation, Inc., a non-profit public benefit corporation (“**CHSF**”) that serves as a support organization for Summit Public Schools, a California non-profit public benefit corporation which operates California public charter schools, (“**Summit**”). Lessee was formed and organized specifically to hold this Ground Lease.

WHEREAS, Lessor is the legal owner of record and title holder of a 18,150 square foot parcel of land described as APN: 054-040-130 with an address of 780 Broadway, Redwood City, CA (“**Parcel**”) as further described on Exhibit “A” attached hereto. The Parcel is improved with an approximately 12,000 square foot building situated thereon (“**Building**”) together with all other improvements thereon, if any, and together with all rights, privileges, easements appurtenant to the Parcel, including, easements for pedestrian and vehicular access, ingress, egress upon, over, through and across the Parcel and any driveways, access ways and sidewalks located from time to time on the Property and the right to use any and all utility installations or systems located on and serving the Property (“**Premises**”). The Premises and the Parcel are collectively referred to herein as the “**Property**.”

WHEREAS, Lessor and Summit entered into and executed that certain Lease Agreement, with an effective date of September 1, 2016, for reference purposes, for the Property (“**Interim Lease**”). Pursuant to the Interim Lease, Summit leased the Property with the intent to use the Property as office space and during such term of the Interim Lease, Summit investigated whether the Property could be converted into a public school facility in accordance with any and all federal, state and local laws, regulations, ordinances, orders, rules, and requirements of all federal, state and municipal governments and the appropriate departments, commissions, agencies, boards and officers thereof (each a “**Law**” and collectively, “**Laws**”).

WHEREAS, Summit has determined that the Property could not be used nor converted into a public school facility site in accordance with all applicable Laws. However, Lessee desires to continue to lease the Property for use as an office and warehouse as further described in Section 2, below, and to remodel and reconfigure the Building on the terms and conditions as set forth in this Ground Lease. Upon the full execution of this Ground Lease, the Interim Lease shall terminate and this Ground Lease shall immediately and simultaneously supersede and replace the Interim Lease.

WHEREAS, subject to the following terms and conditions, Lessor hereby agrees to lease to Lessee and Lessee agrees to lease from Lessor, the Property on the terms and conditions set forth in this Ground Lease.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessor and Lessee hereby agree as follows:

AGREEMENT

1. Property.

1.1 Lessee acknowledges and agrees that Summit has occupied the Property for over a year under and pursuant to the terms of the Interim Lease and Lessee further agrees that no pre-existing environmental conditions have arisen at the Property. Notwithstanding the foregoing, Lessor, at Lessor's sole cost and expense, shall be responsible for remediation of any environmental conditions known to Lessor and pre-existing the effective date of the Interim Lease. Subject to the foregoing, Lessee agrees to lease the Property "as is", "where is" and "with all faults" and to make any and all improvements, repairs, replacements and/or maintenance that Lessee deems are necessary, at Lessee's sole cost and discretion, subject to the provisions set forth in this Ground Lease.

1.2 Lessee's possession of the Property on the Effective Date is conclusive evidence of Lessee's acceptance of the condition of the Property in good order and satisfactory condition. Lessee acknowledges that no representations or warranties concerning the condition of the Property or of the presence of Hazardous Materials, or workmanship of or defects in materials or labor or repair, maintenance or improvements to the Property have been made by Lessor or its agents or representatives to Lessee, except as expressly set forth in this Ground Lease.

1.3 Lessor acknowledges that Lessee intends to remodel the existing Building on the Property to reconfigure the rentable space within the Building as further described on Exhibit "D" attached hereto and incorporated herein by this reference to be used for the Permitted Use as described in Section 2, below ("**Remodeled Facility**"). Such Remodeled Facility also anticipates the incorporation of a parking lift to provide the required parking as designated by the City of Redwood. Pursuant to the terms of this Ground Lease, Lessee shall (i) provide proof (as reasonably required by Lessor) of sufficient funds to construct the Remodeled Facility prior to the commencement of any demolition in the existing Building, (ii) obtain the written consent of Lessor prior to commencing any demolishing within the Building and constructing, remodeling, or reconfiguring the Remodeled Facility and (iii) making any future modifications to the Remodeled Facility (except to the extent as already consented to as set forth in Section 6.3, below) (iv) or any other improvements on the Property or (v) removing any improvements existing on the Property, now or in the future, which consent, in each instance where consent is required, shall not be unreasonably withheld, conditioned or delayed. Lessee shall not be required to remove the Remodeled Facility from the Premises at the termination or expiration of the Term (as defined in Section 3, below).

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Subject to the foregoing and the terms and conditions of the Ground Lease, Lessor and Lessee agree that Lessee will be remodeling and reconfiguring the Remodeled Facility to be used as an administrative office and warehousing facility. Notwithstanding the foregoing, Lessee covenants and agrees that the Remodeled Facility and any subsequent modifications or improvements thereto must, at the expiration or termination of this Ground Lease, also be marketable as an office building, with the understanding that any then-existing interior improvements will likely be at the end of their useful life and will need to be updated, improved or removed for any subsequent office tenancy.

Lessor shall have the right to approve the design for the Remodeled Facility and any subsequent modifications or improvements thereto which approval shall not be unreasonably withheld, conditioned nor delayed.

Notwithstanding the foregoing, Lessee agrees that the construction of the Remodeled Facility or any subsequent improvements or alterations on the Property shall be in compliance with any and all Laws so that the Remodeled Facility can be used for the Permitted Use.

2. Use. During the Term, Lessee agrees to use and shall cause the Property to be used solely for administrative office and general warehouse space as well as general assembly of staff for the purposes of training and professional development and for no other purpose or use without the prior written consent of Lessor (“**Permitted Use**”). Notwithstanding the foregoing, Lessor understands that students may need access to the administrative office periodically to attend with administrative requirements, however, Lessee agrees that the Permitted Use does not include assembly for students of any kind nor classes nor tutoring of students at or in the Premises. Lessee shall at all times comply with all applicable Laws in the use, occupancy, construction, maintenance, and operation of the Premises, Remodeled Facility, and Property.

3. Term; Holdover.

3.1 Term. The term of this Ground Lease (“**Term**”) shall be for a period of thirty-seven (37) consecutive years commencing on the Effective Date and continuing until the expiration of the consecutive thirty-seventh annual anniversary of the Effective Date unless sooner terminated as set forth herein. The Parties agree to execute an addendum to this Ground Lease promptly after full execution of this Ground Lease to set forth the actual Effective Date of this Ground Lease.

3.2 Holdover. Any holding over by Lessee after the expiration or termination of the Term shall be deemed a month to month tenancy and this Ground Lease shall continue upon the same terms and conditions as set forth in this Ground Lease, provided however, that the monthly Rent payment shall not be lower than the last month of the Rent due and owing Lessor as of the expiration of the Term and the Base Rent shall continue to increase on each annual anniversary of the Effective Date during any holdover period by Two Percent (2%) until the later of a termination of this Ground Lease or the date that the Lessee (or its permitted successor or assignee) is no longer in possession of the Property and Premises. Each party hereto shall give the other notice at least one (1) month prior to the date of termination of such monthly tenancy of its intention to terminate such tenancy unless Lessor terminates this Ground Lease sooner as allowed under and pursuant to

the terms of this Ground Lease, or if such Term is extended under Section 15.2(c), or such Term is extended in order for Lessee to fulfill its obligations under Section 7.3(b).

4. Right of First Offer to Purchase. Lessee shall have a Right of First Offer to purchase the Property in the event that Lessor, in Lessor's sole discretion, decides to sell the Property during the Term. In the event Lessor decides to sell the Property, Lessor shall give notice to Lessee of the price for which Lessor desires to sell such Property. Lessee shall have fourteen (14) consecutive days after receipt of notice from Lessor of Lessor's desire to sell the Property in which to elect to purchase the Property ("**Purchase Election Notice**"). If Lessee does not provide a Purchase Election Notice to Lessor within such period that Lessee desires to purchase the Property, then Lessor shall be free to sell the Property to any third party and with no further obligations to Lessee except as specifically set forth in this Ground Lease. However, any sale of the Property must be made subject to this Ground Lease including the rights of any Leasehold Mortgagee as stated herein and shall be made contingent on Lessee remaining on the Property for the Term of this Ground Lease provided that Lessee is not in default hereunder.

5. Rent.

5.1 Base Rent. From the Effective Date until the expiration or termination of the Term, Lessee shall pay to Lessor, without any prior demand for payment and without any offsets or deductions whatsoever, except as specifically set forth herein, on the first day of each and every calendar month during the Term, in equal monthly installments, in advance, the Base Rent amounts as set forth on Exhibit "B" attached hereto and incorporated herein by this reference. The obligation to pay Rent (as defined in Section 5.2, below) and other charges as set forth herein shall commence on the Effective Date. In the event the Effective Date occurs on a day other than the first (1st) day of the month, then the Base Rent and other charges shall be prorated for the period on the basis of one-thirtieth (1/30th) of the monthly amount for each such day from the Effective Date to the last day of the month.

5.2 Additional Rent. As Additional Rent, Lessee shall promptly pay when due (or if any invoice is received by Lessor, then Lessee shall pay such costs to Lessor within fifteen (15) calendar days of presentment therefor) all expenses and other charges, of whatever nature, arising in connection with Lessee's use, operation and occupancy of the Property and the Remodeled Facility and the rights and privileges herein granted, including, but not limited to, insurance coverages required to be carried on the Building, if applicable, the Remodeled Facility, and the Property as set forth herein, real estate and personal property taxes, permit fees, license fees and assessments lawfully levied or assessed upon the Building, if applicable, the Remodeled Facility, and the Property, or any improvements at any time situated therein and thereon, any costs or expenses of any maintenance or replacements to the Building, the Remodeled Facility, and the Property as set forth herein. For the purposes of this Lease, "**Rent**" shall include Base Rent, Additional Rent and all other charges, including late fees described in Section 5.4, below and Default Interest as set forth in this Ground Lease. This Ground Lease shall be "Absolute Net" in nature during the Term, with Lessee responsible for all (i) real estate taxes, (ii) any and all insurance coverage to the greater of whether it is required hereunder or advisable, and (iii) repair, replacement and maintenance of the Premises, Remodeled Facility and the Property. Lessor shall

have no obligation to repair and maintain the Premises, Remodeled Facility nor the Property, all of which obligations shall be the sole responsibility of Lessee.

5.3 Payment of Rent. All Rent shall be payable from any account utilized by Lessee, and payments can be made by check with sufficient and good funds or in the form of a wire (electronic) transfer directly into Lessor's bank account.

5.4 Late Fee. Lessee acknowledges that the late payment of Rent may cause Lessor to incur costs and expenses not contemplated by this Ground Lease, the exact amount of which is difficult and impractical to determine. These costs may include but are not limited to, processing, enforcement and accounting expenses, NSF charges, and any other late charges imposed on Lessor. If any installment of Rent due from Lessee is not received by Lessor when due under this Ground Lease, Lessee shall pay to Lessor an additional sum of ten percent (10.0%) of the amount due, which shall be deemed included as "**Additional Rent**" and shall be paid with the current installment of Rent. The Parties agree that this late charge represents a fair and reasonable estimate of the cost that Lessor shall incur by reason of late payment by Lessee. Lessor's right to collect a late fee shall not constitute a waiver as to any default by Lessee. Lessor's acceptance of a late fee shall not be deemed an extension of the date Rent is due under Sections 5.1 and 5.2, nor prevent Lessor from exercising any other rights and remedies under this Ground Lease or as provided by law.

5.5 Rent Abatement.

5.5.1 *Rent Abatement Period.* Lessor agrees that Lessee shall be relieved of its obligation to pay Rent for the consecutive twelve (12) month period commencing on the first day of the next month following Lessee's completion of the following obligations and delivery of copies to Lessor of all documents supporting Lessee's completion of the following: (a) completion of construction of the Remodeled Facility; (b) evidence of the payment of all contractor's invoices and final lien releases for all work performed under Lessee's Guaranteed Maximum Price Contract for construction, remodeling and reconfiguration of the Remodeled Facility and Property; (c) receipt of a Certificate of Occupancy from the City of Redwood City for the Remodeled Facility; and (d) a preliminary title report reflecting clear title and no liens except for permitted liens provided that Lessee has not been in default of any of the terms and conditions of this Ground Lease beyond any applicable notice and cure period ("**Rent Abatement Period**"). For example, if Lessee complies with its obligations as set forth in this Section 5.5.1(a)-(d) above by April 16, 2018 and Lessee has not been in default beyond its notice and cure period, then the Rent Abatement Period shall commence on May 1, 2018 and continue until April 30, 2019. The Parties agree to execute and deliver to each other an Amendment to this Ground Lease confirming the Rent Abatement Period and the Annual Rent Abatement Month as defined in Section 5.5.2, below, if applicable.

5.5.2 *Annual Rent Abatement Month.* Lessor further agrees, that if Lessee has fully complied with the conditions of Section 5.5.1, above and the Rent Abatement Period has been completed and further, provided that, Lessee has not been in default of any of the terms and conditions of this Ground Lease beyond any applicable notice and cure period in each successive year, Lessor agrees that Lessee shall be relieved of its obligation to pay Rent to Lessor for a single

designated month in each successive eight (8) annual twelve month periods (“**Annual Rent Abatement Month**”). Continuing with the use of the example in Section 5.5.1, above, if Lessee is in compliance with all of its obligations set forth in this Section 5.5.2, then the Annual Rent Abatement Month would be May of each successive year from 2019 through 2026.

In the event that the construction of the Remodeled Facility and the obligations of Lessee as set forth in Section 5.5.1 (a)-(d) have not been completed by September 1, 2020, then the Rent Abatement Period and the Annual Rent Abatement Month shall be null and void.

5.6 Security Deposit. Lessor agrees that Summit has previously deposited with Lessor, under and pursuant to the Interim Lease, the sum of Thirteen Thousand Nine Hundred Seventy-Four Dollars and Fifty Cents (\$13,974.50) which shall continue to be held by Lessor as a portion of the Security Deposit for Lessee hereunder. Upon execution of this Ground Lease, Lessee agrees to deposit with Lessor a sum equal to Ten Thousand Twenty-Five Dollars and Fifty Cents (\$10,025.50) so that the total security deposit held by Lessor shall be an amount equal to Twenty-Four Thousand Dollars (\$24,000.00) as the security deposit hereunder. The total amount of the security deposit shall continue to be held by Lessor as a security for the faithful performance by Lessee of all the terms, covenants and conditions of this Ground Lease to be kept and performed by Lessee during the Term hereof and shall not be considered as advance rental payments. If Lessee defaults with respect to any provision of this Ground Lease beyond any applicable notice and cure period, including but not limited to the provisions relating to the payment of Rent, Lessor may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any Rent or any other sum due hereunder in default, or for the payment of any amount which Lessor may spend or become obligated to spend by reason of Lessee’s default, or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of Lessee’s default. If any portion of the security deposit is so used or applied, Lessee shall, within ten (10) days after written demand therefor, deposit cash with Lessor in an amount sufficient to restore the security deposit to its original amount hereunder and Lessee’s failure to do so shall be a default under this Ground Lease. Lessor shall not be required to keep this security deposit separate from its general funds, and Lessee shall not be entitled to interest, if any, accrued on such security deposit. If Lessee shall fully and faithfully perform every provision of this Ground Lease to be performed by it, the security deposit or any balance thereof shall be returned to Lessee (or, at Lessor’s option to the last assignee of Lessee’s interest hereunder) within thirty (30) days following the expiration of the Ground Lease Term. In the event of termination of Lessor’s interest in this Ground Lease, provided that Lessee is not in default of any of the terms and conditions of this Ground Lease beyond any applicable notice and cure period, Lessor shall transfer the security deposit to Lessor’s successor in interest. In the event that Lessee becomes the owner of the Property, provided that Lessee is not in default of any of the terms and conditions of this Ground Lease, Lessor shall return the security deposit to Lessee within thirty (30) days of the transfer of title of the Property from Lessor to Lessee. Lessee waives the provisions of California Civil Code Section 1950.7 and all other provisions of Law that provide that Lessor may claim from the security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Lessee, or to clean the Building, Remodeled Facility (as the case may be) and the Property.

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5.7 Rent During Construction. Lessee agrees that it shall pay Rent (including all Additional Rent) due under the terms of this Ground Lease during any period: (a) when the interior of the Building is being demolished or remodeled; (b) of design or construction of the Remodeled Facility; or (c) of further remodeling or reconstruction of the Remodeled Facility or any part thereof.

6. Access To Property; Testing.

6.1 Lessee shall have the right (but not the obligation) but with prior written notification to Lessor, at any time following the Effective Date, to enter the Property for the purpose of making inspections and preparing engineering surveys, soil tests, environmental studies, geological tests and other tests necessary or advisable and relative to installing and constructing the Remodeled Facility and to prepare the Property for the construction of the Remodeled Facility.

Lessee may conduct, at its own risk, cost and expense, tests, physical inspections of the Property and to investigate zoning and other governmental regulations and approval rights related to the Permitted Use of the Property subject to the terms and conditions set forth in this Ground Lease. Lessee may, if Lessee so chooses, also perform an environmental review of the Property; provided, however, that Lessee shall obtain Lessor's prior written approval prior to conducting any physically invasive environmental tests on the Property, which approval shall not be unreasonably withheld, conditioned or delayed. Lessor shall cooperate in providing reasonable access to the Property for all such inspections, examinations and testing. In the event of any damage or disturbance resulting from the activities of Lessee or Lessee's employees, agents, contractors, and subcontractors ("**Lessee's Agents**") on or around the Property, the Property shall be restored by Lessee at Lessee's sole expense to the same or better condition in which it existed prior to the commencement of such examination, inspection, testing or other actions by Lessee or Lessee's Agents, including, but not limited to, the replacement of asphalt, concrete and landscaping. Upon Lessor's request, Lessee shall promptly deliver to Lessor copies of any reports relating to any testing or other inspection of the Property performed by Lessee or Lessee's Agents. Lessee shall maintain, and shall assure that Lessee's Agents maintain, general liability, public liability and property damage insurance coverage in amounts and in form and substance adequate to insure against all liability of Lessee and Lessee's Agents, arising out of any entry, inspections, examinations or testing of the Property pursuant to the provisions hereof, including but not limited to bodily injury, death and property damage. Prior to entering onto the Property, Lessee shall provide Lessor certificates of insurance and appropriate additional insured endorsements evidencing such coverage, and further evidencing that such coverage may only be terminated or modified upon thirty (30) days prior written notice to Lessee (with Lessee required hereunder to forward any such notice to Lessor within three (3) days of receipt therefor), and any such insurance shall name Lessor as an additional insured or a loss payee, as applicable. Lessee shall indemnify, reimburse, and defend Lessor and each of Lessor's heirs, trustees, beneficiaries, partners, members, managers, representatives, officers, directors, consultants, invitees, professional advisors, employees and contractors and each of their respective successors and assigns (each a "**Lessor Party**" and collectively, the "**Lessor's Parties**") for, from and against and hold Lessor and each of the Lessor's Parties harmless from any and all direct and indirect claims, obligations, actions, demands, liabilities, judgments, losses, damages, costs and expenses, including reasonable attorneys' fees and costs, and disbursements, arising from any

bodily injury, death, property damage or mechanics lien claims caused by Lessee or Lessee's Agents arising from or relating to or in connection with any entry, examination, inspection, testing, repair or restoration on or of the Property by Lessee or Lessee's Agents pursuant to this Section 6.1. This indemnity shall survive the expiration or any termination of this Ground Lease.

6.2 Lessee's Work Product. Within the lesser of: ten (10) calendar days of receipt therefor or within ten (10) calendar days of any of termination hereunder, Lessee agrees to deliver and assign to Lessor, true and correct copies of all of the data, reports, analyses, proformas, test results, studies, architectural drawings, engineering studies or reports, including, without limitation, any environmental studies, reports or tests, entitlements and approvals obtained by Lessee with respect to the Property, including all related third-party studies, documents, architectural drawings and engineering work for the Property (collectively, the "**Lessee's Work Product**"). Lessor acknowledges that Lessee shall make no warranties or representations regarding the adequacy of the Lessee's Work Product, that Lessee expressly disclaims any liability for any and all defects or deficiencies contained in the Lessee's Work Product, and that Lessor shall accept the Lessee's Work Product in its "AS IS" condition. Lessee shall also return to Lessor all Lessor's Materials and agrees to keep all of the information and reports obtained from Lessor or obtained by Lessee relating to the Property (including, but not limited to the Lessor's Materials and the Lessee's Work Product) confidential, and shall not disclose any such confidential information to any other person or entity without the prior written consent of Lessor. For the purposes of this Ground Lease, "**Lessor's Materials**" shall mean any environmental reports, title reports or any documents relating to the use or occupancy of the Property that Lessor delivers to Lessee.

6.3 Entitlements. Lessee shall be authorized to discuss the Property and Lessee's desire to construct, demolish, remodel, reconfigure and operate the Remodeled Facility at the Property for the Permitted Use with the appropriate officials at the City of Redwood City ("**City**") and complete and submit any necessary paperwork, applications, studies or other work required to receive all necessary approvals to allow Lessee to construct, demolish, remodel, reconfigure and operate the Remodeled Facility, provided that, Lessee shall not make any submittals to the City without Lessor's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Lessor agrees to cooperate with Lessee in Lessee's filing of its application for applicable development and building permits and any other documents necessary for Lessee to construct, demolish, remodel, reconfigure and operate the Remodeled Facility and reasonably assist Lessee in meeting with the City's staff, design review board, and Planning Commission, if necessary; provided, however, that (a) Lessor shall have the right to approve any such applications to be filed by Lessee with respect to the Remodeled Facility and the Property, which approval shall not be unreasonably withheld, conditioned or delayed, and (b) Lessor shall not be required to assist Lessee in filing any such applications, or otherwise permitting Lessee to file, any applications that would violate the terms of this Ground Lease. Notwithstanding the foregoing, Lessor acknowledges that as of the Effective Date of this Ground Lease (i) Lessee has received approval from the City of Redwood City for its plans, dated August 18, 2017, to demolish the interior of the Building and construct, remodel and reconfigure the Building, in accordance with such plans ("**City Approved Plans**"); (ii) that Lessor has received copies of the City Approved Plans, a copy of which is attached hereto as Exhibit "D"; and (iii) Lessor has given consent for Lessee to perform the work to demolish the interior of the Building, construct, remodel, reconfigure and operate the Remodeled Facility pursuant to such City Approved Plans set

forth in Exhibit “D” and as further required by this Section 6.3. All entitlement/third party costs related to efforts by Lessee under this Section 6.3 shall be borne solely by Lessee.

6.4 Subject to the terms of this Ground Lease and provided that Lessee has obtained all necessary and appropriate permits and approvals, Lessee shall do all work necessary to prepare, maintain and alter the Property to prepare for the construction at the Remodeled Facility, including, without limitation, installing any required utility lines and transmission lines. All of Lessee’s construction and installation work shall be performed at Lessee’s sole cost and expense (i) by licensed and bondable contractors, (ii) in compliance with any and all Laws, and (iii) such work shall be done in a good and workmanlike manner and pursuant to best practices and industry standards.

Lessor, at no cost to Lessor, will from time to time during the Term execute and deliver all applications for permits, licenses or other authorizations relating to the Property as reasonably requested by Lessee and as required by any municipal, county, state, or federal authorities, or required in connection with the construction, reconstruction, remodel, reconfiguration, repair or alteration of the Remodeled Facility or other improvements now or hereafter constituting a part of the Property.

6.5 Lessee shall either improve the present utility installations serving the Property or install new utility installations (including emergency or back-up battery or transportable generator power) that are reasonably required, if any, for the construction and operation of the Remodeled Facility for Lessee’s Permitted Use, at Lessee’s sole cost and expense, and if required to comply with any applicable Laws.

6.6 Lessee shall obtain any and all approvals which are required by the State of California, County of San Mateo, City of Redwood City, and any other public agency with jurisdiction or utility company as required for the construction and operation of the Remodeled Facility. Lessor, at no cost to Lessor, will from time to time during the Term execute, acknowledge, and deliver any and all instruments reasonably required to grant rights-of-way and easements in favor of municipal and other governmental authorities or public utility companies incident to the installation of water lines, fire hydrants, sewers, electricity, telephone, gas, steam, and other facilities and utilities reasonably required for Lessee’s Permitted Use and occupancy of the Property and for the construction of the Remodeled Facility.

6.7 After the initial construction, remodeling and reconfiguration of the Building pursuant to the City Approved Plans and Exhibit “D”, Lessee shall have the right at any time and from time to time during the Term to make such additional cosmetic leasehold improvements to the Remodeled Facility or the Property in accordance with the terms and conditions of this Ground Lease, without Lessor’s prior written consent so long as such improvements: (i) do not require a building permit; (ii) do not cost an amount equal to or greater than \$20,000.00 in the aggregate; and (iii) are not structural in nature (including, without limitation, moving any load bearing walls). If Lessor’s prior written consent is required for any such improvements or alterations, then Lessor shall, at the time of giving such approval, notify Lessee, in writing, whether such improvements or alterations must be removed prior to the termination or expiration of the Term. Any such

alterations to the Premises, Remodeled Facility or Property must be done in strict compliance with the terms and conditions of this Ground Lease, specifically, Section 6 hereof.

6.8 Compliance with Americans with Disabilities Act. Lessee is responsible for compliance with the Americans with Disabilities Act of 1990 (“ADA”) as the same may be amended from time to time, its supporting regulations, and all similar federal, state or local laws, regulations and ordinances, including but not limited to, those laws, regulations or ordinances relating to the Lessee’s use and occupancy of the Property, or the removal of barriers within the workplace (i.e., arrangement of interior furnishings), and access to, from and within the Property, the Building or the Remodeled Facility, and any improvements or alterations installed by Lessee. Lessee shall be responsible for any and all costs associated with ADA compliance in, around or on the Property whether such requirement arose prior to or during the Term. During the Term, if Lessor’s consent would be required for alterations to bring any portion of the Property or the Remodeled Facility into compliance with current Laws, Lessor agrees not to unreasonably withhold its consent.

Within ten (10) business days after receipt by Lessee, Lessee will advise Lessor in writing, and provide Lessor with copies (as applicable), of (i) any notices alleging any violation of the ADA relating to any portion of the Property or the Remodeled Facility, (ii) any claims made or threatened orally or in writing regarding noncompliance with the ADA and relating to any portion of the Property or the Remodeled Facility, or (iii) any governmental or regulatory actions or investigations instituted or threatened regarding noncompliance with the ADA and relating to any portion of the Property or Remodeled Facility. Lessee will and hereby agrees to indemnify, defend (with counsel reasonably acceptable to Lessor) and hold Lessor and each of the Lessor’s Parties from and against all liabilities, damages, claims, losses, penalties, judgments, charges and expenses (including reasonable attorneys’ fees, costs of court and expenses necessary in the prosecution or defense of any litigation including the enforcement of this provision) arising from or in any way related to, directly or indirectly, Lessee’s or the Lessee Parties’ failure to comply with terms of this Section 6.8 of this Ground Lease. The Lessor and Lessee agree that the obligations under this Section 6.8 of the Ground Lease will survive the expiration or earlier termination of this Ground Lease.

6.9 Any demolition activity at the Property and all improvements, construction, changes and alterations to the Building, Remodeled Facility or Property (other than changes or alterations of movable trade fixtures and equipment), repairs, maintenance, remodel, reconfiguration, or replacement thereof shall be undertaken in all cases subject to the following additional conditions which Lessee agrees and covenants to observe and perform:

6.9.1 No improvement, construction, change or alteration, and no demolition nor replacement of the Building, Remodeled Facility or Property shall be undertaken until Lessee shall have procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits, licenses and other authorizations of the various municipal departments and governmental subdivisions having jurisdiction over the Premises, Remodeled Facility or Property. Lessor agrees to reasonably and promptly cooperate with Lessee in obtaining such permits or authorizations at no cost to Lessor whenever such action is necessary.

6.9.2 All work done in connection with any improvement, change, construction, alteration, demolition, repair, maintenance, remodel, reconfiguration, or any replacement thereof and thereafter shall be done promptly, and once commenced shall be diligently pursued to completion, and all such work shall be done in a good and workmanlike manner and in compliance with any and all applicable Laws. All such work shall be at the sole cost and expense of the Lessee except as otherwise set forth specifically in this Ground Lease or as agreed to by the Parties pursuant to a written amendment to this Ground Lease.

6.9.3 Lessee has the right to hire contractors, subcontractors, architects, consultants, attorneys, accountants, and other professional advisors as Lessee deems necessary or advisable, in its sole discretion, in connection with Lessee's testing of the Property, construction at or of the Remodeled Facility or any subsequent changes, alterations, remodeling, modifications, or replacements thereof subject to the terms and conditions set forth herein, including but not limited to compliance with all Laws. Further, Lessee agrees that all contractors, subcontractors, architects, consultants and/or any service providers and their employees or subcontractors performing or offering any service or function within the Premises, Building, Remodeled Facility or on the Property obtain and maintain all appropriate insurance coverages for the benefit of the Lessor, as further detailed in this Ground Lease and shall furnish to Lessor a copy of the certificate of insurance and proper additional insurance endorsements naming Lessor as additional insured.

6.9.4 Lessee's Covenants Regarding Liens. Lessee agrees that it will promptly pay, or cause to be paid, all costs of labor, services, or materials supplied in the prosecution of any work done, or caused to be done on the Premises, the Remodeled Facility or the Property. Lessee will keep the Premises, the Remodeled Facility or the Property free and clear from any and all mechanics liens and other liens on account of work done for Lessee or persons claiming under Lessee. If a lien is filed against the Premises, the Remodeled Facility or the Property, Lessee shall take immediate action to remove such lien or have any mechanics or materialman's liens or stop notices released by posting an appropriate release bond therefor. Lessee agrees that it will notify Lessor immediately in writing of any claim or lien filed against Premises, the Remodeled Facility or the Property or the commencement of any action affecting the title to the Property.

6.9.5 Liens Filed Against Property. If Lessee shall be in default of any of its covenants in this Section 6.9, by failing to provide security for or satisfaction of any lien, then Lessor, in addition to any other rights or remedies it may have, may (but shall not be obligated to) discharge such lien by (a) paying the claimant an amount sufficient to settle and discharge the claim; (b) posting a lien release bond; or (c) taking such action as Lessor shall deem appropriate, in which event Lessee shall pay, as Additional Rent, on Lessor's demand, all costs (including reasonable attorneys' fees and costs) incurred by Lessor in settling and discharging the lien together with interest thereon in accordance with the Default Interest noted herein from the date of Lessor's payment of such costs through the date that Lessee reimburses Lessor such amount, in full. Lessor's payment of such costs shall not waive any default of Lessee under this Ground Lease.

6.9.6 Notice of Non-Responsibility. Lessor shall have the right to go onto and inspect the Premises, the Remodeled Facility or the Property at all reasonable times and shall have

the right to post and keep posted on the Premises, the Remodeled Facility or the Property notices of non-responsibility or such other notices that Lessor may deem to be proper for the protection of Lessor's interest in the Premises, the Remodeled Facility or the Property. Before the commencement of any work hereunder that may result in a lien, Lessee shall give to Lessor a written notice of its intention to do such work in sufficient time to enable Lessor to post such notices.

7. Taxes, Utilities and Maintenance.

7.1 Taxes on the Premises, Property and Remodeled Facility.

a. Lessee's Responsibility. Lessee shall promptly pay the Taxes (as defined in Section 7.1(c) below) applicable to the Premises, the Property, and the Remodeled Facility, if any. Lessor agrees to fully cooperate (including the execution of documents and instruments), at no cost to Lessor, with Lessee in any application made by Lessee for an exemption from property taxes under Revenue and Taxation Code Section 202.2, if applicable, and any and all reductions in Taxes received by Lessor as a result of such application shall inure to the benefit of Lessee hereunder.

b. Payment of Taxes. During the Term, Lessee agrees to pay, prior to delinquency, any and all Taxes and assessments of any kind whatsoever levied or assessed against the Property or the Remodeled Facility. If Lessor receives an invoice for or pays the Taxes, Lessee shall reimburse Lessor for the sum of the Taxes levied against the Property within fifteen (15) days of receipt from Lessor of a written statement therefor accompanied by reasonable supporting data showing Lessor's calculation and determination thereof.

c. Definition of "Taxes." "**Taxes**" shall mean and include any form of tax, including, without limitation, any and all real estate taxes, liens, bond obligations, license fee, license tax, assessments, water and sewer rents and other governmental levies and charges of every kind and nature whatsoever, general and special, extraordinary and ordinary, foreseen and unforeseen, and each and every installment thereof, which are or may during the Term be levied, assessed, imposed, or required, by a federal, state, county, city, quasi-governmental authority having jurisdiction, or any political subdivision thereof, or any school, agricultural, lighting, drainage, or other improvement or special assessment district thereof on any interest of Lessor or Lessee or both in the Property or the Improvements thereon which become due and payable, or liens upon, or arising in connection with the use, increased valuation from sale or otherwise, occupancy or possession of, or grow due and payable out of, or for, the Property or any part thereof or any land, buildings or other improvements therein (as initially constructed or as the same may at any time thereafter be enlarged, reduced, or modified), including interest on installment payments and all costs, expenses and fees (including reasonable attorneys' and appraiser's fees) incurred or expended by Lessee (or Lessor) in establishing valuations for, or contesting Taxes, assessments and/or negotiating with the public authorities as to the same. If at any time during the Term the methods of taxation prevailing at the Effective Date are altered so that in addition to, or in lieu of, or as a substitute for the whole or any part of the Taxes now levied, assessed or imposed on real estate as such there is levied, assessed or imposed (i) a tax on the Rents received from such

real estate, or (ii) a tax or license imposed upon Lessor which is otherwise measured by or based in whole or in part upon the Property or any portion thereof, then the same shall be included in the computation of Taxes, computed as if the amount of such tax or fee so payable were that part due if the Property were the only property of Lessor. Nothing herein contained shall be construed to include as Taxes any inheritance, estate, succession, transfer, gift, franchise, corporation, income or profit tax or capital levy that is or may be imposed upon the Lessor.

d. Subject to Section 7.1(b), above, Lessee may, at its sole cost and expense, contest any tax, fee or assessment levied against the Premises, Remodeled Facility and Property in whole or in part. In such a case, Lessor agrees to reasonably cooperate, at no cost to Lessor, with Lessee by signing any instruments Lessee deems necessary to contest such tax, fee or assessment provided that Lessee makes satisfactory payment arrangements so that such tax payment is not delinquent, no lien is filed against the Premises, Property or Remodeled Facility, and Lessor is not required to pay any of Lessee's debts or act as Lessee's surety while Lessee contests a tax, fee or assessment.

e. Taxes on Personalty. Lessee agrees to pay, prior to delinquency, any and all taxes and assessments levied or assessed during the Term upon or against (a) all personalty installed or located on or within the Premises, the Remodeled Facility or the Property, and (b) all alterations of whatsoever kind or nature, made by Lessee to the Premises, Remodeled Facility or Property as the same may be separately levied, taxed and assessed against or imposed directly upon Lessee by the taxing authorities. If any taxes on Lessee's personalty or alterations are levied against Lessor or Lessor's property, or if the assessed value of the Premises, Property or Remodeled Facility is increased by the inclusion of a value placed on Lessee's personalty or alterations, and if Lessor is invoiced for or pays the taxes on any of these items or taxes based on the increased assessment of these items, Lessee shall immediately reimburse Lessor for the sum of the taxes levied against Lessor or the proportion of the taxes resulting from the increase in Lessor's assessment within fifteen (15) days of receipt of a written statement therefor accompanied by reasonable supporting data showing Lessor's calculation and determination thereof.

7.2 Utilities.

a. Supply of Utilities. During the Term, Lessee shall be solely responsible for the (i) payment of all utilities including, without limitation, any electricity, heating, air conditioning, ventilating, water, telecommunications, Internet, electric power, natural gas, sewers, storm drain systems, refuse collection and removal, fire panel fees, security systems, sprinkler and fire suppression systems, used, consumed, supplied to and serving the Premises, the Remodeled Facility, and/or the Property ("**Utilities**") and necessary to meet Lessee's use and occupancy requirements, and (ii) compliance with all Laws, including, the public utility company or the governmental agency supplying the same. If Lessee desires to install any equipment which requires additional utility facilities or utility facilities of a greater capacity than the facilities provided as of the Effective Date, such installation is subject to Lessor's prior written approval of Lessee's plans and specifications therefor, which approval shall not be unreasonably withheld, conditioned, or delayed. If approved by Lessor, Lessee agrees to pay for any and all costs for providing such additional utility facilities or utility facilities of greater capacity to the Premises, Remodeled Facility or the Property including, but not limited to, any surcharges, costs and fees.

During the Term, Lessee agrees to promptly pay, when due and payable and prior to delinquency all Utilities and services. Lessor shall not be liable in damages or otherwise for any interruption in the supply of any of the Utilities to the Premises, the Remodeled Facility or the Property nor shall any such interruption constitute any ground for an abatement of any Rent.

b. Evidence of Billing. Within five (5) days after the Effective Date, Lessee shall provide evidence reasonably satisfactory to Lessor that the Utilities serving the Premises, Remodeled Facility, if applicable, and the Property have been changed over to Lessee's name for billing purposes.

c. Refuse. Lessee shall store all trash and garbage within the areas (if any) established by Lessor for such purposes or within the Premises or Remodeled Facility in good quality containers. The containers shall be located so as not to create or permit any health, safety, or fire hazard. Lessee shall arrange for the prompt and regular removal of the trash and garbage from the Premises, Remodeled Facility and the Property. Lessee shall not allow garbage or trash to accumulate outside the Premises or Remodeled Facility or anywhere on the Property, except on the date of scheduled pickup service.

d. Payment of Utilities. Lessee shall fully and promptly pay for all Utilities furnished to the Premises, Remodeled Facility, and Property for the use, operation and maintenance of the Premises, Remodeled Facility and Property. If practicable, Lessee shall install, at Lessee's sole cost and expense, separate meters and have such Utility billed directly to Lessee. Lessee shall promptly, and prior to the due date, pay for all Utilities directly billed. If any Utility is billed to Lessor, Lessee shall promptly reimburse to Lessor at the addresses noted in Section 18.4 below, and within Ten (10) days after receipt of an invoice therefor.

e. Custodial Services. During the Term, all custodial services, including, but not limited to, emptying all trashcans, cleaning all fixtures, walls, floors, windows, doors, and other areas of the Premises, Remodeled Facility and Property shall be the sole responsibility of Lessee.

f. Vermin and Pest Control. Lessee agrees to use, at Lessee's own cost, a rodent, pest and vermin exterminator contractor at such intervals as may be reasonable required to keep the Premises, Remodeled Facility and Property free from infestation or any condition which may be deemed a health or safety hazard by any governmental agency or authority.

g. No Responsibility for Lessor. Lessor shall not be responsible for the maintenance, repair or replacement of any Utility system installed in or serving the Premises, Building, Remodeled Facility or the Property, including but not limited to the following: (i) heating, ventilating and air conditioning; (ii) adequate electric power for normal lighting and equipment normally expected to be used in the course of Lessee's operations and elevator service, and (iii) hot and cold water for lavatory and drinking purposes as reasonably necessary for Lessee's Permitted Use.

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7.3 Maintenance and Repair of the Premises, Property and Remodeled Facility.

a. General. During the Term, subject to the terms and conditions set forth in this Ground Lease, Lessee shall have the right to make repairs and replacements as it deems necessary to maintain and operate the Premises, Remodeled Facility and Property and to furnish any services or facilities or to make alterations thereto in compliance with any and all Laws.

b. Lessee's Maintenance, Repair and Replacement Obligations. Except and to the extent specifically set forth in Section 8, below (Casualty and Condemnation), throughout the Term, Lessee, at its sole cost and expense, shall keep and maintain the Premises, Remodeled Facility and Property and each and every part thereof in good and operable condition and repair, including any the repair of any damage to the Premises, Remodeled Facility and Property caused by Lessee, or any of Lessee's employees, agents, contractors, subcontractors, assignees, sublessees, or invitees (individually, a "***Lessee Party***" and collectively, the "***Lessee Parties***"), reasonable wear and tear excepted. Lessee shall make all repairs and replacements thereto including, without limitation, all structural portions of the Premises, the Remodeled Facility and the Property, the exterior portions of the Premises, the Remodeled Facility, including roofs, exterior walls, as well as all equipment and/or facilities within or serving the Premises, the Remodeled Facility or the Property including, but, not limited to, HVAC equipment, plumbing and electrical systems, sewer systems, lighting facilities, boilers, pressure vessels, fire protection system, drainage systems, windows, doors, floor coverings, interior walls, partitions, plate glass, skylights, fences, sidewalks, drive ways, parking lots and landscaping, retaining walls, signs, located in, on, or adjacent to the Premises, Remodeled Facility or the Property, and all interior improvements in the Building or the Remodeled Facility, including replacement of light bulbs and ballasts, and maintenance of the interior portions of the phone system and Internet system and the floor slab and that portion of any pipes, lines, ducts, wires or conduits contained under, above or within, and exclusively serving the Premises or the Remodeled Facility and to the fixtures and equipment therein and the appurtenances thereto in accordance with all applicable Laws. Except as otherwise stated herein, Lessor shall not be required to furnish any services, Utilities, or facilities or to make any repairs, alterations or replacements to the Property, the Premises or the Remodeled Facility and Lessee hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Premises, Remodeled Facility and Property, including without limitation, maintenance of the grounds, sidewalks, roads, and parking areas in and around the Premises, Remodeled Facility and Property. Any and all work performed by Lessee, or on behalf of Lessee or at the direction of Lessee, shall be done in a good and workmanlike manner and in compliance with all applicable Laws.

Notwithstanding the foregoing, as part of the demolition of the interior, remodeling and reconfiguration of the Building to create the Remodeled Facility, Lessee agrees to replace the entire roof of the Building and add a HVAC unit to the office portion of the Remodeled Facility. Lessee further agrees, that at any time within Ten (10) years prior to the expiration or termination of this Ground Lease, Lessee shall replace the entire roof of the Remodeled Facility and the HVAC unit service of office space of the Remodeled Facility.

c. HVAC Servicing. Lessee shall maintain a HVAC maintenance contract which provides for regular servicing of the HVAC system in the Premises or the Remodeled

Facility, as the case may be. The contract, contractor, and quality and frequency of service may be reasonably approved by Lessor. In the event Lessee fails to adequately maintain the HVAC, in the reasonable discretion of Lessor, Lessor may assume such obligations, and bill Lessee, as Additional Rent, for the same plus a reasonable administrative fee of the greater of: (i) Ten percent (10%) of the invoice; or (ii) \$250.00 which shall be paid within fifteen (15) days of Lessee's receipt of an invoice therefor. Lessor reserves the right to inspect the Premises or the Remodeled Facility as the case may be to determine the effective temperature and to install, maintain and examine such equipment in order to determine whether the effective temperature and Lessee's heating and cooling system or its operation is in compliance with the requirements of this Ground Lease. If any such inspection discloses that the temperature or HVAC equipment in the Premises or Remodeled Facility is not in compliance with the Ground Lease, Lessor has the right, in addition to any other rights or remedies provided in this Ground Lease, to require Lessee to pay the reasonable costs of such inspection, and at Lessee's own cost to promptly take such corrective action as may be necessary to bring it into compliance herewith.

d. Lessor's Repair and Maintenance Obligations. Lessee agrees that Lessor shall have no obligation whatsoever to repair and/or maintain the Premises, the Remodeled Facility or the Property or to replace any portion of the Premises, the Remodeled Facility or the Property.

e. Lessee's Failure to Repair. If Lessee fails, refuses or neglects to make repairs or replacements in accordance with the terms and provisions of this Ground Lease, or if Lessor is required to make any repairs by reason of any act, omission to act or negligence of Lessee, or any of Lessee's Agents or any Lessee Party, Lessor has the right, at its sole option, after Lessor has given to Lessee a ten (10) day written notice (except in case of an emergency), to make such repairs on behalf of and for the account of Lessee and may enter upon the Premises or the Remodeled Facility for such purposes, and add the cost and expense thereof, to the next installment of the Rent due from Lessee, plus an administrative fee of the greater of: (i) Ten percent (10%) of the total costs and expense; or (ii) \$250.00. Nothing contained in this Section 7.3(e) of this Ground Lease shall be deemed to impose any such duty of repair and maintenance upon Lessor or affect in any manner the obligations of Lessee herein.

f. Emergency Repairs. If any maintenance or repair for which Lessee is obligated is of an emergency nature which if not attended to immediately shall or might result in injury or damage to persons or property, or materially interfere with the conduct of Lessee's business at the Premises or Property, then Lessor, after reasonable efforts to contact Lessee, may make such emergency repairs or perform such maintenance as is necessary to meet the emergency at Lessee's sole expense. Lessee shall promptly reimburse Lessor the reasonable cost thereof within ten (10) days after receipt of an itemized statement accompanied by invoices for the repairs and charges incurred pursuant to this Section 7.3(f) plus the administrative fee as noted in Section 7.3(e) above.

g. Compliance With Law. Notwithstanding any other provision in this Ground Lease, Lessee shall at its sole cost and expense comply with all applicable laws pertaining to the following: (a) the condition of the Premises, Remodeled Facility and the Property related to those items which Lessee is required to repair and maintain pursuant to Section 7.3 of this Ground Lease, including without limitation, the ADA and with insurance requirements as such laws and insurance

requirements apply to Lessee's use and occupancy of the Premises, Remodeled Facility and Property (including Lessee's alterations, the Lessee Improvements and personalty); (b) the conduct of Lessee's business in the Premises or Remodeled Facility, as the case may be; (c) the condition of the Premises, Remodeled Facility and Property related to any repairs, maintenance or Alterations required in connection with the Premises, Remodeled Facility and Property imposed by applicable law; (d) the posting of notices as required by applicable law, including without limitation, notices complying with the requirements of California Health and Safety Code Section 25249.6; and (e) any parking requirements on the Property or off-site.

8. Damage and Destruction (Casualty); Condemnation.

8.1 Casualty. Lessor's rights in the event of an occurrence of a Casualty are set forth in this Section 8 and shall be subject to the applicable Leasehold Mortgagee Protections set forth in Exhibit "C" attached hereto, including the Permitted Period for Restoration of Improvements.

8.1.1 Obligation of Lessee. Subject to the following paragraph, except as otherwise provided in this Section 8, in case of damage to or destruction of all or any part of the Premises or Remodeled Facility by fire or other cause, Lessee at Lessee's sole cost and expense, whether or not the insurance proceeds, if any, shall be sufficient for the purpose, and irrespective of the amount of loss, shall restore, repair, replace, rebuild, or alter the same as nearly as possible to the value, condition, and character immediately before such damage or destruction or with such changes or alterations as may be at Lessee's election in accordance with and subject to the conditions of this Section 8 and in accordance with the terms and conditions of this Ground Lease. Such restoration, repairs, replacements, rebuilding, or alterations shall be commenced promptly within a reasonable period following the occurrence of such damage or destruction and prosecuted to completion with due diligence and in good faith. The obligation of Lessee to pay Rent shall remain in full force and effect regardless of whether Lessee is able to operate any business at the Premises, Building, Remodeled Facility, or the Property. Lessee shall not be entitled to any compensation or damages from Lessor for loss of use of the whole or any part of the Premises, Remodeled Facility or Property, for Lessee's personal property and fixtures located at the Premises, Remodeled Facility or Property or for any inconvenience or annoyance occasioned by such damage.

The provisions of the preceding paragraph to the contrary notwithstanding, in the event of damage or destruction of the Premises, Remodeled Facility or Property, Lessee shall raze and demolish all or part of the improvements that are damaged and destroyed and construct new a Remodeled Facility and other improvements on the Property where the damaged or destroyed improvements were located.

8.1.2 Disbursement of Insurance Proceeds. (a) All property insurance proceeds recovered on account of damage or destruction to the improvements on the Property ("**Proceeds**") shall be applied to the payment of the cost of repairing and replacing such improvements so damaged pursuant to Section 8.1.1 above, provided however, that if this Ground Lease terminates pursuant to Section 8.1.4, the Proceeds shall be disbursed in accordance with Section 8.14. All Proceeds shall be deposited with the depository reasonably acceptable to Lessor, Lessee and the Mortgagee, if any ("**Depository**"). If the Proceeds are insufficient to cover the anticipated cost of

reconstruction, Lessee shall deposit, with the Depository before the commencement of reconstruction, funds in amount of such deficiency or provide evidence to Lessor to Lessor's reasonable satisfaction, that funds will be available to cover such deficiency when needed. The Depository should disperse the Proceeds and the Lessee's funds, if applicable, during the course of reconstruction in accordance with the customary construction disbursements including a reasonable retention percentage (i.e. 10% retention). If, after the reconstruction has been completed in accordance with the terms of this Ground Lease, there are remaining funds held by the Depository, then such funds (after first deducting from such funds the fees and expenses of the Depository), shall be delivered to Lessee. If there are not sufficient funds to pay the Depository's fees and expenses, Lessee shall be responsible for the payment of the same. The provisions of this Section are subject to the provisions of the Mortgagee set forth herein.

(b) Notwithstanding the foregoing subsection 8.1.2(a), while a Leasehold Mortgage is outstanding and the Leasehold Mortgagee is named as loss payee of any Proceeds (in accordance with Section 11.1, below) the provisions of this subsection 8.1.2(b) shall control. All Proceeds shall be deposited with or at the instruction of the Leasehold Mortgagee. All Proceeds shall be applied to the payment of the cost of repairing and replacing such improvements so damaged pursuant to Section 8.1.1 above, provided however, that if this Ground Lease terminates pursuant to Section 8.1.4, Lessee shall deposit, or cause to be deposited, with the Leasehold Mortgagee sufficient funds to repay the related indebtedness in full, and shall instruct the Leasehold Mortgagee to release the Proceeds to the Lessor to be disbursed in accordance with Section 8.1.4. If the Proceeds are insufficient to cover the anticipated cost of reconstruction, Lessee shall deposit, with the Leasehold Mortgagee before the commencement of reconstruction, funds in amount of such deficiency or provide evidence to Lessor to Lessor's reasonable satisfaction, that funds will be available to cover such deficiency when needed. If, after the reconstruction has been completed in accordance with the terms of this Ground Lease, there are remaining Proceeds held by the Leasehold Mortgagee, then such funds shall be delivered to Lessee.

8.1.3 Destruction Not a Release. Except as expressly provided for in this Ground Lease, no destruction of or damage to the improvements located on the Property (including, but not limited to, the Building or the Remodeled Facility) or any part thereof by fire or any other cause shall permit Lessee to terminate this Ground Lease or shall relieve the Lessee of its obligation to pay the full Rent under this Ground Lease or from any of its obligations under this Ground Lease, and, except as otherwise expressly set forth herein, Lessee waives any rights now or hereafter conferred on it by statute or otherwise to quit or surrender this Ground Lease or any suspension, diminution, abatement, or reduction of Rent on account of any such destruction or damage.

8.1.4 Lessee's Option Not to Rebuild. Notwithstanding anything contained in this Section 8 to the contrary, in the event that the improvements located on the Property (including, but not limited to, the Building or the Remodeled Facility) shall be substantially damaged or destroyed by fire or any other cause and such damage or destruction occurs during the last two (2) years of the Term, Lessee may, at any time within six (6) months from the date of such damage or destruction, on 30 days written notice to Lessor, inform Lessor that Lessee will not rebuild the Building or Remodeled Facility and Lessee's intention to terminate this Ground Lease

provided, however, that this option is only available if such damage or destruction was not caused by any negligence, omission or misconduct of Lessee or any of the Lessee's Parties or Lessee's Agents. Such option may be exercised by serving such notice on Lessor in accordance with Section 18.4. Lessee agrees that its option to terminate the Ground Lease under this Section 8.1.4 shall not relieve Lessee of its obligation to pay Rent and all Additional Rent or other charges required to be paid by Lessee under the terms of this Ground Lease up to the end of the actual Term hereunder without regard to Lessee's termination under this Section 8.1.4 which shall only operate to terminate Lessee's obligation to occupy the Property and the directly associated obligations to such occupancy but shall not extinguish Lessee's full performance by Lessee, at its sole cost and expense, of the work of demolition and removal of the remaining portions of the improvements located on the Property so damaged or destroyed and removal of all debris from the Property or any obligations that would survive the termination of the Ground Lease. In addition, any available Proceeds shall be applied, to the extent such Proceeds are available, for demolition and removal, to pay the cost of such demolition and removal. Lessee may obtain any applicable and appropriate insurance policies or endorsements offering business income coverage or combined business income and extra expense that it deems necessary or advisable to in order to pay Lessor the Rent due hereunder through the end of the Term in the event that the Building or Remodeled Facility are not useable to Lessee under this Section 8.1, provided, however, that Lessee's failure to procure such insurance coverage shall not excuse Lessee from paying the Rent to the Lessor as required under this Ground Lease until the end of the Term. For the purposes of this Section 8.1, the improvements on the Property shall be deemed "substantially damaged or destroyed" if the reasonably estimated cost of restoring the same as nearly as possible to their value, condition, and character immediately before such damage or destruction is Seventy-Five (75%) or more of the total replacement cost of the improvements located on Property.

In the event that this Ground Lease shall be terminated pursuant to the provisions of this Section 8.1.4, Lessee shall contribute to the Proceeds a sum equal to the amount, if any, deducted from such Proceeds under any deductible provisions by Law or otherwise, and such contributed sum and Proceeds recovered on account of such damage or destruction (after deducting all reasonable expenses incurred by Lessee in connection with the adjustment or collection of such loss and the costs of demolition and removal of the improvements, as provided in the preceding paragraph) shall be distributed to Lessor.

8.2 Condemnation.

8.2.1 Total Condemnation. If the whole of the Property or such part thereof as shall render the remainder untenable is acquired or taken by Condemnation, then this Ground Lease and the Term hereof shall automatically cease and terminate as of the date title vests in the Condemnor. For the purposes of this Ground Lease, "**Condemnation**" means any action or proceeding brought by competent authority ("**Condemnor**") for the purpose of any taking of the Property or any part thereof as a result of the exercise of the power of eminent domain, including a voluntary sale to such authority either under the threat of or in lieu of condemnation or while such action or proceeding is pending.

8.2.2 Partial Condemnation. If any portion of the Property is taken by Condemnation, and this Ground Lease is not terminated pursuant to Section 8.2.1 above, then this

Ground Lease shall remain in effect, except that Lessee may elect to terminate this Ground Lease if thirty-three and one third percent (33-1/3%) or more of the net rentable area of the Premises or the Remodeled Facility is taken by Condemnation. If fifty percent (50%) or more of the Property is taken, the Lessor shall have the election to terminate this Ground Lease whether or not the Premises or Remodeled Facility are affected.

8.2.3 Effect of Termination. If either Party elects to terminate this Ground Lease pursuant to Section 8.2.2 of this Ground Lease, such Party must terminate this Ground Lease by giving written notice (including the date of termination) to the other Party within thirty (30) days after the nature and the extent of the Condemnation have been finally determined. The date of termination shall not be earlier than sixty (60) days nor later than ninety (90) days after such Party has notified the other Party of its election to terminate. Notwithstanding the foregoing, this Ground Lease shall terminate on the date of taking if the date of taking occurs before the date of termination designated in the notice. If this Ground Lease is not terminated within the thirty (30) day period, it shall continue in full force and effect except that Base Rent and Other Charges shall be adjusted based on the ratio of the net rentable area of the Property before the Condemnation to the net rentable area of the Property after the Condemnation.

8.2.4 Restoration. If there is a partial taking of the Property and this Ground Lease remains in full force and effect pursuant to this Section 8.2 of this Ground Lease, Lessee at its sole cost shall restore the Premises, Remodeled Facility and Property as near as practical to its condition immediately prior to the date of taking. In no event shall Lessee be obligated to expend more for such restoration than the extent of funds actually paid to Lessee by the Condemnor with respect to the Property.

8.2.5 Allocation of Award – Whole Taking. Lessor, Lessee and any Mortgagee shall be entitled to reasonable expenses and charges, including, without limitation, reasonable attorneys' fees in connection with the taking. Any Mortgagee shall be entitled to satisfy the debt secured by its Mortgage (but in no event greater than the value of Property without the improvements). Lessor shall be entitled to that portion of the award which represents the sum of (i) the value of the Parcel, encumbered by this Ground Lease (taking into account the then-present value of the minimum annual rent payable to Lessor); (ii) value of the Lessor's reversionary interest in the improvements; and (iii) the so-called "bonus value" of the Leasehold Estate created by this Ground Lease if the Rent payable under this Ground Lease is determined to be in excess of the fair rental value of the Property, discounted to present value. The balance of the award, including any portion of the award attributable to the Lessee's personal property, shall be paid to the Lessee.

8.2.6 Allocation of Award –Partial Taking. If this Ground Lease shall not terminate pursuant to Section 8.2.2, Lessee, at its sole expense, shall commence, and proceed with reasonable diligence to repair or reconstruct the improvements on the Property to a complete architectural unit, subject to Lessee's rights as set forth herein related to construction of the Remodeled Facility. All such repair, reconstruction and work is referred to as "**Restoration**". The total award in the Condemnation proceeding, in the event of such partial taking shall be apportioned, to the extent available, in the following priority: (i) the Lessee shall first be entitled to an amount equal to the cost of the Restoration; (ii) Lessor, Lessee, and Mortgagee, if any, shall be entitled to their reasonable expenses and charges, including, without limitation, reasonable

attorneys' fees incurred in connection with the taking; (iii) Lessor shall be entitled to a portion of the award based on the then-value of the portion of the Property subject to the partial taking (which shall be deemed to be zero if no Rent reduction occurs pursuant to Section 8.2.3; and (iv) the balance of the award, shall be paid to Lessee.

8.2.7 Temporary Taking. In the event of a taking of all or any portion of the Property for temporary use, the foregoing provisions of this Section 8.2 shall be inapplicable and this Ground Lease shall continue in full force and effect without reduction or abatement of Rent. Lessee, alone, shall be entitled to make claim for, recover, and retain any award recoverable in respect of such temporary use whether in the form of Rent or otherwise. If the award is made in a lump sum covering the period beyond the expiration of the Term, Lessor shall also be entitled to make claim for and participate in the award proportionately.

8.2.8 Waiver. Except as otherwise expressly set forth herein, Lessee waives any rights now or hereafter conferred on it by statute or otherwise to quit or surrender this Ground Lease or the Property or any suspension, diminution, abatement, or reduction of Rent on the taking.

9. Defaults; Remedies Upon Default.

9.1 Lessor's Default.

9.1.1 Except as provided to the contrary in this Ground Lease, Lessor's failure to perform any of its obligations under this Ground Lease shall constitute a default by Lessor under the Ground Lease if the failure continues for thirty (30) days after written notice in accordance with Section 18.4, below of the failure from Lessee to Lessor. Notwithstanding the foregoing, if the required performance cannot be completed within thirty (30) days, Lessor's failure to perform shall not constitute a default under this Ground Lease so long as Lessor undertakes to cure the failure within such thirty (30) day period after receipt of such notice and thereafter diligently pursues such cure to completion.

9.1.2 Lessee's Right to Cure Lessor's Default. Except as provided in this Ground Lease to the contrary, if Lessee provides written notice to Lessor in accordance with Section 18.4 above of Lessor's failure to perform any of its obligations as set forth under this Ground Lease and Lessor fails to provide or commence such action as required by the terms of this Ground Lease within thirty (30) days after delivery of such notice, Lessee may take the required action if: (a) Lessee delivers to Lessor an additional written notice advising Lessor that Lessee intends to take the required action if Lessor does not begin the required action within ten (10) days after the receipt of such written notice; and (b) Lessor fails to begin the required action within such ten (10) day period.

9.2 Lessee's Default. The occurrence of any one or more of the following events shall constitute a material default and breach of this Ground Lease by Lessee:

(a) The vacating or abandonment of the Property by Lessee, however, regularly scheduled and published school vacations and breaks shall not be deemed a vacation or abandonment of the Property.

(b) The failure of Lessee to make any payment of Rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of three (3) calendar days after written notice thereof from Lessor to Lessee.

(c) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Ground Lease to be observed or performed by Lessee, other than described in Paragraph (b) above, where such failure shall continue for a period of thirty (30) days after written notice hereof from Lessor to Lessee; provided, however, that if the default cannot reasonably be cured within such thirty (30) day period, then Lessee shall not be deemed to be in default if Lessee commences such cure within such thirty (30) day period and thereafter diligently pursues such cure to completion.

(d)(i) The making by Lessee of any general arrangements for the benefit of creditors; (ii) the filing by or against Lessee of a petition to have Lessee adjudged a bankrupt (file for bankruptcy protection) or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Property or Lessee's interest in this Ground Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Property or of Lessee's interest in this Ground Lease where such seizure is not discharged within thirty (30) days.

(e) any three (3) failures by Lessee to observe and perform any provision of this Ground Lease for which a notice of default has been delivered by Lessor to Lessee (without regard to the subsequent cure) during any twelve (12) month period of the Term of this Ground Lease shall constitute a separate non-curable Event of Default that shall entitle Lessor to terminate this Ground Lease and take immediate possession of the Premises, Remodeled Facility and Property. In the alternative, Lessor may require that Base Rent and Additional Rent be paid quarterly in advance by certified check or cash. It is the intention of this provision to protect Lessor against habitual breaches of the Ground Lease by Lessee.

9.3 Remedies. In addition to any other remedies available at law or in equity, Lessor shall have the following rights in the event of any such default or breach by Lessee, Lessor may at any time thereafter, with or without notice or demand:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee:

(i) the worth at the time of award of any unpaid Rent which had been earned at the time of termination; plus

(ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that the Lessee proves could have been reasonably avoided; plus

(iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that the Lessee proves could be reasonably avoided; and

(iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Ground Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost and expenses Lessor may incur or anticipate in connection with recovering possession of the Property (including the Remodeled Facility), ejecting, removing, dispossessing, cleaning, reletting, including necessary renovation and alteration of the Property (including the Remodeled Facility), reasonable attorneys' fees, brokerage fees and court costs and that portion of any leasing commission paid by Lessor in connection with this Ground Lease applicable to the unexpired term of this Ground Lease; and at Lessor's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the law in the State of California.

As used in clauses (a)(i) and (a)(ii) of Section 9.3 of this Ground Lease, the "worth at the time of award" is computed by allowing interest at the Default Interest rate. As used in clause (a)(iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Ground Lease shall not waive Lessor's right to recover damages under this paragraph. If termination of this Ground Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Section 9.3 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Section 9.2. In such case, the applicable grace period required by Section 9.2 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Ground Lease entitling Lessor to the remedies provided for in this Ground Lease and/or by such statute.

(b) In the event Lessor elects to continue this Ground Lease in full force and effect even though Lessee may have defaulted in its obligations and abandoned the Property and/or the Remodeled Facility, then Lessor may recover from Lessee all damages Lessor may sustain by reason of Lessee's default, including the amount of damages set forth in (i) and (ii) of Section 9.3(a) of this Ground Lease and may enforce all other rights and remedies under this Ground Lease. In such event, Lessee shall have the right, unless Lessor elects to terminate this Ground Lease and Lessee's right to possession of the Property under Section 9.3(a) of this Ground Lease to assign this Ground Lease or sublet the entire Property as provided in this Ground Lease. If Lessor elects to terminate this Ground Lease and Lessee's possession of the Property, Lessor at any time thereafter may relet the Premises, Remodeled Facility or Property, or any part or parts thereof for a term or terms which may, at Lessor's option, be less than, exceed or equal the period of the remainder of the Term of this Ground Lease. Lessor shall use reasonable efforts to relet the Premises, Remodeled Facility or Property, or any part or parts thereof for a reasonable rental amount given the economic market conditions at such time and in consideration of the condition

of the Premises, Remodeled Facility or Property and market demand for such a rental space at such time. Lessor shall receive the Rent from such reletting and shall apply the Rent during the Term of this Ground Lease as follows: first, to the payment of any indebtedness other than Rent due hereunder from Lessee to Lessor; second, to the payment of such expenses as Lessor may have incurred in connection with re-entering, ejecting, removing, dispossessing, reletting, altering, repairing, redecorating, subdividing, or otherwise preparing the Property for reletting, including brokerage and reasonable attorneys' fees plus an administrative fee in amount equal to the greater of: (x) Ten percent (10%) of the cost of such expenses; or (y) \$250.00; and third, to the fulfillment of the terms, covenants and conditions of this Ground Lease to be performed by Lessee hereunder. Lessee hereby waives all claims to the surplus, if any. Any deficiency shall be calculated and paid monthly by Lessee. Lessor shall in no event be liable in any way whatsoever for the failure to relet the Property or in the event of such reletting for failure to collect the Rents reserved thereunder and any such efforts to mitigate damages caused by Lessee's default shall not waive Lessor's rights to recover damages. Lessor is hereby authorized and empowered to make such repairs, alterations, decorations, subdivisions, or other preparations for the reletting of the Property or any portions thereof as Lessor deems fit, advisable or necessary, without in any way releasing Lessee from any liability under this Ground Lease.

(c) Lessor may pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Property is located. The expiration or termination of this Ground Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Ground Lease as to matters occurring or accruing during the Term hereof or by reason of Lessee's use or occupancy of the Property.

(d) Other.

(i) Lessee hereby expressly waives any and all rights of redemption granted under any present or future laws in the event Lessee shall be evicted or dispossessed from the Property for any cause, or Lessor re-enters the Property following the occurrence of any Event of Default, or this Ground Lease is terminated before the Expiration Date of this Ground Lease.

(ii) In the event of any breach of threatened breach by Lessor or Lessee of any of the terms and provisions of this Ground Lease, Lessor and Lessee shall have the right to injunctive relief and declaratory relief as if no other remedies were provided for such breach.

(iii) The rights and remedies herein reserved by or granted to Lessor and Lessee are distinct, separate and cumulative, and the exercise of any one of them shall not be deemed to preclude, waive or prejudice their right to exercise any or all others.

(iv) Lessor and Lessee hereby expressly waive any right to assert a defense based on merger and agree that neither the commencement of any action or proceeding, nor the settlement thereof nor the entry of judgment therein shall bar Lessor or Lessee from bringing any subsequent actions or proceedings from time to time.

(v) If Lessee fails to timely cure a default prior to the Effective Date of any extension of this Ground Lease, if any, whether by a renewal option or by separate agreement,

Lessor may cancel such option or agreement for extension of this Ground Lease upon two (2) days' written notice to Lessee.

(vi) Wherever in this Ground Lease Lessor has reserved or is granted the right of "re-entry" into the Premises, Remodeled Facility or Property the use of such word is not intended, nor shall it be construed, to be limited to the technical legal meaning.

9.4 Termination. Except as specifically set forth in this Ground Lease, this Ground Lease may be terminated prior to the expiration of the Term only by the mutual written agreement of the Parties.

10. Title and Ownership of Property.

10.1 Real Property. Lessee acknowledges that Lessor's title to the Property is subject to the effect of any zoning, building, or other land use laws of the City, County, and State where the Property is located. As to its Leasehold Estate, Lessee and all persons in possession of the Property shall conform to and will not violate the terms of such matters.

10.2 Personal Property. All of Lessee's trade fixtures, furniture, signs and other personal property not permanently affixed to the Premises or the Remodeled Facility (i.e. personal property) must be new when installed in, or attached to, the Premises or the Remodeled Facility by Lessee and shall remain the property of Lessee.

10.3 Ownership and Removal of Improvements. Any of Lessee's trade fixtures, or other property that is permanently affixed to the Premises or the Remodeled Facility such that it is an integral part of the improvements, shall be deemed improvements as defined in this Ground Lease. Lessee shall be the owner of the improvements constructed in the Premises or the Remodeled Facility, as the same may be altered, expanded, and /or improved from time to time. Lessee may retain all rights to depreciation deductions and tax credits arising from its ownership of the improvements. On the expiration or termination of this Ground Lease, all such improvements shall automatically vest in, revert to become the property of the Lessor without compensation to, or requirement of consent or other act of, Lessee, and without the necessity of executing the deed, bill of sale, conveyance, or other act or agreement of Lessee and without any payment of any kind or nature by Lessor or Lessee or to any other person, including any Mortgagee or other lender who has a lien against all or any portion of Lessee's interest in this Ground Lease. On or at any time after the date of expiration or termination of this Ground Lease, if requested by Lessor, Lessee shall, without charge to Lessor, promptly execute, acknowledge and deliver to Lessor a deed and bill of sale (in form and content acceptable to Lessor) that (a) conveys all of Lessee's right, title and interest in and to the Remodeled Facility and any improvements therein; (b) assigns all contracts related to the operation, management, or maintenance of the Remodeled Facility and Property or any part thereof; and (c) conveys or assigns, as the case may be, all plans, records, registers, permits, licenses, and all other papers and documents that may be necessary or appropriate for the proper operation and management of the Remodeled Facility or the Property.

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11. Insurance.

11.1 Lessee's Requirements. Lessee covenants and agrees that Lessee shall obtain and maintain continuously in effect at all times during the Term of this Ground Lease, at Lessee's sole expense, insurance reasonably acceptable to Lessor and in such amounts as required by Lessor, and Lessee shall furnish to Lessor a copy of the certificate of insurance and proper additional insured endorsements naming Lessor as additional insured or loss payee, as applicable; provided, however, that while a Leasehold Mortgage is outstanding, the Leasehold Mortgagee shall be named as loss payee to the extent required by the terms of the Leasehold Mortgage and the indebtedness secured thereby.

a. Liability Insurance. A policy of commercial general liability insurance, on an occurrence basis, with minimum coverage limits of not less than Two Million Dollars (\$2,000,000) per occurrence and Four Million Dollars (\$4,000,000) in the aggregate insuring against liability of the insured with respect to the Premises, Building, Remodeled Facility and Property or arising out of the maintenance, use, or occupancy of the same by Lessee, Lessee Agents and Lessee Parties, including, coverage for premises and operations; products/completed operations; owners' and contractors' protective, personal and advertising injury; broad form property damage; appropriate insurance coverages during all phases of construction of the Remodeled Facility at full replacement cost coverage; and with additional insured endorsements in favor of Lessor, including without limitation, ordinance or laws endorsements. Such liability policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Ground Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Ground Lease.

b. Equipment. Machinery insurance on all air-conditioning equipment and systems serving the Building, Remodeled Facility and Property. If the equipment and the damage it may cause are not covered by Lessee's property insurance as set forth in Subsection 11.1(a) above, then the insurance specified in this Subsection 11.1(b) shall be in an amount not less than the full replacement cost of such equipment and systems. If Lessee requires boilers or other pressure vessels to serve the Building, Remodeled Facility or Property, they shall also be insured in the amount required by this Subsection 11.1(b).

c. Lessee's Improvements. Insurance covering Lessee's (i) improvements, including without limitation, the Remodeled Facility, and (ii) personal property from time to time, in, on, or upon the Property, in an amount not less than 100% of their full replacement costs from time to time, providing protection against any peril included within the classification "Special Causes of Loss", including, without limitation, coverage for sprinkler damage and theft, and coverage for rental loss under subleases in amounts and for periods of time as determined by Lessee. During construction of the improvements, Lessee shall maintain builder's risk insurance covering the improvements including, fire, lightning, extended coverage perils, vandalism, malicious mischief, and sprinkler leakage in an amount not less than 100% of their projected replacement costs. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed pursuant to the provisions of Section 8, above.

d. Umbrella/Excess Insurance. An umbrella liability policy or excess liability policy having a limit of not less than Five Million Dollars (\$5,000,000) which policy shall be in “following form” and shall provide that if the underlying aggregate is exhausted, the excess coverage will drop down as primary insurance. Such umbrella liability policy or excess liability policy shall include coverage for additional insureds as required in this Ground Lease.

e. Ratings. All policies of insurance provided for herein shall be issued by insurance companies with a general policyholder’s rating of not less than “A” and a financial rating of not less than “Class VII” as rated in the most current available ‘Best’s Insurance Reports,’ and qualified to do business in the State of California. The CGL policy shall contain a cross-liability endorsement.

f. Delivery. Prior to the commencement of the Term of this Ground Lease, Lessee shall deliver to Lessor executed copies of the insurance policies required under this Section 11.1. Before commencement of any construction of the improvements, Lessee shall deliver to Lessor executed copies of the insurance policies required under Subsections 11.1(b) and (c) above. Thereafter, executed copies of renewal policies shall be delivered to Lessor within 30 days before the expiration of the term of each such policy. As often as any policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Lessee in like manner and to like extent. All policies of insurance delivered to Lessor must contain a provision that the company writing the policy will endeavor to give to Lessor (and any additional insureds) 30 days’ advance written notice of any cancellation, lapse, reduction, or other adverse change respecting such insurance. All public liability, property damage, or other casualty policies shall be written as primary policies, not contributing with or secondary to coverage that Lessor may carry. Lessor may require an increase in any policy limits required in this Section 11.1 every two (2) years.

Lessee’s obligation to carry the insurance provided for in this Section 11.1 may be satisfied by inclusion of the Premises, Building, Remodeled Facility and Property within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Lessee; provided, however, that Lessor shall be named as additional insureds and that the coverage afforded Lessor will not be reduced or diminished by reason of the use of such blanket policies of insurance, and provided further that the requirements set forth herein are otherwise satisfied.

g. Waiver of Rights. Lessee (for itself and its insurer) waives any rights, including rights of subrogation, that Lessee may have against Lessor and/or its authorized representatives, for compensation of any loss or damage occasioned to Lessee with regard to its property and the Premises, Building, Remodeled Facility or Property arising from any peril generally covered by the insurance Lessee is required to carry and maintain under this Section 11.1.

h. Exemption of Lessor from Liability. Lessee, as a material part of the consideration to Lessor, assumes all risk of damage to the Property, including, but not limited to, the improvements, fixtures, equipment, furniture, and alterations or injury to persons in, on, or about the Premises, Building, Remodeled Facility or Property, arising from any cause, and Lessee expressly releases Lessor and waives all claims in respect thereof against Lessor, except only such claims that are caused solely by the gross negligence or willful misconduct of Lessor or any of the

Lessor Parties. Lessee agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for damage to the property of Lessee, or injury to or death or illness of Lessee, any of Lessee's Agents or Lessee's Parties or any other person in or about the Premises, Building, Remodeled Facility or Property, whether such damage, illness, or injury is caused by fire, steam, electricity, gas, water, rain, breakage, leakage or other defects of sprinklers, wires, appliances, plumbing, ventilation, air conditioning, or lighting fixtures, or from any other cause, and whether such damage, illness, or injury results from conditions arising on, in or from the Premises, Building, Remodeled Facility or Property or from other sources or places, and regardless of whether the cause of such damage, illness or injury or the means of repairing the same is inaccessible to Lessee, excepting only damage, illness or injury caused solely by the gross negligence or willful misconduct of Lessor and the Lessor Parties. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant, if any, or Lessor's failure to enforce the terms of any agreements with parties other than Lessee.

i. Notice. Lessee agrees to notify Lessor in writing as soon as practical of any claim, demand, or action arising out of an occurrence covered or not covered under Lessee's insurance, of which Lessee has knowledge, and to cooperate with Lessor in the investigation thereof.

12. Lessee's Indemnification. To the fullest extent permitted by Law, and without regard to the availability of proceeds of Lessee's insurance, Lessee shall indemnify, defend (with counsel reasonably satisfactory to Lessor) and hold harmless Lessor, and each of the Lessor's Parties from and against any and all claims, demands, actions, causes of action, suits, losses, damages, liability, injury, expenses, penalties, obligations, errors, omissions and costs, including legal costs and expenses, attorneys' fees and expert witness fees, whether or not suit is actually filed, and/or any judgment rendered against the Lessor or any of the Lessor's Parties, arising in whole or in part out of (i) the possession, use or occupancy of the Premises, the Remodeled Facility and the Property; (ii) the business or operations conducted at the Premises, Remodeled Facility or the Property by Lessee or any of the Lessee Parties or Lessee's Agents, including conduct of its board of directors, administrators, employees, agents, representatives, volunteers, contractors, subcontractors, invitees, and each of their respective successors and/or assigns; (iii) from any activity, work, or other things done, permitted or suffered by Lessee or any of the Lessee Parties or Lessee's Agents in or about the Premises, Remodeled Facility or Property, including without limitation, any repairs, maintenance, construction, remodeling, reconfiguration, demolition, alterations, and any liens, including, mechanics liens and materialmen's liens, or stop notices resulting from such work; (iv) or any breach or default under this Lease by Lessee or any of the Lessee Parties; (v) any claim that may be asserted or claimed by any person, firm or entity for any injury, death or damage to any person or property due to any act or omission of Lessee or any Lessee Party; or (vi) any matter related to the Leasehold Mortgage or any aspect of Lessee's financing of improvements to the Building, Remodeled Facility or the Property. Lessee's obligation to defend Lessor and the other indemnitees identified herein is not contingent upon there being an acknowledgement or determination of the merit of any claims, demands, actions, causes of action, suits, losses, liability, expenses, penalties, obligations, errors, omissions and/or costs. Lessee's obligation shall not extend to any liability caused by the gross negligence or willful misconduct of the Lessor or any Lessor Party and in the case of Subsection 12(vi), above, Lessor's failure to comply with its obligations

as set forth in Section 14, below, and Exhibit “C” related to the Leasehold Mortgage. Lessee’s indemnity obligations hereunder shall survive the termination or expiration of this Ground Lease.

13. Representations and Warranties.

13.1 Lessor’s Representations and Warranties. Notwithstanding any other provision of this Ground Lease, Lessee relies upon the representations stated herein as a material inducement of entering into this Ground Lease. Lessor warrants that as of the Effective Date:

a. it owns good and sufficient title to and interest in the Premises and the Property; and

b. there are no liens, encumbrances, covenants, restrictions or judgments affecting the Premises or the Property that Lessor’s has knowledge of which materially impede or material adversely affect Lessee’s Permitted Use of the Property. Lessor makes no representation or warranty that Lessee’s Permitted Use of the Property is in compliance with Laws and; and

c. Lessor has the legal right, power and authority to execute, deliver and perform its duties and obligations under this Ground Lease and to comply with the terms and conditions therein; and

d. there are no actions, suits or proceedings of any kind or nature whatsoever, legal or equitable, pending or to Lessor’s knowledge threatened against the Premises or Property in any court or before or by any federal, state, county or municipal department, commission, board, bureau or agency or other governmental instrumentality that would affect the exercise of Lessee’s rights or the performance of Lessee’s duties under this Ground Lease; and

e. no person, government agency, firm, corporation or other legal entity whatsoever (other than Lessee) has any right or option whatsoever to acquire or lease the Premises and the Property or any portion or portions thereof or any interest or interests therein; and

f. Lessor has provided Lessee with copies of all environmental Property assessments, audits and similar reports concerning the Property in Lessor’s possession or control (i.e. a Phase I report); provided, however, that Lessor makes no representation or warranty whatsoever as to the accuracy or completeness of such reports.

13.2 Lessee’s Representations and Warranties. Notwithstanding any other provision of this Ground Lease, Lessor relies upon the representations, warranties, covenants and agreements of Lessee stated herein as a material inducement of entering into this Ground Lease. Lessee represents, warrants, and covenants that as of the Effective Date:

a. Lessee has legal right, power and authority to execute, deliver and perform its duties and obligations under this Ground Lease and to comply with the terms and conditions therein. The execution, delivery, and performance of this Ground Lease have been duly authorized and no other action by Lessee is requisite to the valid and binding execution, delivery, and performance of this Ground Lease, except as otherwise expressly set forth herein;

b. No consent of any third party is required as a condition to the entering into this Ground Lease by Lessee;

c. Lessee is a California limited liability company, duly organized and validly existing under the law of the State of California, with the full power and authority and legal right to enter into this Ground Lease and to consummate the contemplated transactions, and to carry on its business in California in the manner in which such business has been and is now being conducted by it, to execute and delivery this Ground Lease, and to perform its obligations under this Ground Lease;

d. Neither the execution and delivery of this Ground Lease by Lessee nor Lessee's compliance with the terms or provisions of this Ground Lease will result in any breach of the terms, conditions, or provisions of, or conflict with, or constitute a default under the terms of, any indenture, agreement, or other instrument to which Lessee may be a party or by which assets or property of Lessee may be bound, or violate any provision of law, or any applicable order, write, injunction, judgment or decree of any court, or any order or other public regulation of any governmental commission, bureau, or administrative agency;

e. To the extent that they would materially and adversely affect the Property or Lessee's ability to enter into this Ground Lease or fulfill Lessee's obligations under this Ground Lease, (i) there are no judgments presently outstanding and unsatisfied against Lessee or any of its assets; (ii) neither Lessee nor any of its assets is involved in any litigation in law or in equity, or in any proceeding before any court, or before any governmental or administrative agency; and (iii) no litigation or proceeding is pending or threatened against Lessee; and

f. Prior to the commencement of any construction on the Property, including, without limitation, demolition of any portion of the Building, construction or reconstruction of the Remodeled Facility, Lessee shall obtain and maintain until such time as it receives a Certificate of Occupancy from the applicable governmental agency, a payment and performance bond in an amount equal to: (i) the cost of construction of the Remodeled Facility and any other improvements on the Property; plus (ii) Ten Percent (10%) of the estimated cost of such construction, with Lessor reflected as the recipient of such bond.

14. **Subordination; Attornment; Quiet Enjoyment; Estoppel Certificates.**

14.1 Unsubordinated Lease; Non-subordination by Lessor. Except as specifically set forth in this Ground Lease and on the terms and conditions set forth in Exhibit "C" attached hereto, Lessee agrees that this Ground Lease shall be unsubordinated and further that Lessor shall not be required to subject its fee estate and interest in and to the Parcel and the Property to the lien of any leasehold financing or mortgage sought or obtained by Lessee.

14.2 Subordination by Lessee. This Ground Lease and the estate of Lessee hereunder as of the Effective Date are not subject nor subordinate to any lien of any mortgage, deed of trust, or other voluntary hypothecation encumbering the Premises, the Building or the Property. Notwithstanding the foregoing, Lessee's subordination to any future encumbrance which is placed against the Property after the Effective Date of this Ground Lease, shall be conditioned upon

Lessee's receipt of a commercially reasonable non-disturbance agreement in a form reasonably acceptable to Lessor, Lessee. Lessor's lender, if and when applicable, and the Leasehold Mortgagee. Lessee, on Lessee's behalf, and on behalf of all persons claiming through and under Lessee, including the Leasehold Mortgagee, covenants and agrees that, from time to time at the request of the holder of any encumbrance, Lessee and the Leasehold Mortgagee shall within fifteen (15) days of receipt of a written request therefor, execute and deliver any necessary or proper instruments or certificates reasonably necessary to acknowledge or confirm the priority of the encumbrance over this Ground Lease and the subordination of this Ground Lease thereto or to evidence Lessee's and the Leasehold Mortgagee's consent to any encumbrance. Lessee agrees that, upon the request of any person succeeding to the interest of Lessor as a result of the enforcement of any encumbrance, whether upon foreclosure or otherwise (the successor in interest being hereinafter referred to as the "**Purchaser**"), Lessee shall automatically become the Lessee of the Purchaser, without changing the terms or other provisions of this Ground Lease. The Purchaser shall not (a) be liable to Lessee for any previous act or omission of the prior Lessor under this Ground Lease (provided that if the Purchaser shall not be liable for any previous act or omission, then Lessor shall remain liable for such prior acts or omissions), (b) be subject to any offset which may theretofore have accrued to Lessee against the prior Lessor, (c) have any obligation with respect to the Security Deposit, unless such Security Deposit shall have been physically delivered to the Purchaser, or (d) be bound by any previous modification of this Ground Lease or by any previous payment of Rent or Additional Rent or other charges hereunder for a period greater than one (1) month, unless such modification or prepayment has been expressly approved in writing by the Lender or its other successor in interest. Lessee shall, within fifteen (15) days of receipt or a written request by Purchaser, execute and deliver an instrument or instruments confirming its attornment for the Purchaser. Notwithstanding the foregoing, upon the request of the holder of any encumbrance, this Ground Lease shall be prior and superior to the lien of any specified encumbrance.

14.3 Lessee's Right to Encumber Leasehold. The Parties acknowledge and agree that Lessee intends to finance the construction of improvements of the Building and the Property and to accomplish this financing, Lessee intends to encumber its leasehold interest under this Ground Lease through a Leasehold Mortgage (as defined in Exhibit "C" attached hereto). Lessee shall have the right to pledge its leasehold estate as security for such indebtedness whether by deed of trust, mortgage, collateral assignment or other document (a "**Leasehold Mortgage**") subject to the terms and conditions set forth in Exhibit "C" provided that the terms and provisions of this Ground Lease are strictly observed.

14.4 Subordination and Non-Disturbance Agreement. Lessor states for the benefit of both Lessee and Leasehold Mortgagee who may encumber Lessee's Ground Lease that as of the Effective Date, Lessor has not encumbered or borrowed on the security of the Property, and that Lessor will not do so during the Term of this Ground Lease, unless Lessor provides to Lessee and all Leasehold Mortgagees a Subordination and Non-Disturbance Agreement ("**SNDA**") acceptable in the reasonable opinion of counsel for Lessee and Leasehold Mortgagees, providing that so long as the Lessee and its successors, including Leasehold Mortgagees should they come into ownership of the Ground Lease, do not commit a default (beyond any applicable notice and cure period) allowing termination of this Ground Lease, they will not be disturbed in their possession and use of the Property and will be recognized and attorn to the Lessor or the Lessor's successor in interest

should either become the owner of the Premises. Such an SNDA shall be in recordable form, contain commercially reasonable provisions, and be recorded in the County records.

14.5 Attornment. Lessee agrees that in the event of a sale, transfer, or assignment of Lessor's interest in the Property or any part thereof, including the Premises, the Remodeled Facility, or the Property, or in the event that any proceedings are brought for the foreclosure of or for the exercise of any power of sale under any mortgage covering the Property or any part thereof, including the Premises and the Remodeled Facility, or in the event of a cancellation or termination of the Ground Lease or any other ground or underlying lease covering the Property or any part thereof, including the Premises and the Remodeled Facility, to attorn to and to recognize such transferee, purchaser, ground or underlying lessor or mortgagee as Lessor under this Ground Lease.

14.6 Quiet Enjoyment. Lessee acknowledges that this Ground Lease is subject to the effect of the following: (a) mortgages or encumbrances, and any other matters or documents of record; (b) the effect of any zoning Laws of the City, County and State where the Property is located; and (c) general and special taxes and assessments not delinquent. Lessee will execute any agreement required pursuant to Section 14 of this Ground Lease to reflect Lessee's subordination thereto. If Lessee timely pays the Rent and Additional Rent required to be paid pursuant to this Ground Lease, and performs all of the other terms, covenants and conditions of this Ground Lease on Lessee's part to be performed, then Lessee may peaceably and quietly have, hold and enjoy the Premises, Remodeled Facility and Property during the Term of this Ground Lease, subject to the terms of this Ground Lease, and to any encumbrances to which this Ground Lease is or may be subordinated.

14.7 Estoppel Certificates.

a. Each party within fifteen (15) days after receipt of written notice from the other party shall execute and deliver to the other party an estoppel certificate in a form reasonably requested by the requesting party to include: (a) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as modified, is in full force and effect); (b) the dates to which the rental and other charges are paid in advance, if any; (c) the amount of Lessee's security deposit, if any; and (d) acknowledging, if correct, that there are not, to the delivering party's knowledge, any uncured defaults on the part of the requesting party hereunder, and no events or conditions then in existence which, with the passage of time or notice or both, would constitute a default on the part of requesting party hereunder, or specifying such defaults, events or conditions, if any are claimed.

b. Failure to deliver the estoppel certificate within fifteen (15) days shall be conclusive upon the party failing to deliver the estoppel certificate for the benefit of the party requesting the estoppel certificate and any successor to the party requesting the estoppel certificate, that this Lease is in full force and effect and has not been modified except as may be represented by the party requesting the estoppel certificate and that no defaults exist under the Lease except as stated by the party requesting the estoppel certificate. It is expressly understood and agreed that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Property.

15. Environmental Issues.

15.1 Lessor's Representations. Lessor represents that to the best of its actual knowledge the Property has not been used for the generation, storage, treatment or disposal of Hazardous Materials. In addition, Lessor represents that to the best of its actual knowledge no Hazardous Materials or underground storage tanks are located on or near the Property. Notwithstanding any other provision of this Ground Lease, Lessee relies upon the representations stated herein as a material inducement of entering into this Ground Lease.

15.2 Lessee's Obligations. (a) Lessee, on its own or through any of the Lessee Agents or Lessee Parties, covenants and agrees that it and they shall handle, store and dispose of all Hazardous Materials brought or allowed onto the Property (during the Term of this Ground Lease, any holdover period of this Ground Lease, or any period of time when Lessee is required to remediate any Hazardous Materials under Section 15.2(c) below until a final site closure letter is received by Lessor) in accordance with all federal, state and local laws and regulations and shall impose on any Lessee Party, Lessee Agent, lessee, licensee or any other party using any portion of Property the same obligation. Lessee, Lessee Agents, or Lessee Parties shall not bring use, handle, generate, store, release, discharge, or dispose of any Hazardous Materials onto, under, on or at the Property except for those Hazardous Materials contained in its backup power batteries or its cleaning solvents used in the ordinary course of maintaining the Property in accordance with the terms of this Ground Lease provided however, Lessee shall cause all persons to use, handle, store and dispose of all such Hazardous Materials in compliance with all applicable Laws. **"Hazardous Materials"** shall mean any substance, chemical, pollutant or waste that is presently identified as hazardous, toxic or dangerous under any applicable federal, state or local law or regulations and specifically includes but is not limited to asbestos and asbestos containing materials, polychlorinated biphenyl's (PCBs) and petroleum or other fuels (including crude oil or any fraction or derivative thereof).

(b) Lessee shall notify Lessor immediately of (i) any disposal of any Hazardous Materials on or near the Property, (ii) any discovery of Hazardous Materials on or near the Property, or (iii) any notice of a governmental authority or private party alleging or suggesting that a release or disposal of Hazardous Materials at or about the Property may have occurred.

(c) In the event of a discharge, spill, emission or release or disposal of any Hazardous Materials in or about the Property after the Effective Date, or the discovery of any Hazardous Materials in or about the Property which are determined to have been discharged, spilled, emitted, released or disposed of on the Property after the Effective Date, Lessee shall promptly undertake the abatement, containment or treatment of such Hazardous Materials. Lessor reserves the right (but is not obligated) to perform any abatement, containment, remediation or removal of Hazardous Materials and to perform the cleanup on behalf of and at the expense of Lessee. In such event, Lessor shall submit copies of all invoices related to Lessee and Lessee shall reimburse Lessor for all reasonable costs plus an administrative fee in an amount of 10% of the costs incurred by Lessor in such clean up, abatement, containment, treatment or remediation within thirty (30) days thereafter. In the event that the cleanup extends beyond the termination of expiration of this Ground Lease, Lessee's obligation to reimburse Lessor for all reasonable costs associated with such cleanup activities and Lessee's obligation to pay Rent (as a holdover tenancy

and in compliance with Section 3.2 of this Lease) shall continue until the cleanup is completed and a final site closure letter from the applicable governmental authority indicating that no further action is required in connection with the environmental condition has been received by Lessor, provided however, if only a portion of the Property is so effected by such clean up and the remainder of the Property can reasonably be relet by Lessor, in Lessor's reasonable discretion, to a third party, Lessee's Rent obligation under this Subsection 15.2(c) shall be proportionately reduced accordingly. No disturbance or interference with Lessee's use of the Property resulting from the activities conducted pursuant to this subsection shall constitute an actual or constructive eviction of Lessee from the Property or entitle Lessee to an abatement of Rent or Other Charges due pursuant to this Ground Lease.

15.3 Lessor shall indemnify, defend by counsel reasonably acceptable to the Lessee, and hold harmless Lessee and Summit from and against any and all claims, losses, liability, costs, or expenses made against or incurred or suffered by Lessee as a result, directly or indirectly, of the use, generation, treatment, storage, disposal, emission, discharge, release of Hazardous Materials in, on or from the Property, by Lessor or any prior or contemporaneous owner that Lessor had knowledge of and pre-existed prior to September 1, 2016.

15.4 Lessee shall indemnify, defend by counsel reasonably acceptable to the Lessor, and hold harmless the Lessor and each of the Lessor Parties from and against any and all claims, losses, liability, costs, or expenses, arising out of the use, generation, treatment, storage, disposal, emission, discharge, release or threatened release of Hazardous Materials or the investigation, testing, remediation and clean up of such Hazardous Materials by Lessee in, on or from the Property at any time during the Term of this Ground Lease (and after such Term if any remediation or clean-up efforts extend beyond the Term) until such time as a final site closure letter is received wherein no further action is required in relation to the presence of Hazardous Materials at or around the Property.

15.5 Lessor's and Lessee's obligations pursuant to this Section 15 shall survive the termination or expiration of the Ground Lease.

16. Sale of Property by Lessor. Subject to Lessee's Right of First Offer as set forth in Section 4, above, Lessor may, at any time, without the consent of Lessee, contract to and/or perform any of the following transactions with respect to an interest in Lessor, this Ground Lease, or the Property: sale, purchase, exchange, transfer, assignment, lease, or conveyance (collectively referred to as "**Sale**"). Lessor shall be released from all liability towards Lessee and Lessee's successors and assigns arising from this Ground Lease because of any act, occurrence or omission of Lessor occurring after such Sale, provided the transferee pursuant to any Sale agrees in writing for the benefit of Lessee to assume all of Lessor's obligations under this Ground Lease occurring after such Sale.

17. Mortgage by Lessor. From and after the Effective Date, Lessor shall have the right at any time to encumber Lessor's fee interest in the Property in any way, including, but not limited to, any mortgage or deed of trust, in Lessor's sole discretion; provided however, that the holder of such encumbrance ("**Mortgagee**") shall agree in writing that such Mortgagee shall be subject to this Ground Lease including Lessee's Right of First Offer. Lessee agrees to execute and deliver a

commercially reasonable attornment agreement acceptable to any such Mortgagee, but without cost to Lessee. In the event that Lessee acquires Lessor's fee interest in and to the Property, Lessor shall before the closing date, cause the removal of any mortgage or deed of trust benefitting a Mortgagee.

18. Miscellaneous Provisions.

18.1 Entire Agreement; Modification. This Ground Lease including the Recitals above and the Exhibits attached hereto is intended by the Parties as a final expression of their understanding with respect to the subject matter hereof and as a complete and exclusive statement of the terms and conditions thereof and supersedes any and all prior and contemporaneous leases, agreements and understandings, oral or written, in connection therewith. This Ground Lease may be changed or modified only upon the written consent of the Parties hereto.

18.2 Severability. The invalidity of any provision in this Ground Lease or application thereof as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof and each provision of this Ground Lease shall be valid and enforced to the fullest extent permitted by Law.

18.3 Binding Effect. This Ground Lease shall be binding on and inure to the benefit of the successors and permitted assignees of the respective Parties.

18.4 Notice. Except as expressly provided elsewhere in this Ground Lease, every notice, demand, request or other communication which may be or is required to be given under this Ground Lease must be in writing and must either be served personally or sent by either expedited courier or mail service bearing proof of receipt, such as Federal Express or by United States Certified or Registered Mail, postage prepaid, return receipt requested, and must be addressed to the addresses listed below. Either Party may designate, by written notice to the other Party in accordance with this Section 18.4, any other address for such purposes. Either Party may, however, give the other Party notice by telephone or other electronic transmission for any emergency, subject to subsequent formal written notice as provided in this Section 18.4. All notices shall be effective on the date of delivery. If any notice is not delivered or cannot be delivered because the receiving Party changed its address and did not previously give notice of such change to the sending Party in accordance with this Sections 18.4, or due to a refusal to accept the notice by the receiving Party, such notice shall be effective on the date when delivery was attempted. Any notice under this Ground Lease may be given on behalf of a Party by the attorney for such Party.

If to Lessee prior to May 1, 2018:

EdFuture, LLC
c/o Community High School Foundation, Inc.
900 Island Drive, Suite 203
Redwood City, CA 94065
Telephone: (650) 366-1050; Fax: (650) 366-1892
Email: _____

If to Lessor:

780 Broadway LLC
Attn: Chris Chao, Sole Member
1918 Stockbridge Avenue
Redwood City, CA 94061
Telephone: 650-369-3729; Fax: None.
Email: ciaoboy@gmail.com

If to Lessee on or after May 1, 2018:

EdFuture, LLC
c/o Community High School Foundation, Inc.
780 Broadway
Redwood City, CA 94063
Telephone: (650) 366-1050
Fax: (650) 366-1892

With a Copy to:

Mike Davis
Sr. Vice President
Colliers International
203 Redwood Shores Parkway,
Suite 125
Redwood City, CA 94065

With a Copy to:

Sarah J. Kollman, Esq.
Young Minney & Corr
655 University Ave., Suite 150
Sacramento, CA 95825

And a Copy to:

Laurie A. Dennen, Esq.
Law Office of Laurie A. Dennen
P.O. Box 1904
San Ramon, CA 94583

And a Copy to the Leasehold Mortgagee

Pursuant to the written notice of any Leasehold Mortgagee given in accordance with the terms of Exhibit "C" attached hereto.

18.5 Consent. Except for consent or approval in which a Party has sole discretion, where the consent or approval of either Lessor or Lessee is required hereunder, such consent or approval shall not be unreasonably withheld or delayed.

18.6 Governing Law; Venue; Jurisdiction. This Ground Lease shall be governed, construed and interpreted by, through and under the laws of the State of California and in a court of competent jurisdiction located in San Mateo County.

18.7 Attorneys' Fees. In the event of any action for any relief against the other Party hereunder, declaratory or otherwise arising out of this Ground Lease, including any suit by Lessor for the recovery of Rent or Additional Rent or for possession of the Property, the non-prevailing Party shall pay the prevailing Party a reasonable sum for attorneys' fees, expert witness fees and other costs of suit that shall be deemed to have accrued from the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Attorneys' fees incurred in enforcing any judgment are recoverable as a separate item; this provision is intended to be severable from other provisions of the Ground Lease and to survive any judgment and is not to be deemed merged into the judgment. If Lessor becomes a party to any litigation concerning this Ground Lease, the Premises, the Remodeled Facility or the Property, by reason of any act or omission of Lessee, any of the Lessee's Parties, or any Lessee Agents, or the Leasehold Mortgage or Leasehold Mortgagees, or the financing of Lessee's construction of improvements of the Building, Remodeled Facility or the Property, and not by any act or omission of Lessor or its authorized representatives, Lessee shall be responsible to Lessor and shall pay for Lessor's reasonable attorneys' fees, court costs, investigation expenses, discovery costs and costs of appeal incurred by them in such action. As used herein, the "**prevailing party**" shall include, without limitation, a Party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment of the other Party of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee

schedule but shall be such as to fully reimburse the prevailing party for all attorneys' fees reasonably incurred.

18.8 Other Costs of Suit. Further, Lessee shall be responsible to Lessor and shall pay for Lessor's attorneys' fees or similar expenses as below described, incurred by the Lessor: (i) in connection with any default by Lessee in the observance and performance of any obligation under this Ground Lease, whether or not Lessor commences any action or proceeding against Lessee; (ii) any other appearance by Lessor (or any officer, manager, member, partner, agent, or employee of Lessor) as a witness or otherwise in any action or proceeding whatsoever, involving or affecting Lessee or this Ground Lease; (iii) any amendment, modification or extension of this Ground Lease (and any negotiations with respect thereto) conducted with consent of both Parties or required by the Leasehold Mortgagee after this Ground Lease has been executed; (iv) any assignment, sublease or financing instrument proposed or granted by Lessee (whether or not permitted under this Ground Lease), and all negotiations with respect thereto; and (v) any alterations of the Premises, Remodeled Facility, or Property by Lessee and all negotiations with respect thereto. Lessee's obligations under this Section 18.8 of this Ground Lease shall survive the expiration or earlier termination of this Ground Lease. This Section 18.8 of this Ground Lease is intended to supplement (and not to limit) other provisions of this Ground Lease pertaining to indemnities and/or attorneys' fees.

18.9 Sublease; Assignment.

a. Lessee may not assign all or any portion of this Ground Lease or its rights under this Ground Lease or sublet all or any part of the Premises, Remodeled Facility or Property without obtaining the prior written consent of Lessor which consent shall not be unreasonably withheld, conditioned or delayed. Any consent by Lessor to one assignment or sublease, whether by operation of law or otherwise, shall not be deemed to be a consent to any subsequent assignment or sublease. Any assignment or sublease made contrary to the terms of this Ground Lease shall be void. Any sublease profits resulting therefrom will be split equally between Lessee and Lessor, net of Lessee's reasonable costs of any assignment or sublease.

b. Notwithstanding the foregoing, Lessee may sublease or assign all or any portion of this Ground Lease or its rights under this Ground Lease or sublet all or any part of the Premises, Remodeled Facility or Property without obtaining the Lessor's prior written consent, provided that the Premises, Remodeled Facility or Property shall continue to be used for the same Permitted Use after such assignment or sublease and:

(i) such assignment or sublease is to any entity which (v) is the parent corporation or entity; (x) controls, is controlled by, or is under common control with Lessee; (y) results from a merger of, reorganization of, or consolidation with Lessee so long as Lessee is the surviving entity; or (z) an affiliated entity in which Lessee or its parent corporation or entity, owns at least 50% of the outstanding shares of ownership interests of the affiliated entity; or

(ii) such assignment or sublease is to Summit pursuant to that certain Sublease, of even date herewith ("**Sublease**"), which Sublease shall contain, amongst other things, an acknowledgement by Summit that Summit has received a fully executed copy of this Ground

Lease and any amendments thereto and understands its terms; such Sublease shall not have a term that exceeds the Term of the Ground Lease; the Sublease shall require the sublessee thereunder to be obligated to observe, comply and perform the obligations of the Lessee under this Ground Lease; and the Sublease shall not modify or alter the terms of the Ground Lease nor modify or reduce the rights of Lessor under this Ground Lease.

Lessee shall give notice of such assignment or sublease, to Lessor, in writing, at least thirty (30) days prior to any such assignment or sublease.

c. The Parties agree that it shall be reasonable for Lessor to withhold its consent to an assignment or sublease if any of the following situations exist or may exist:

i. In the Lessor's reasonable judgment, the transferee lacks sufficient experience to manage a successful development and project of the type and quality being conducted at the Property; or

ii. In the Lessor's reasonable judgment, the then net worth of the transferee is inadequate to manage a successful development and project of the type and quality being conducted at the Property.

18.10 Force Majeure. If performance of the Ground Lease or of any obligation hereunder (not including Lessee's duties and obligations to pay Base Rent, Additional Rent or any other monetary charges hereunder) is prevented or substantially restricted or interfered with by reason of an event of "Force Majeure" (defined below), the affected Party, upon giving written notice to the other Party, shall be excused from such performance to the extent of and for the duration of such Force Majeure event. The affected Party shall use its reasonable efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder whenever such causes are removed. "**Force Majeure**" means fire, earthquake, flood, natural disaster, or "acts of god" or other casualty or accident; strikes or labor disputes; war, civil strife or other violence; or any other act or condition beyond the reasonable control and without the fault or negligence of the Party claiming Force Majeure.

18.11 Survival. Terms and condition of this Ground Lease which by their sense and context survive the termination, cancellation or expiration of this Ground Lease will so survive.

18.12 Authority of the Parties. If either Party is a corporation (whether for profit or non-profit), limited liability company, church, unincorporated association, government agency, general or limited partnership or individual owner, each individual executing this Ground Lease on behalf of such corporation, limited liability company, church, unincorporated association, government agency, partnership or individual represents and warrants that he or she is duly authorized to enter into, execute and deliver this Ground Lease on behalf of such entity, in accordance with the bylaws, operating agreement or partnership agreement, or as a designated individual by such association or agency, and that this Ground Lease shall be a legal, valid and binding obligation upon such corporation, limited liability company, church, association, agency, partnership or individual enforceable in accordance with its terms.

18.13 Security Services. Lessee shall have the right to install or upgrade any security system serving the Premises, Remodeled Facility or Property including, without limitation, an alarm system or key card system, provided that any such security system is installed and operated according to any applicable Laws. Any system(s) installed or upgraded must not interfere with Lessor's rights of access to the Premises, Remodeled Facility or Property as provided in the Ground Lease. Lessee also has the right to reasonably restrict entry to areas of the Premises, Remodeled Facility, or Property where students are present during school hours to those who have undergone and successfully cleared the legally required criminal background check and screening in compliance with applicable Laws.

18.14 Signage. Lessee may, at Lessee's sole expense, install identification signs (including its logo) on the exterior of the Building or Remodeled Facility, and anywhere throughout the Property, subject to the following requirements:

(a) Lessee must obtain Lessor's prior written approval for such signs, which Lessor may not unreasonably withhold, condition nor delay;

(b) All signs must be in keeping with the quality, design, and style of the Building or Remodeled Facility as the case may be.

(c) All signs must meet all applicable Laws.

(d) Lessee is solely responsible for the removal of such sign(s) at the expiration or termination of the Ground Lease and the repair to the reasonable satisfaction of the Lessor to any surface of Building, Remodeled Facility or to the Property where such signs are removed.

18.15 Time. Time is of the essence of this Ground Lease.

18.16 Parking. Lessor shall make available and Lessee shall have the right to utilize the parking spaces at the Property, improved in accordance with the Remodeled Facility, for no additional fee hereunder.

18.17 Recordation. Neither party hereto shall record this Ground Lease. However, either Lessor or Lessee shall, upon request of the other Party, execute, acknowledge, and deliver to the other Party a short form memorandum of this Ground Lease, reasonably satisfactory to the other Party, for recording purposes. The Party requesting recordation shall be responsible for payment of any fees applicable thereto. Lessee shall deliver to Lessor a quitclaim deed for the Premises, Remodeled Facility and Property on the expiration or earlier termination of this Ground Lease.

18.18 Surrender. Upon the expiration or earlier termination of this Ground Lease, Lessee shall, surrender and quit the Premises, Remodeled Facility and Property broom-clean, in good order, condition and state of repair, reasonable wear and tear excepted together with all keys and combinations to locks, safes and vaults, if any. Lessee shall be required to: (a) patch or paint any walls/surfaces (interior and exterior); (b) remove any trade fixtures installed prior to or during the Term, and repair any damage caused by the installation or removal of such trade fixtures all as set forth in this Ground Lease; (c) remove Lessee's personal property and equipment, other than that

which is affixed to the Premises or Remodeled Facility so that it cannot be removed without material damage to the Premises, Remodeled Facility or the Building as set forth in this Ground Lease, and (d) implement repairs to the Premises, Remodeled Facility and Property caused by removal of same. It is expressly agreed and understood by the parties hereto that Lessee's failure to surrender possession of the Premises, Remodeled Facility and Property at the expiration of the Term or earlier termination of this Ground Lease shall result in substantial damages to Lessor and those damages are impossible or impracticable to measure. In the event that Lessee does not surrender possession of the Premises, Remodeled Facility or Property to Lessor as set forth herein, Lessee shall be deemed a holdover tenant on a month-to-month basis and shall pay to Lessor for each month or portion thereof in which Lessee holds over in an amount as set forth in Section 3.2, above.

18.19 Counterparts. This Ground Lease may be executed in two or more counterparts, which shall, in the aggregate, be signed by all Parties and constitute an executed Ground Lease. Each counterpart shall be deemed an original instrument against any Party who has signed it.

18.20 Default Interest. Sums due to Lessor under and pursuant to this Ground Lease shall bear interest from the date due at the greater of ten percent (10%) per annum or the Reference Rate announced by the Bank of America N.T. & S.A. plus one percent (1%) or the rate of interest to avoid imputed interest pursuant to the provisions of the Internal Revenue Code of 1986 as amended. Default Interest at the rate of five (5%) percent in excess of the above Reference Rate may be charged to Lessee after the expiration of any applicable notice period. Interest to be paid hereunder shall be limited to the maximum rate permitted to be charged under laws of the State of California.

18.21 Brokers. Lessor and Lessee each hereby acknowledge and agree that Lessee has been represented by Insite EFS, Inc. (Benson Sainsbury) and Lessor has been represented by Colliers International (Mike Davis and Michael Draeger). Lessor will pay the commission for Insite EFS, Inc. and Colliers International in accordance with a separate agreement. Each of Lessor and Lessee represents and warrants to the other party that: (i) no other brokers or finders, except those noted above, have been employed, engaged or are entitled to a commission or compensation in connection with the negotiation or execution of this Lease; and (ii) except as set forth above, neither Lessor nor Lessee are related to or affiliated with the brokers set forth above. Each Party hereto agrees to indemnify, defend and hold harmless the other Party hereto from and against any and all losses, liens, claims, judgments, liabilities, costs, expenses or damages (including reasonable attorneys' fees and court costs) of any kind or character arising out of or resulting from any agreement, arrangement or understanding (except the actual payment of the commissions to the brokers as set forth above) alleged to have been made by such Party or on its behalf with any broker or finder in connection with this Ground Lease or the transaction contemplated hereby. The foregoing indemnity will survive the execution of this Ground Lease or the earlier termination of this Ground Lease and will not be limited by any provision of this Ground Lease.

18.22 Relationship of Parties. Nothing contained in this Ground Lease shall be deemed, construed or implied as creating the relationship of principal and agent, partnership, joint venture or any other relationship between the Parties hereto, other than the relationship of Lessor and Lessee.

18.23 Joint and Several Liability. All the terms, covenants, and conditions contained in this Ground Lease to be performed by either Party, if such Party consists of more than one person or organization shall be deemed to be joint and several, and all rights and remedies of the Parties are cumulative and nonexclusive of any other remedy at Law or in equity. Each provision of this Ground Lease to be performed by Lessee shall be construed to be both a covenant and a condition, and if there shall be more than one Lessee, they shall all be bound, jointly and severally, by the provisions of this Ground Lease.

18.24 No Waiver. A waiver of any breach or default shall not be a waiver of any other breach or default. Lessor's consent to or approval of any act by Lessee requiring Lessor's consent or approval hereunder shall not be deemed to waive or render unnecessary Lessor's consent to or approval of any subsequent similar act by Lessee. Any waiver by a Party hereunder of any provision of this Ground Lease must be in writing. Such written waiver shall affect only the provision specified and only for the time and in the manner stated in the writing.

18.25 Non-Disturbance. Subject to all of the provisions of this Ground Lease, so long as Lessee is not in default beyond any applicable notice and cure period exists hereunder, Lessor covenants that neither it nor any party claiming by, through or under it, shall do any act to disturb the peaceful and quiet occupation and enjoyment of the Premises, Remodeled Facility, and Property by Lessee.

18.26 Guaranty. This Ground Lease and the obligations of Lessee under and pursuant to this Ground Lease shall be guaranteed by Summit Public Schools, a California non-profit public benefit corporation, pursuant to the terms and conditions set forth in that certain Guaranty attached hereto as Exhibit "E" and incorporated herein by this reference.

**[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK;
SIGNATURES ONLY ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, the Parties have executed this Ground Lease as of September 15, 2017 and to be effective as of the Effective Date.

LESSOR:

780 Broadway LLC,
a California limited liability company

By: Chris Chao
Chris Chao, Sole Member

LESSEE:

EdFuture, LLC, a California limited liability
company

By: Community high School Foundation, Inc.,
a California non-profit public benefit
corporation, its sole member

By: _____
John Violet, Secretary

Date: September 15, 2017

Date: _____ 2017

IN WITNESS WHEREOF, the Parties have executed this Ground Lease as of September 15, 2017 and to be effective as of the Effective Date.

LESSOR:

780 Broadway LLC,
a California limited liability company

By: _____
Chris Chao, Sole Member

LESSEE:

EdFuture, LLC, a California limited liability
company

By: Community high School Foundation, Inc.,
a California non-profit public benefit
corporation, its sole member

By:  _____
John Violet, Secretary

Date: _____ 2017

Date: Sep 15, _____ 2017

EXHIBIT “A”

[Attach a Copy of the Property Description]

Escrow No.: 12-4044687-DP
Locate No.: CAFNT0941-0943-0004-0009586617
Title No.: 12-9586617-EB

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF REDWOOD CITY, COUNTY OF SAN MATEO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE:

Portion of Lot 1, as designated on the map entitled, "Map of Subdivisions of Sweeney Ranch Near Redwood City San Mateo Co.", which map was filed in the Office of the Recorder of the County of San Mateo, State of California, on June 24, 1898, in Book "C" of Maps, at Page 36 and a copy entered in Book 2 of Maps, at Page 97, more particularly described as follows:

Beginning at a point on the northerly line of Broadway, distant thereon south 78° 44' 27" east, 19.59 feet from the intersection thereon with the easterly line of Lot 1 in Block 2, as said Broadway, Lot and Block are shown on the map entitled, "Redwood Industrial Tract No. 1 Subdivision of a Portion of Lot 1 Map of Subdivision of Sweeney Ranch, Book 'D' of Maps, at Page 36, Redwood City, California", filed in the Office of the County Recorder of San Mateo County on August 15, 1947, in Book 27 of Maps, at Pages 39 and 40; thence from said point of beginning, south 78° 44' 27" east along said northerly line of Broadway, 110 feet to the westerly line of Lot 1 in Block 5, as shown on the map entitled, "Redwood Industrial Tract No. 2 Redwood City, California", filed April 30, 1952, in the Office of the County Recorder, San Mateo County, California, in Book 35 of Maps, at Pages 3, 4, 5 and 6; thence north 11° 15' 33" east along last mentioned Lot Line, 165 feet; thence north 78° 44' 27" west, 110 feet; thence south 11° 15' 33" west, 165 feet to the point of beginning.

PARCEL TWO:

Together with a non-exclusive easement for railroad spur track purposes over a strip of land of the uniform width of 15 feet, lying adjacent to and measured at right angles southwesterly from a line which begins at the most northerly corner of the first above described parcel of land and extends thence north 78° 44' 27" west, 19.59 feet to the southeasterly line of Lot 1, Block 2 and continues north 78° 44' 27" west entirely across said Lot 1, Block 2, to the southeasterly line of Charter Street, as said Lot, Block and Street are shown on the Map of the Redwood Industrial Tract No. 1, above mentioned; the northwesterly line of said easement is the southeasterly line of Charter Street and the southeasterly line of said easement is the northwesterly line of the first above described parcel of land.

Joint Plant No. 054-004-040-13A

APN: 054-040-130

EXHIBIT “B”

Base Rent

Lessee agrees to pay to Lessor the Base Rent as set forth below under the column titled “Monthly Base Rent” and “Annual Base Rent” below, as applicable. If the Lessee qualifies for the Rent Abatement Period in accordance with the terms and conditions as set forth in Section 5.5.1 of this Ground Lease, this Exhibit “B” shall be revised and adjusted to reflect the rent abatement in accordance with the terms and conditions set forth therein. If the Lessee qualifies for the Annual Rent Abatement Month in accordance with the terms and conditions as set forth in Section 5.5.2 of this Ground Lease, this Exhibit “B” shall be further revised and adjusted to reflect such rent abatement in accordance with the terms and conditions set forth therein.

Years (Total)	Date	Start	End	Months	Year	Monthly Base Rent PSF	Annual Base Rent PSF	Monthly Base Rent	Annual Base Rent	Increase	Total Base Rent
1	Sept.1, 2017	1	12	1-12	1	\$1.58	\$19.00	\$19,000	\$228,000	35.96%	\$228,000
1	Sept.1, 2018	13	24	13 - 24	2	\$2.00	\$24.00	\$24,000	\$288,000	26.32%	\$288,000
1	Sept.1, 2019	25	36	25 - 36	3	\$2.00	\$24.00	\$24,000	\$288,000	0.00%	\$288,000
1	Sept.1, 2020	37	48	37 - 48	4	\$2.00	\$24.00	\$24,000	\$288,000	0.00%	\$288,000
1	Sept.1, 2021	49	60	49 - 60	5	\$2.12	\$25.44	\$25,440	\$305,280	6.00%	\$305,280
1	Sept.1, 2022	61	72	61 - 72	6	\$2.12	\$25.44	\$25,440	\$305,280	0.00%	\$305,280
1	Sept.1, 2023	73	84	73 - 84	7	\$2.12	\$25.44	\$25,440	\$305,280	0.00%	\$305,280
1	Sept.1, 2024	85	96	85 - 96	8	\$2.25	\$26.97	\$26,966	\$323,597	6.00%	\$323,597
1	Sept.1, 2025	97	108	97 - 108	9	\$2.25	\$26.97	\$26,966	\$323,597	0.00%	\$323,597
1	Sept.1, 2026	109	120	109 - 120	10	\$2.25	\$26.97	\$26,966	\$323,597	0.00%	\$323,597
1	Sept.1, 2027	121	132	121 - 132	11	\$2.38	\$28.58	\$28,584	\$343,013	6.00%	\$343,013
1	Sept.1, 2028	133	144	133 - 144	12	\$2.38	\$28.58	\$28,584	\$343,013	0.00%	\$343,013
1	Sept.1, 2029	145	156	145 - 156	13	\$2.38	\$28.58	\$28,584	\$343,013	0.00%	\$343,013
1	Sept.1, 2030	157	168	157 - 168	14	\$2.52	\$30.30	\$30,299	\$363,593	6.00%	\$363,593
1	Sept.1, 2031	169	180	169 - 180	15	\$2.52	\$30.30	\$30,299	\$363,593	0.00%	\$363,593
1	Sept.1, 2032	181	192	181 - 192	16	\$2.52	\$30.30	\$30,299	\$363,593	0.00%	\$363,593
1	Sept.1, 2033	193	204	193 - 204	17	\$2.68	\$32.12	\$32,117	\$385,409	6.00%	\$385,409
1	Sept.1, 2034	205	216	205 - 216	18	\$2.68	\$32.12	\$32,117	\$385,409	0.00%	\$385,409
1	Sept.1, 2035	217	228	217 - 228	19	\$2.68	\$32.12	\$32,117	\$385,409	0.00%	\$385,409
1	Sept.1, 2036	229	240	229 - 240	20	\$2.84	\$34.04	\$34,044	\$408,534	6.00%	\$408,534
1	Sept.1, 2037	241	252	241 - 252	21	\$2.84	\$34.04	\$34,044	\$408,534	0.00%	\$408,534
1	Sept.1, 2038	253	264	253 - 264	22	\$2.84	\$34.04	\$34,044	\$408,534	0.00%	\$408,534
1	Sept.1, 2039	265	276	265 - 276	23	\$3.01	\$36.09	\$36,087	\$433,046	6.00%	\$433,046
1	Sept.1, 2040	277	288	277 - 288	24	\$3.01	\$36.09	\$36,087	\$433,046	0.00%	\$433,046
1	Sept.1, 2041	289	300	289 - 300	25	\$3.01	\$36.09	\$36,087	\$433,046	0.00%	\$433,046

1	Sept.1, 2042	301	312	301 - 312	26	\$3.19	\$38.25	\$38,252	\$459,028	6.00%	\$459,028
1	Sept.1, 2043	313	324	313 - 324	27	\$3.19	\$38.25	\$38,252	\$459,028	0.00%	\$459,028
1	Sept.1, 2044	325	336	325 - 336	28	\$3.19	\$38.25	\$38,252	\$459,028	0.00%	\$459,028
1	Sept.1, 2045	337	348	337 - 348	29	\$3.38	\$40.55	\$40,547	\$486,570	6.00%	\$486,570
1	Sept.1, 2046	349	360	349 - 360	30	\$3.38	\$40.55	\$40,547	\$486,570	0.00%	\$486,570
1	Sept.1, 2047	361	372	361 - 372	31	\$3.38	\$40.55	\$40,547	\$486,570	0.00%	\$486,570
1	Sept.1, 2048	373	384	373 - 384	32	\$3.58	\$42.98	\$42,980	\$515,764	6.00%	\$515,764
1	Sept.1, 2049	385	396	385 - 396	33	\$3.58	\$42.98	\$42,980	\$515,764	0.00%	\$515,764
1	Sept.1, 2050	397	408	397 - 408	34	\$3.58	\$42.98	\$42,980	\$515,764	0.00%	\$515,764
1	Sept.1, 2051	409	420	409 - 420	35	\$3.80	\$45.56	\$45,559	\$546,710	6.00%	\$546,710
1	Sept.1, 2052	421	432	421-432	36	\$3.800	\$45.56	\$45,559	\$546,710	0.00%	\$546,710
1	Sept. 1, 2053	433	444	433-444	37	\$3.80	\$45.56	\$45,559	\$546,710	0.00%	\$546,710

If the Term of the Ground Lease continues for any periods beyond the periods set forth in the above table, the Base Rent shall continue to be adjusted at the same rate as set forth above, i.e. an increase of 6% over the last Base Rent reflected and then such rate shall remain in effect for a period of 36 consecutive months. Thereafter, the same 6% increase shall be applicable.

EXHIBIT “C”

Rights/Duties/Provisions relating to Leasehold Mortgages and Leasehold Mortgagees

A. Definitions.

- a. The term “**Leasehold Mortgagee**” shall mean the holder of the beneficial interest of a Leasehold Deed of Trust, who has given written notice to Lessor of its name and address for notices, as further defined in this Exhibit “C” hereof.
- b. The term “**Leasehold Deed of Trust**” shall mean any encumbrance of this Ground Lease, by a deed of trust, mortgage or other security instrument including, without limitation, assignments of rents, issues and profits from the Property, to secure repayment of loans made to, or obligations of, Lessee.
- c. The term “**Property**” shall have the meaning set forth in the Recitals of this Ground Lease and shall include the improvements constructed on the Property by Lessee in accordance with the terms and conditions set forth in the Ground Lease.
- d. The term “**Leasehold Estate**” shall mean all Lessee’s interest in the assets conveyed by this Ground Lease, including but not limited to the Property.

- B. Right to Encumber.** Lessee shall have the right to pledge its leasehold estate as security for indebtedness, whether by deed of trust, mortgage, collateral assignment, or other document (hereafter a “**Leasehold Mortgage**”) subject to the following terms and conditions: (a) one or more Leasehold Mortgages may be recorded against the leasehold estate at any one time; (b) the Leasehold Mortgage and all rights acquired under it shall be expressly subject to each and all of the covenants, conditions, and restrictions stated in this Lease and to all rights and interests of Lessor; (c) the mortgagee or beneficiary under the Leasehold Mortgage (the “**Leasehold Mortgagee**”) may be any person, corporation, organization, institutional lender or the corporate trust department of a bank, for or on behalf of one or more persons, corporations, organizations, institutional lenders or accredited investors; (d) Lessee shall give Lessor prior notice of any such Leasehold Mortgage including without limitation the name and address of the expected Leasehold Mortgagee and true and correct copies of the note, Leasehold Mortgage, and other related agreements; (e) the Leasehold Mortgage shall be an encumbrance or lien only on the Lessee’s interest in the Ground Lease and leasehold estate and not affect or become a lien on the Lessor’s fee estate in the Property; (f) the Leasehold Mortgage shall provide that the term of the loan secured by the Leasehold Mortgagee shall not exceed, and that all amounts secured thereby shall be paid by no later than, the end of the Lease Term; (g) the Leasehold Mortgagee shall be subject to the terms and conditions of the Ground Lease and shall not acquire any rights greater than those of the Lessee under the Ground Lease except as set forth herein; and (h) immediately after recordation of the Leasehold Mortgage, Lessee shall, at its own cost and expense, cause to be recorded in the official record of the county in which the Property is located a request that Lessor receive written notice of any default and/or notice of sale under the Leasehold Mortgage.

C. Leasehold Mortgagee Protections. The following provisions apply as to any Leasehold Mortgage until the earlier of such time that (i) all obligations of Lessee under the Leasehold Mortgage have been satisfied or (ii) the Leasehold Mortgage is reconveyed or otherwise terminated in accordance with its terms:

- a. **Lease Modification.** Except as to any right or remedy accorded to Lessor under the Ground Lease including but not limited to the right to terminate the Ground Lease upon Lessee's default, and subject to the protection of the Leasehold Mortgagee contained herein, Lessor and Lessee shall not, without the prior written consent of the Leasehold Mortgagee, cancel or surrender the Lease or enter into any modification of any term of the Ground Lease that would materially affect the Leasehold Mortgage or the Leasehold Mortgagee's rights under the Leasehold Mortgage.
- b. **Request for Notice of Default.** Lessor shall serve a copy of any notice of Lessee default under this Ground Lease upon the Leasehold Mortgagee in accordance with Section 18.4 of the Ground Lease, and no such notice shall be binding upon or affect the Leasehold Mortgagee unless a copy is given pursuant to this section.
- c. **Leasehold Mortgagee's Right to Cure.**
 - i. **General Right to Cure.** Subject to subsections (c)(ii)-(vi) below, and provided that nothing herein shall be construed to allow the Leasehold Mortgagee to enter the Property prior to taking possession of the Property from Lessee, the Leasehold Mortgagee shall have the right at any time during the Ground Lease Term, or any extension terms, if applicable, if the Leasehold Mortgage remains in effect, to do any act or thing required of Lessee hereunder, whenever failure to do such act or thing would constitute a default hereunder, or to proceed to diligently pursue cure of any such defaults, and all such acts or things done and performed by the Leasehold Mortgagee shall be as effective to prevent a forfeiture of Lessee's rights hereunder as if done by Lessee.
 - ii. **Monetary Defaults.** With respect to a default by Lessee in the payment of Rent or other sums due to the Lessor under the Ground Lease ("**Monetary Default**"), any election of Lessor to terminate this Ground Lease or Lessee's right to possession following a Monetary Default shall be of no force or effect if such Monetary Default is cured by or on behalf of the Leasehold Mortgagee within ten (10) business days after the latter of (a) the giving of such notice of default by the Lessor to the Leasehold Mortgagee and (b) the expiration of the applicable cure or grace period provided to Lessee hereunder.
 - iii. **Non-Monetary Default.** With respect to any default by Lessee other than a Monetary Default ("**Non-Monetary Default**"), any election of Lessor to terminate this Ground Lease or Lessee's right to possession following a Non-Monetary Default shall be of no force or effect if such default is cured by or on behalf of the Leasehold Mortgagee within thirty (30) calendar days after the latter of (a) the giving of such notice of default by the Lessor to the Leasehold Mortgagee and (b) the expiration of the applicable cure or grace period provided

to Lessee hereunder, or, if a Non-Monetary Default is of such nature that it cannot reasonably be remedied within the time provided, then such Leasehold Mortgagee shall have such additional time as is reasonably necessary to cure such default, provided that it commences the curing of such default within said thirty (30) day period and thereafter diligently continues the curing of the same to completion, provided such period shall not, except in the case of Force Majeure, exceed 120 consecutive calendar days.

Cure of Non-Monetary Defaults. There shall be no termination affecting the rights of any Leasehold Mortgagee for failure to perform the non-monetary terms of the Lease so long as the Leasehold Mortgagee is proceeding diligently to obtain possession to the extent required to cure the default, beginning within thirty (30) days after written notice that Lessee has failed to cure the default during the notice period provided in the Ground Lease, and thereafter proceeds to complete the cure within a reasonable period of time, and further provided that the Rent is being paid as it comes due throughout the period while cure is being pursued.

- iv. **Possession Default.** Notwithstanding the foregoing, if the Leasehold Mortgagee cannot cure a Non-Monetary Default unless it obtains possession of the Property or acquires Lessee's interest under this Ground Lease (any such default requiring such possession or acquisition to cure hereafter referred to as a "**Possession Default**"), then Lessor shall not terminate this Ground Lease or Lessee's right to possession for any such Possession Default as long as (i) Leasehold Mortgagee cures all other defaults within the period of time provided in subsections (c)(ii) and (iii) above; (ii) all Rent and other sums due Lessor under this Ground Lease are paid and kept current by the Leasehold Mortgagee; (iii) all other terms of this Ground Lease are performed when and as required under this Ground Lease; and (iv) the Leasehold Mortgagee takes prompt and diligent steps to institute, prosecute, and complete foreclosure proceedings or otherwise acquire Lessee's interest under this Ground Lease, and, upon obtaining possession or acquiring Lessee's interest under this Ground Lease, immediately cures all then-existing Possession Defaults within thirty (30) days.
- v. **Personal Defaults.** Notwithstanding the foregoing, any election of Lessor to terminate this Ground Lease or Lessee's right to possession shall be of no force or effect solely on account of a default that can be cured only by Lessee and is not susceptible to cure by the Leasehold Mortgagee (such as the filing of a bankruptcy proceeding by Lessee) ("**Personal Default**") so long as (1) Leasehold Mortgagee cures all other defaults within the period of time provided above; (2) all Rent and other sums due Lessor under this Ground Lease are paid and kept current by the Leasehold Mortgagee; (3) all other terms of this Ground Lease are performed when and as required under this Ground Lease; and (4) the Leasehold Mortgagee takes prompt and diligent steps to institute, prosecute, and complete foreclosure proceedings or otherwise acquire Lessee's interest under this Ground Lease.

- vi. **No Modification of Option Provisions.** Notwithstanding anything to the contrary herein, the provisions of this Exhibit “C” shall not be construed to provide any additional time for the exercise of any option to extend the Ground Lease Term, if applicable (an “**Option**”), to permit the Leasehold Mortgagee to cure any default of Lessee for the purposes of exercising or maintaining such Option, or to modify any provisions relating to such Option.
- d. **Foreclosure by the Leasehold Mortgagee.**
- i. **Right to Foreclose.** The Leasehold Mortgagee shall have the right to realize on the security afforded by the Leasehold Mortgage by exercising foreclosure proceedings or power of sale, or accepting an assignment or deed in lieu thereof, or other remedy afforded in law or in equity, all to the extent allowed by the Leasehold Mortgage hereunder (collectively referred to as “**Foreclosure Sale**”) and to transfer, convey, or assign the title of Lessee to the Leasehold estate created hereby to any purchaser at any such Foreclosure Sale (such purchaser including, if applicable, the Leasehold Mortgagee, hereinafter referred to as the “**Foreclosure Purchaser**”), and to acquire and succeed to the interest of Lessee hereunder by virtue of any such Foreclosure Sale; provided that the Leasehold Mortgagee has given all notices and opportunities to cure to Lessor and Lessee required hereunder and/or by applicable law. Notwithstanding the foregoing, the Leasehold Mortgagee (i) shall not be entitled to conduct any auction, foreclosure, or other sale at or upon the Property; (ii) shall not remove any fixtures, furnishings, equipment, or other property on or at the Property whether or not affixed thereto; and (iii) shall conduct a unified sale of the leasehold interest, all other real property collateral, and all personal property collateral to a single purchaser.
- ii. **Attornment and Non-Disturbance.** Upon any acquisition by the Foreclosure Purchaser of the Leasehold interest in the Property, the Foreclosure Purchaser shall be bound to the Lessor, and the Lessor shall be bound to the Foreclosure Purchaser under the terms, covenants, and conditions of the Ground Lease with the same force and effect as if the Foreclosure Purchaser were the original Lessee under the Ground Lease, except that the Foreclosure Purchaser shall not be bound to cure Personal Defaults of Lessee and except that, if the Foreclosure Purchaser is the Leasehold Mortgagee, its liability shall cease upon a Foreclosure Purchaser Assignment as defined in the next subsection.
- iii. **Foreclosure Purchaser Assignment.** If the Foreclosure Purchaser is the Leasehold Mortgagee, it may assign the leasehold interest (including any Extension Terms, if applicable, and all other real and/or personal property transferred to such purchaser) in accordance with Section 18.9 of this Lease, except that the Leasehold Mortgagee shall not be obligated to obtain Lessor’s prior written consent but shall give Lessor prompt notice thereof.
- e. **New Lease to Mortgagee.** In the event of termination of the Ground Lease for any reason, Lessor shall, at the Leasehold Mortgagee’s written request, enter into a new lease

(the “**New Lease**”) with the Leasehold Mortgagee or its nominee covering the Property if the Leasehold Mortgagee (i) gives the notice of request within thirty (30) days after the termination, (ii) accompanies the notice with a written instrument unconditionally guaranteeing that, upon execution of the New Lease, it will cure all Monetary Defaults of Lessee under the Ground Lease and pay to Lessor all costs including without limitation attorneys’ fees incurred by Lessor in connection with or resulting from any Lessee default, the termination, and the New Lease, (iii) remedies all existing defaults under the Ground Lease immediately upon execution of the New Lease for Monetary Defaults and within thirty (30) days after execution for Non-Monetary Defaults; and (iv) accepts the Property in its then “as-is” condition without warranty of any kind from Lessor. The New Lease (v) shall be executed no later than thirty (30) days after delivery of the notice of request; (x) shall be for the remainder of the Ground Lease Term; (y) shall be effective as of the date of termination with possession to occur upon execution; and (z) and shall include the right of the Leasehold Mortgagee or its nominee to exercise the Lessee's options to extend or renew the Lease, if applicable, as set forth herein; shall be at the Rent and on the covenants, agreements, conditions, provisions, restrictions, and limitations contained in the terminated Ground Lease. As long as Leasehold Mortgagee cures all defaults other than any Personal Defaults, then any Personal Default shall no longer be deemed to be a default or breach under the New Lease. The New Lease, and this covenant, shall be superior to all rights, liens and interests intervening between the date of this Ground Lease and the granting of said New Lease other than those created or suffered by Lessee to which Lessee and the Leasehold Mortgagee have consented or subordinated to, and shall be free of any and all rights of Lessee hereunder. The provisions of the immediately preceding sentence shall be self-executing, and Lessor shall have no obligation to do anything, other than to execute said New Lease as herein provided, to assure said Leasehold Mortgagee or the Lessee under the New Lease good title to the Leasehold Estate granted thereby.

- f. **Lessor's Interest Subject to Leasehold Mortgage.** Any mortgage or financial encumbrance on Lessor’s fee estate (a “**Fee Mortgage**”) shall be subject to this Ground Lease. Lessor shall not enter into any Fee Mortgage that violates the previous sentence.
- g. **Limits on Leasehold Mortgagee’s Liability.** No Leasehold Mortgagee shall be liable to perform Lessee’s obligations under this Ground Lease until such Leasehold Mortgagee takes possession of the Property or any part thereof or acquires Lessee’s rights by foreclosure, assignment in lieu of foreclosure, or otherwise, subject, however, to the Leasehold Mortgagee’s right hereunder to cure any defaults of Lessee under the Ground Lease as set forth above.
- h. **Estoppel Certificates.** At reasonable intervals, the Leasehold Mortgagee shall have the right to obtain estoppel certificates from Lessor stating whether the Ground Lease is in full force and effect, whether the Rent and other charges have been duly and fully paid in accordance with the terms of the Ground Lease, whether Lessee is in default under any of the terms, covenants, or conditions contained in the Ground Lease, or whether any event has occurred which would, with the passage of time or giving of notice or both, constitute a default under any of the terms, covenants or conditions contained in the Ground Lease, and other matters reasonably requested by the Leasehold Mortgagee.

- i. **No Merger.** If this Ground Lease and the fee estate in the Property are ever commonly held, then they shall remain separate and distinct estates and shall not merge without consent by all Leasehold Mortgagees.
- j. **Notices.** In the event that Leasehold Mortgagee issues any demand for payment, default notice, or other document under which, if Lessee does not perform, there would be a right to terminate this Ground Lease or take possession of the Premises, Leasehold Mortgagee shall give a copy of such notices to Lessor concurrently in accordance with Section 18.4 of the Ground Lease.
- k. **Amendments.** Upon Lessee's request, subject to Section 18.8 of the Ground Lease, Lessor will enter into such amendments or modifications of this Ground Lease as may be reasonably required by Lessee's lender in order for Lessee to obtain a Leasehold Mortgage, so long as such changes do not deprive Lessor of the substantial benefit hereof or reduce the sums due to Lessor hereunder or change the permitted uses of the Premises. Lessor will not unreasonably withhold, delay, or condition such an amendment.
- l. **Permitted Period for Restoration of Improvements.** There shall be no termination of the Ground Lease as against the rights of any Leasehold Mortgagee as a result of damage or destruction of the Improvements (as defined in the Ground Lease) so long as the Rent is paid on a current basis and all other obligations under the Ground Lease are timely performed, and the Lessee and/or Leasehold Mortgagee is diligently pursuing restoration of the Improvements.
- m. **Insurance.** A standard mortgagee clause naming the Leasehold Mortgagee as an additional insured and loss payee, as the case may be, may be added to any and all insurance policies required to be carried by Lessee hereunder on condition that the insurance proceeds are to be applied in the manner specified in this Ground Lease; except that the Leasehold Mortgagee may provide a manner for the disposition of such proceeds, if any, otherwise payable directly to Lessee or Leasehold Mortgagee pursuant to the provisions of this Ground Lease.

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[Insert Drawings of the Remodeled Facility]

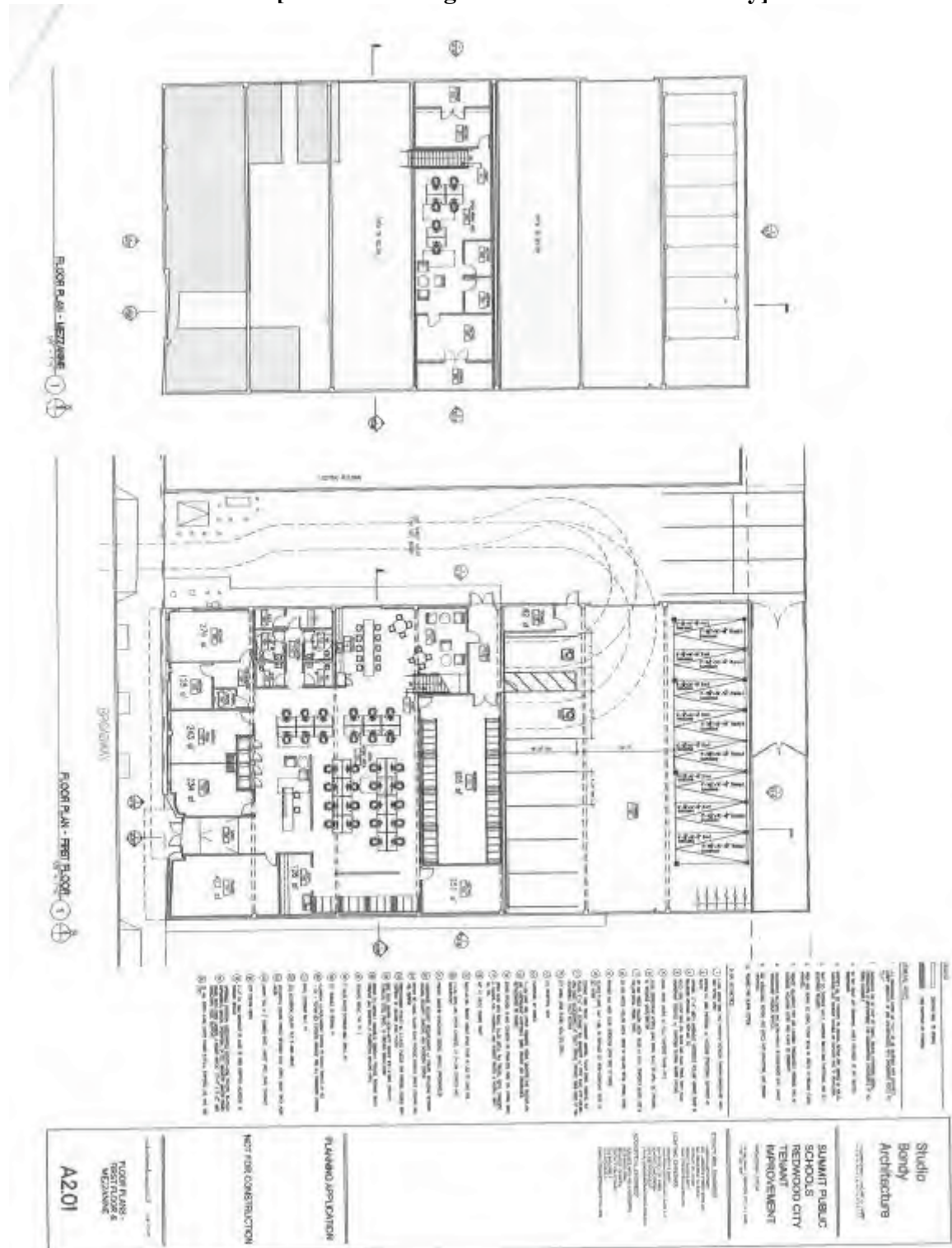


EXHIBIT “E”

[Attach Guaranty]

GUARANTY OF GROUND LEASE

THIS GUARANTY OF GROUND LEASE (this “**Guaranty**”) dated for reference purposes as of September 15, 2017 is executed by Summit Public Schools, a California non-profit public benefit corporation (“**Guarantor**”) in favor of 780 Broadway LLC, a California limited liability company (the “**Lessor**”). Those capitalized terms not herein defined will have that meaning set forth in the Ground Lease (hereinafter defined). The Guaranty shall become effective as of the Effective Date set forth in the Ground Lease.

RECITALS

A. Lessor and EdFuture, LLC, a California limited liability corporation (“**Lessee**”) have entered into that certain Ground Lease Agreement dated as of September 15, 2017 (the “**Ground Lease**”), whereby Lessor agreed to lease to Lessee and Lessee agreed to lease from Lessor the Property located at 780 Broadway, in Redwood City, California as more particularly described in attached Exhibit “A” to the Ground Lease, and incorporated by reference (“**Property**”).

B. As a condition to entering into the Ground Lease, Lessor has required that Guarantor execute and deliver to Lessor this Guaranty.

AGREEMENT

In consideration of Lessor entering into the Ground Lease of the Premises to Lessee, Guarantor covenants and agrees as follows:

1. Guaranty. Guarantor absolutely and unconditionally guarantees to Lessor the timely payment of all amounts that Lessee may at any time owe under the Ground Lease, or any extensions, renewals, or modifications of the Ground Lease. Guarantor further guarantees to Lessor the full, faithful, and timely performance by Lessee of the Ground Lease or any extensions, renewals, or modifications of the Ground Lease, if any. If Lessee defaults at any time in the payment of any Rent or any other sums, costs, or charges, or in the performance of any covenant or obligation under the Ground Lease, then Guarantor, at Guarantor’s expense, will, on demand by Lessor, fully and promptly pay all Rent, sums, costs, and charges to be paid and perform all other covenants and obligations to be performed by Lessee pursuant to the Ground Lease. In addition, Guarantor will, on demand by Lessor, pay to Lessor all sums due to Lessor, including, without limitation, all interest on past due obligations of Lessee, costs advanced by Lessor, damages, and all expenses (including, without limitation, court costs and reasonable attorneys’ fees) that may arise in consequence of Lessee’s default.

2. Waivers. Guarantor authorizes Lessor, without notice or demand and without affecting Guarantor’s liability under this Guaranty, to: (i) consent to any extensions, accelerations, or other changes in the time for any payment provided for in the Ground Lease, or consent to any other alteration of any covenant, term, or condition of the Ground Lease in any respect, and to consent to any assignment, subletting, or reassignment of the Ground Lease; (ii) take and hold security for any payment provided for in the Ground Lease or for the performance of any covenant, term, or condition of the Ground Lease, or exchange, waive, or release any security; and (iii) apply this security and direct the order or manner of its sale as Lessor may determine. Notwithstanding any termination, renewal, extension or holding over of the Ground Lease, this Guaranty of Ground Lease will continue until all of the covenants and obligations on the part of Lessee to be performed have been fully and completely

performed by Lessee and Guarantor will not be released of any obligation or liability under this Guaranty so long as there is any claim against Lessee arising out of the Ground Lease that has not been settled or discharged in full.

3. Independent Obligations. The obligations of Guarantor under this Guaranty are independent of, and may exceed, the obligations of Lessee. A separate action may, at Lessor's option, be brought and prosecuted against Guarantor, whether or not any action is first or subsequently brought against Lessee, or whether or not Lessee is joined in any action, and Guarantor may be joined in any action or proceeding commenced by Lessor against Lessee arising out of, in connection with, or based upon the Ground Lease. Guarantor waives any right to: (i) require Lessor to proceed against Lessee or any other person or entity or pursue any other remedy in Lessor's power; (ii) complain of delay in the enforcement of Lessor's rights under the Ground Lease; and (iii) require Lessor to proceed against or exhaust any security held from Lessee or Guarantor. Guarantor waives any defense arising by reason of any disability or other defense of Lessee or by reason of the cessation from any cause of the liability of Lessee. Guarantor waives all demands upon and notices to Lessee and to Guarantor, including, without limitation, demands for performance, notices of nonperformance, notices of non-payment, and notices of acceptance of this Guaranty of Ground Lease.

4. Definition of Lessee. For purposes of this Guaranty of Ground Lease and the obligations and liabilities of Guarantor, the term "**Lessee**" will be deemed to include any and all concessionaires, licensees, franchisees, department operators, assignees, sublessees, or others directly or indirectly leasing or occupying the Property leased under the Ground Lease or operating or conducting a business in or from these Property.

5. No Reporting Duty. Guarantor assumes full responsibility for keeping fully informed of the financial condition of Lessee and all other circumstances affecting Lessee's ability to perform Lessee's obligations under the Ground Lease, and agrees that Lessor will have no duty to report to Guarantor any information that Lessor receives about Lessee's financial condition or any circumstances bearing on Lessee's ability to perform such obligations.

6. Continuing Guaranty. This Guaranty will remain in full force notwithstanding the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or an assignment by Lessee for the benefit of creditors, or any action taken or suffered by Lessee under any insolvency, bankruptcy, reorganization, moratorium, or other debtor relief act or statute, whether now existing or later amended or enacted, or the disaffirmance of the Ground Lease in any action or otherwise. This Guaranty will further remain in full force and effect notwithstanding the eviction of Lessee, or the filing of any action seeking possession or damages against Lessee.

7. Joint and Several Obligations. If this Guaranty is signed, or if the obligations of Lessee are otherwise guaranteed, by more than one party, their obligations are joint and several, and the release or limitation of liability of any one or more of the guarantors will not release or limit the liability of any other guarantors.

8. Successors and Assigns. This Guaranty of Ground Lease will be binding upon Guarantor and Guarantor's heirs, administrators, personal and legal representatives, successors, and assigns, and will inure to the benefit of Lessor and Lessor's successors and assigns. Lessor may, without notice, assign this Guaranty of Ground Lease, the Ground Lease, or the Rents and other sums payable under the Ground Lease, in whole or in part.

9. Guaranty of Costs and Fees. In addition to the amounts guaranteed, Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses incurred by Lessor in enforcing this Guaranty of Ground Lease or in any action or proceeding arising out of, or relating to, this Guaranty of Ground Lease.

10. Governing Law. This Guaranty of Ground Lease will be deemed to be made under and will be governed by California law in all respects, including matters of construction, validity, and performance, and the terms and provisions of this Guaranty may not be waived, altered, modified, or amended except in a writing signed by an authorized officer of Lessor and by Guarantor.

11. Severance. If any of the provisions of this Guaranty of Ground Lease contravenes or be held invalid under the laws of any jurisdiction, this Guaranty of Ground Lease will be construed as if it did not contain those provisions, and the rights and obligations of the parties hereto will be construed and enforced accordingly.

12. Counterparts. This Guaranty of Ground Lease may be executed in any number of counterparts, each of which will be a valid and binding original, but all of which together will constitute one and the same instrument.

13. Authority. The individual executing this Guaranty on behalf of the Guarantor represents and warrants that he or she is duly authorized to enter into, execute and deliver this Guaranty on behalf of the Guarantor, in accordance with the bylaws, operating agreement or partnership agreement, or as a designated individual by such association or agency, and that this Guaranty shall be a legal, valid and binding obligation upon such corporation, limited liability company, church, association, agency, partnership or individual enforceable in accordance with its terms. Guarantor has the legal right, power and authority to execute, deliver and perform its duties and obligations under this Guaranty and to comply with the terms and conditions herein. The execution, delivery, and performance of this Guaranty have been duly authorized and no other action by Guarantor is requisite to the valid and binding execution, delivery, and performance of this Guaranty.

Guarantor has executed this Guaranty as of the date first written above.

GUARANTOR:

Summit Public Schools,
a California non-profit public benefit corporation

By: Diane Tavenner

Print Name: Diane Tavenner

Print Title: CEO

Address: 900 Island Drive
Suite 203
Redwood City, CA 94065

APPENDIX K

**FORM OF MASTER SERVICES AGREEMENT
BETWEEN SUMMIT AND EACH SUMMIT SCHOOL**

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Summit Public Schools

Statement of Work #1

By and between
SPS and **[School]**

Reference:	Master Services Agreement dated July 1, 20__, by and between Summit Public Schools (“SPS”) and [School] (“Client”).
Term:	July 1, 20__ to June 30, 20__ (the “Initial Term”).

<p>Scope of Services:</p>	<p><u>SPS – Description of services</u></p> <p>General SPS support SPS will likely develop other capabilities not specifically listed in this agreement. SPS will keep School informed of the full scope of SPS capabilities and School will have access to these other capabilities upon request.</p> <p>SCHOOLS <i>School Administration & Oversight</i> Works with school leaders to set instructional and cultural priorities for their school. Supports school leaders in developing an actionable plan to meet those priorities Supports the creation and implementation of the SPS vision across all sites Supports collaboration between school leaders and the sharing of best practices Thought partnership on handling unfamiliar or urgent situations Develop policy in collaboration with Strategic Services and Community team leads Participate in hiring process through interviews and feedback Data analysis to support school leaders and teachers on organization-wide and individual school goals Plan and lead school leader meetings Provide support for student discipline issues Plan and lead professional development for school leaders In-role coaching for school leaders Provide co-observations for teachers</p> <p><i>Special Education (SPED) Program Management</i> Manage the SPED program budget Assist schools with SPED-specific student problem solving Developing policies, procedures and resources IEP Planning and Support Lead and create professional development for SPED Program Specialists Observations Consulting with schools Professional Development & Research for SPED faculty Lead, plan, and prepare for SPED administration meeting Lead development of the strategic plan for the SPED program</p> <p><i>Academic Program Management/Induction Manager</i> Plan & run induction meetings Support individual coaches (1:1, co-observation, individual calibration) Oversee induction program planning & logistics Provide new teacher coaching (approximately 1 hour/teacher/week) Provide portfolio support for SPED</p> <p><i>College Readiness</i> Manage and conduct alumni outreach Coaching manager Conduct and manage college partnerships outreach Maintain college readiness website</p>
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Analyze college process data
 Lead College Readiness Team Meetings with ADs
 Develop Expeditions college readiness course curriculum
 Develop HCC curriculum 11th/12th grade
 Develop HCC curriculum 6th-9th grade
 Lead networking with external and internal organizations relevant to college readiness(peer CMO, Summit Learning, and other college related external orgs)
 Research, write, and publish newsletter for 11th/12th grade
 Outreach to colleges (visits, fairs, etc.)
 Preparation for parent nights
 Develop and lead Professional Development sessions with mentors
 Program strategy, growth goals, and long-term planning
 Research career pathways and community college
 Respond to mentor, parent, student college questions
 Senior mentor communication
 Social media parent outreach
 Support for OM's on transcripts, testing, and other college tasks
 Transcript and credit analysis

COMMUNITY

Government Affairs

Draft renewal charter petitions
 Manage MOU negotiations with charter authorizers
 Support school leaders with authorizer reporting/compliance
 Support school leaders with authorizer relationships
 Conduct greenlighting research for new school sites/facilities
 Conduct policy/legal research and make recommendations for changes to school operations and/or programs
 Lead Washington State-wide advocacy activities
 Lead California state-wide advocacy activities
 Support WA Board members/training/compliance/bylaws

Family Engagement

Lead parent organizing for charter renewals and new charter petitions
 Help engage parents as partners in their students' academic success
 Support schools and school leaders with communications to current families, including newsletters
 Lead parent organization leader community of learning meetings
 Support parent participation in LCAP feedback meetings
 Support implementation of ELACs in South Bay schools
 Plan and execute Parent Survey
 Oversee work of parent-teacher communications

Community Partnerships

Represent Summit as member of CA & WA Charter Schools Association
 Build partnerships with community organizations to strengthen school operations and programs
 Build and maintain relationships with prospective and current school funders
 Build and maintain key relationships with public officials

Maintain and participate in statewide partners' efforts, coalitions, PSESD/LEV, OSPI etc.

Communications and Media Relations

Create school-site faculty specific communications, including the Faculty Insider

Crisis communications

Create relationships with different media outlets

Handle media requests

Pitch stories about Summit Public Schools to different media outlets

Manage SPS Facebook page and related content creation

Review, facilitate community letters and op-eds based on local partnership priorities

Update and produce content for SPS website

Prospective Family Recruitment

Create marketing collateral for prospective families, in partnership with school leaders,

Support schools and school leaders with communications to prospective families, including emails, offer/acceptance

Conduct parent surveys to determine how they get their information

Design and execute advertising campaigns for targeted schools and families

Develop graphic design for marketing collateral and social media

Canvass, phone bank, and go to community events in support of targeted schools

Fundraising

Support school leaders and parent organizations in reaching parent fundraising goals - crowdfunding efforts, etc.

Develop and execute fundraising strategy for WA state

Build and maintain relationships with current and potential funders in WA

Manage maintenance of CAWA schools' grant relationships and other requirements

Complete and submit grant reports to WA schools' funders

Complete and submit grant reports to CA schools' funders

Producing acknowledgement letters for funders

DATA OPERATIONS

Operations Systems Design, Development and Management

Set vision, determine strategy and plan for school-site operations

Identify and pursue new centralized operations support areas, e.g., athletics compliance, discipline data and tracking

Build online learning resources, e.g., playlists and task cards

Manage school-site operations cadence and calendar

Manage school-site operations hub

Partner with Finance to manage online payment program

Manage paper and online summer mailer including partnership with electronic form provider

Hiring, Training and Ongoing Professional Development for Operations

Partner with school-sites and Talent to hire OMs and OAs

Partner with school-sites to source coverage for OMs and OAs
 Create onboarding plans and onboard OMs and OAs
 Plan and execute bi-weekly operations learning team calls for OMs
 Plan and execute monthly operations in-person PD for OMs
 Meet with OMs for weekly check ins
 Create and send weekly ops blast to set priorities, communicate action items and keep OMs informed
 Provide school leader PD on school-site operations (e.g., new school leader onboarding, school leader training resources and content assessment, in-person training)
 Plan and execute quarterly data and operations stepbacks with school leaders and OMs
 Provide weekly school leader updates on data and operations
 Provide ad-hoc support to schools on data and operations
 Provide help desk support for OMs and OAs

Operations Compliance

Oversee support and compliance for attendance (e.g., weekly attendance verification, monthly attendance/enrollment, P-1, P-2, P-annual, PENSEC)
 Oversee support and compliance for transportation (e.g., STARS)
 Oversee compliance for meals (e.g., NSLP, FRL, USDA)
 Oversee compliance for field trips (e.g., insurance, drivers and chaperones, detailed field trip summaries for the board)
 Oversee compliance for site safety (e.g., site safety inspection, Summit safety committee, visitor policy)
 Oversee compliance for health and nursing (e.g., immunizations, hearing and vision screening, Epipen, first aid/CPR, AEDs)
 Oversee compliance site and student insurance
 Oversee compliance for student records
 Oversee compliance for EL testing (i.e., CELDT, ELPA21)
 Manage external audits for operations (i.e., district, state, federal)
 Partner with Expeditions to oversee compliance for internships and independent study (e.g., training for OM, ongoing support, internal audit)
 Partner with Tech and R&D to oversee compliance for data security
 Partner with Community Engagement to oversee compliance for media release
 Support Community Engagement with creation and renewal of charter petitions and MOUs

Meals

Oversee FRL process including distribution and collection of forms and data management
 Oversee compliance for National School Lunch Program
 Manage NSLP administrative reviews
 Complete monthly site visits and reviews
 Manage vendor relationship and negotiate and manage contracts
 Manage menus, order meals and coordinate deliveries
 Coordinate meal payment collection
 Manage meal reimbursements for CA and WA

Hire, train and support food servers
Provide ad hoc support for OMs, OAs and servers, e.g., emails and calls

Scheduling

Partner with Leadership Team on master schedule design to support the Summit Personalized Learning model
Create school-site schedules
Create Expeditions schedules
Manage schedule changes throughout the year
Complete mid-year block rotation
Adjust Summit Solves and Summit Reads sections

State and Federal Reporting

Manage major state reporting for student demographic and academic data in CA (i.e., CALPADS)
Manage major state reporting for student demographic and academic data in WA (i.e., CEDARS)
Manage major federal reporting for student demographic data (i.e., CRDC)
Support other state reporting for other non-financial data (SARC, LCAP, and CBEDS)

Data and Operations Help Desk

Manage help desk to provide front-line support to teachers, operations staff, school leaders, and home office staff for all of the team's functional areas
Use help desk data to drive process and system processment and inform support needs

Data Management

Ensure integrity of data in Student Information System and other operational systems
Manage flows of data to and from Student Information System, including enrollment, demographic, and special education data
Build and maintain tools and programs to store and move data more efficiently
Manage sharing of student data between Summit's Student Information System and external academic vendors, including the PLP and Summit Reads and Solves tools

Data Requests and Reporting

Respond to data requests quickly and with accuracy
Provide reporting on all relevant data from the Student Information System and other systems to ensure schools and home office staff have access to the student data they need
Create operational dashboards for ongoing monitoring of key non-academic metrics (enrollment, attendance, etc.)

Grading and Transcript Support

Advise Schools team on the operational feasibility of grading and transcript policies
Provide training and support for schools to implement grading and transcript policies

Manage bulk loading of grades between the PLP and the Student Information System

Investigate and process exceptional transcript issues that require backend updates

Develop and maintaining resource for tracking Summit graduates over time

Alumni Information and Systems Management

Partner with Director of College Readiness on data needs

Build and maintain processes and systems to track alumni

Manage Naviance in partnership with Director of College Readiness

Enrollment and Lottery Support

Develop and oversee smooth processes for schools to enroll new students using our online enrollment vendor, i.e., SchoolMint

Support schools in running lotteries in SchoolMint that are compliant with their charters

Analyze recruitment data and create reports for Schools team

Analyze enrollment data and create reports and tool Finance team

Testing and Survey Support

Roster students and teachers to testing and survey systems (NWEA MAP, YouthTruth, etc.)

Work with Schools team to ensure smooth operation of tests and surveys at sites when administered digitally

Manage EL testing administration and compliance in CA

Manage EL testing administration and compliance in WA

Support with ad hoc survey requests, e.g., Expeditions course survey

FINANCE

Payroll

Choose a payroll processor/system, input all employee data

Set up STRS/DRS and 403b for all employees; Process monthly payments and reports

Create payroll procedures to ensure accurate and timely processing (for salaried and hourly employees)

Follow payroll procedures (input payroll changes deadline, monthly reconciliation and posting to accounting system), collaboration with Talent team to review payroll

Ensure hourly employee timesheets are finalized by payroll deadline

Collaborate with school leaders, HR team for annual compensation update and monthly payroll cycles

Troubleshoot HR and Trinet systems issues for employees and create and establish resources for self-directed learning around payroll and compensation

WeWorked time card systems management

Budgets

Prepare external (LCFF, state aid projections) and internal (expense and fundraising forecasts) projections for revenue drivers for budget purposes

Create school and home office budgets and budget revisions with input from

school sites, all teams, and board
Prepare budget versus actual reports for board, team leads, and school site leaders to review year-to-date spending compared to budget amounts.
Analyze and report on variances as required
Review budget line items vs. actuals to determine source of variances, set forecast amounts
Set up school activities financial dashboard and update periodically (showing profit/loss for certain activities and YTD fundraising)
Ad-hoc analysis related to budget and forecast items as needed
Stay up to date with economic and financial trends in the charter school sector and other related industries as required.

Financial Audit

Keep organized/clean records for internal use and audit - documentation and backup of supports for audit review
Advise Schools and other SPS teams on best practices to ensure clean audits
Select and interface with auditors - coordination of audit fieldwork and rounding up of necessary documentation
Create and implement org-wide fiscal systems and policies that will result in a clean audit, including building out training materials for relevant items
Prepare audit for Board approval

Accounting

Monthly close and reconciliation of school and home office SPS CA and SPS WA bank accounts and Treasury accounts
Set up STRS/DRS and 403b for all employees; Process monthly payments and reports
Create payroll procedures to ensure accurate and timely processing (for salaried and hourly employees
Follow payroll procedures (input payroll changes deadline, monthly reconciliation and posting to accounting system), collaboration with Talent team to review payroll
Ensure hourly employee timesheets are finalized by payroll deadline
Collaborate with school leaders, HR team for annual compensation update
Troubleshoot HR and Trinet systems issues for employees and create and establish resources for self-directed learning around payroll and compensation
WeWorked time card systems management

Treasury Management

Manage bank and investment accounts to ensure payment of all invoices and payroll, Forecast cash needs
Manage cash to adhere to board approved levels at various accounts through weekly cash forecasts and cash transfers
Revenue collection and tracking - ensure collection of all State and Local funds.
Forecast multi-year non-cash and balance sheet effects to meet external financial covenants and charter authorizer requirements

Transactional Support and Monthly Cycles

Payments and Deposits (AP & AR)

Review new vendors and set up in accounting system to allow ordering

Pay all expense reimbursement, invoices and contracts, and process all deposits with proper categorization in accounting system

Customer service for all employees in order to expedite AP and reimbursement payments

Liaison with school site EE and parent volunteers around donations

Liaison with state and local authorizer Finance departments around expense clarifications, collections and revenue

Monthly close and reconciliation of school and home office SPS CA and SPS

WA bank accounts and Treasury accounts

Resources and Onboarding

Provide training/instructional materials for staff to learn how to complete various items related to finance (expense/mileage reimbursements, check requests, etc), update Finance Hub as needed

Develop and maintain the archive of all information related to the finances of the organization

Training and Support

Provide EDs and OMs training resources and on-demand advice on: cash and in-kind donations, donations for school activities (athletics, etc.)

Set up deposits system for schools to use; developing training resources as well as train OMs in person

Communicate to school sites' OMs and parent volunteers donations that have come through and deposited on behalf of school

Provide infrastructure and forms used to track and submit parent donations at school sites

Provide EDs and OMs training resources and on-demand advice on: cash and in-kind donations, donations for school activities (athletics, etc.)

Communicate to school sites' OMs and parent volunteers donations that have come through and deposited on behalf of school

Compliance

Ensure completion of financial compliance items to ensure retainment of funds (SPED , Title, various State funds, CSFIG, SB740, etc)

Submit authorizer required financial statements: interims, unaudited actuals, budget - can include cash flows, multi-year projections. monthly reports

Categorical programs reporting including: MOE, LCAP, Title I, NSLP,

PCSGP, WA Categoricals reporting and support

PCSGP compliance and activity reporting

Insurance

Acquire proper insurance coverage

Coordinate with Real Estate team to acquire insurance for new facilities

Evaluate insurance coverage for organizational needs/risks

Provide advice to school sites regarding insurance and risk management

Acquire additionally insured for schools' needs (proms, graduations, venues, trips)

Analysis & Reporting

Perform income/expense analysis to determine feasibility of various projects (real estate, pay changes, etc.)

Reporting support for foundation grants / philanthropy - budgets; actual spending; narratives, etc.

Strategy

Serve as strategic partner to other SPS teams and Schools

Develop financial models to support long-term strategy

Create financial documents for charter petitions, loans and grants applications. Oversee reporting for grants.

Monitor funding forecasts for accurate planning

Fiscal Policies and Procedures

Create and implement org-wide fiscal systems and policies that will result in a clean audit and robust internal records, including building out training materials for relevant items

Update fiscal systems and policies as new laws and regulations are put in place (FRL forms and LCFF etc.)

Update other Summit colleagues regarding new programmatic and operational compliance requirements

Ensure purchasing policies are adhered to (packing slips, appropriate approvals, fed. thresholds etc.)

Collaborate with various teams to track purchase order and purchasing activity support for paying invoices

Categorical spending: Work with appropriate Academic (SPED, Title 1, etc) team members to set up plans and systems to ensure proper spending of restricted funds

Systems Development/ Management

Online parent payments portal management and development

Process parent school payments / donations online

Develop and maintain online store for school sites

Provide customer support (families/schools) as needed

Create reconciliations of MySchoolBucks payments to reflect activities at each school site

Amazon / Credit Account Management

Process purchases and provide a summary for School Leaders to review

Provide customer support as needed

Create reconciliations of Amazon credit payments to reflect activities at each school site, sub-program

Concur / AmEx credit card and electronic expense reimbursement platform management

Process purchases and track expenses

Provide customer support as needed

Work with Schools and Home Office teams in coordination with Talent team

in ensuring submission and payment of all hourly employees hours through WeWorked online timesheet website

REAL ESTATE

Facilities Upgrades & Development

Identify new sites for new schools or expansion of current school sites

Understand and identify facilities needs for school sites, and lead process of acquiring new sites if needed (for either expansion of grades or facility use changes)

Identify site-specific facilities upgrades with the assistance of school leadership, and assist in ensuring those upgrades are built

Review utility usage and determine if there are more affordable alternatives and more efficient delivery systems

Determine the costs of new site or facility upgrade.

Collaborate with Finance to provide data needed for financing needs

Create overall budget for any new sites acquisitions or facility upgrades

Secure all local, state, and other government approvals required for new sites and facilities upgrades

Ensure new site or facility upgrade project is delivered on time and on or under budget:

Lead the process of identifying grants to fund utility improvements, furniture purchases, and other private, state and federal grant programs for facility funding

Building Systems and Maintenance

Provide list of preferred maintenance vendors to better assist the schools' ability to handle maintenance issues (including procuring furniture, fixtures, and equipment, landscaping, low voltage, security, and fire alarms, janitorial services, etc.)

Develop and purchase software that aligns with best practices to help manage facilities maintenance

Training and Support

Teach OM to use vendor list and help desk for facility maintenance and repair

Teach OM's guidelines for furniture delivery

Develop schedule for replacement of furniture, fixtures, and equipment

Developing a manual with guidance for extending life, appearance and use of facilities

Compliance

Ensure that all SPS buildings are in compliance with their lease agreements

File SB 740 reimbursement applications for all non-Prop 39 sites

Apply for and file on-going compliance paperwork for CSFIG for the purpose of funding facilities improvements

Develop and file Prop 39 facilities need application, as well as negotiate with authorizer for extension of use agreements and expansion of facility requirements as needed

Ensure all SPS buildings pass site safety inspections

Submit all tax-exempt filings
Secure W-9s from Vendors

Point of Contact

Locate and negotiate with brokers, lenders, and 3rd party developers
Collaborate with and manager relationships with external partners such as design teams, architects, building and furniture vendors, municipalities, CCSA, Division of State Architects, and other associations

TALENT

Recruiting and Selection

Research, plan and attend recruitment events
Manage relationships with pipeline organizations
Lead campaigns to generate referrals
Maintain applicant tracking system
Support hiring managers in creating job descriptions
Support hiring managers in creating interview criteria
Post open jobs
Screen resumes
Conduct phone interviews for candidates
Schedule final round interviews and simulation days
Coordinate school visits / conversations with current employees for new hires / outstanding offered candidates
Approve compensation for new hires and transfers
Issue offer letters and respond to questions about offers
Enroll and maintain employees in TriNet system
Enroll and Maintain employees in HRIS system
Collaborate with Tech Team re access and hardware for new and exiting employees
Plan and lead annual career matrix process
Create external communications for website and for candidates
Create new employee collateral for teaching positions
Compile and analyze recruitment and retention data
Oversee tracking document of employee decisions to return or not throughout school year
Send renewal offer letters to every employee
Send new employee welcome packets

Employee HR Training

Plan and lead managerial professional development related to Talent functions (future)
Recruit and train faculty ambassadors on key messages to be delivered to prospective employees
Train new hiring managers on resume screen and interview process
Create interview guides and suggested interview questions
Ad-hoc participation in school-site leadership groups

Employee Relations

Support and monitor with employee leaves

Conduct and support with benefits open enrollment and ongoing benefits questions
Award nominations for employees
Support managers with employee performance concerns
Support and manage benefits in collaboration with TriNet ongoing
Support employee relations (excluding those already mentioned - ie, employees who are concerned about role, etc.
Submit Data Requests as needed

Compensation and Payroll

Keep compensation data and information updated, including recomping teacher scales on an annual basis
Collaborate and confirm paycheck accuracy with Finance Team

Oversee HR Compliance

Administer safe schools training
Support and Monitor TB, Livescan and I9 completion for all employees
Confirm credentials for all new employees
Coordinate with county offices of education, school leaders and new employees steps required for obtaining valid credential
Coordinate with teachers and school leaders regarding credential questions
Complete Employment Verifications
Oversee school site personnel audits
Handle and support with workers compensation
Monitor volunteers' TB and Livescan documentation
Monitor contractor SOW, TB and Livescan documentation
Process all terminating employees thru TriNet, Tech, etc.
Remain current on new laws and compliance issues
Consult with legal team on HR issues
Manage and update the volunteer process (parent volunteers and Facebook volunteers)
Revising handbook and other policies

Maintain and Update HR Systems

Maintain HRIS system
Maintain Directory
Develop and monitor talent team dashboards and data requests

Diversity, Equity and Inclusion

Evaluate time off policies, school calendars and physical spaces for DEI inclusivity
Develop and embed DEI competencies in credentialing competencies, look-fors and job descriptions
Develop and deliver ongoing cultural responsiveness trainings for faculty
Diversify recruitment pools by identifying candidate sources with significant representation from focus identities and cultivating relationships
Update interview and selection tools with a lens for cultural responsiveness
Implement process for connecting candidates with faculty members who share their backgrounds and can speak to their experiences at Summit

Gather data to understand faculty retention challenges and develop associated retention strategy

TECHNOLOGY

Systems Development/ Management/Integration

Lead the charge, vision and philosophy of the team aligned to the Summit Learning Model

Design technology processes, tools and systems to align with the Summit Learning Model

Lead, administer and manage G-Suite for Education collaboration suite for adults and students, including summitps.org, summitlearning.org, mysummitps.org, whitneyphs.org (sandbox)

Lead, integrate, secure, administer and support (60+) applications housed within Summit Systems: SSO initiative such as Zoom, Teem, Asana, Synrevoice, MailChimp

Lead, integrate, secure, administer and support (over 70+) applications housed within Summit Systems: SSO initiative such as video conferencing (Zoom), calendars (Teem), student information system (Illuminate), robocall (Synrevoice), and e-newsletters (MailChimp)

Lead and manage student/faculty accounts for wireless/network management

Lead and manage cloud printing for student accounts

Lead and manage copier contracts

Lead, manage and administer video conferencing

Lead and manage software licenses such as Adobe, Microsoft, and cloud solutions related to SSO

Lead and manage vendor telecom contracts management and engagement

Lead and manage AWS web servers for summitps, parent portal, and privacy center

Lead, manage and administer faculty, student, and parent distribution lists such as Google Apps, RoboCall, Mailchimp

Lead, manage and administer master phone and scan to mail lists

Lead and partner on new student setup and account management for school readiness

Lead on helpdesk administration, process, training, configuration and support

Technology and Security Infrastructure and Design

Lead on data cabling, A/V, server room, conference room, and kiosk design

Lead, manage and administer physical alarm monitoring services

Lead, manage and administer wireless network design

Lead and manage fiber optic Internet, voice, fax and e-fax management services

Website production, integration maintenance, and training

Partner on SummitPS.org and parent portal site branding, design, responsive design, content updates and site maintenance

Lead web accessibility design, integration and AA standards

Manage and administer Wordpress web content management system

Train users on how to publish content update

Integration of Google Analytics and Google AdWords

Analytics and Business Intelligence

Web traffic analysis and data mining (Google Analytics) for SummitPS.org, parent portal sites, and compass (hub)

Management Google AdWords

Management of Facebook Analytics

Data mining and data analysis of helpdesk tickets and network performance: trending, behavioral, and predictive in alignment to maximizing learning opportunities
 Data mining and data analysis of security operations to understand perform both vulnerability assessment and penetration results aligned to provide short and long term remediation
 Analysis of AWS web server performance
 Data mining and data analysis of org wide productivity tools such as Google Apps, Zoom VC, Teem (conference room scheduler)

Financials and Compliance

Lead and audit website to comply with administrator standards
 Lead on CIPA compliance for K-12 Internet Usage
 Partner with legal on FERPA, COPPA, HIPPA, multi-state cyberbullying & privacy laws, and ED code laws as related
 Lead and update both faculty and student Device and Internet Appropriate Use Policy
 Develop guidelines for contracts with apps/vendors re. data privacy
 Support copyright/Intellectual property strategy
 Ensure data exchange between systems is secure and vetted by appropriate parties
 Create, manage, and execute technology and security budgets
 Partner to provide accountability on equipment receivables
 Partner on audit requirements of PCSPG
 Lead on E-Rate RFP creation including approval, re-authorization, and documentation for audits
 Lead on Teleconnect fund and re-approval for CA schools
 Support copyright/Intellectual Property strategy
 Lead on E-waste management
 Lead on technology asset management
 Lead on domain management for all summit/summitlearning .org/.com/.net properties
 Create purchase orders, procure and final decision maker on technology purchases

Digital Safety

Partner on the development of data breach incident response plan
 Lead and partner on Master Information Security Policy
 Lead the design and adoption of security framework
 Curate data privacy concerns, incidents, and responses
 Develop, pilot and expand digital intelligence learning curriculum via HCC
 Lead the data privacy legal awareness playbook
 Lead and partner on the working security committee
 Lead, manage, and administer security tools such as 2-factor authentication, hard drive encryption and remote data wipe management
 Lead and/or partner on providing forensics support for cybersecurity incidents
 Lead on the creation of business continuity and disaster recovery plan
 Participate in site safety meetings
 Lead on security (SSL) certificates for website
 Lead and develop parent engagement and digital safety awareness strategy and playlist
 Lead, design, and manage the privacy center website
 Lead, analyze and provide remediation strategies for security operations
 Partner on data breach incidents
 Lead on fire and intrusion alarm monitoring and maintenance
 Lead, manage and administer content filtering such as GoGuardian, OpenDNS, Fortinet firewall content filter

Partnership

Partnership and curriculum development and management with Common Sense Media

Partnership and digital safety engagement curriculum with Google User Advocacy

Partnership and engagement for digital safety curriculum with Google User Advocacy

Technology partnership/relationship development and management for strategic partners such as Google, Ruckus Wireless, Fortinet, and CDW-G

Lead and manage strategic vendor relationships such as TelePacific, Canon, Virtual Graffiti

Lead and manage strategic vendor relationships for telecom (TelePacific), print services (Canon), and devices and other hardware (Virtual Graffiti)

Device and Network hardware, software, maintenance and support

Lead, manage, administer and support/repair faculty/student devices, such as printers, A/V, laptops, Chromebooks, BYOD (personal) machines, printers, cameras, VC, conference room tablets, copiers, intercoms, loaner pool, software applications, and operating systems

Lead on 1:1 student device management and plan logistics for Chromebook collection, deployment, and repairs for school readiness

Lead and administer device and network lifecycle: replacement and upgrade of equipment as needed

Lead on securing hardware and data security of offboarding employees

Lead, administer, and support faculty/student network including 24x7 monitoring of wireless and Internet access, DNS servers

Lead on providing earbuds and Chromebook sleeves

Academic and Faculty Support

Partner on MAP and SBAC testing readiness

Support on FERPA, PRA requests, cyber incidents, data privacy incidents

Partner on OM technology training

Partner on faculty onboarding

Partner on district technology engagement (Prop 39)

Lead the creation of technology guides, documentation, and cheat sheets

Lead the creation of student culture tech onboarding

Lead the update of technology page of compass (intranet)

OTHER

Members of the central office team will provide administrative coverage for school leaders while they are participating in school leadership meetings and trainings.

Excluded Services:	Other than the services outlined above, SPS is not responsible for any other activities, unless mutually agreed to in writing.
Compensation:	[School] will (a) pay SPS for Services in amount of \$_____ and (b) reimburse SPS for all pre-approved expenses incurred by SPS in connection with the Services (“Expenses”). SPS shall provide appropriate receipts to Client.
Termination	This Agreement shall end on June 30, 20__ and may not be terminated earlier except for cause. Termination of this Agreement shall not affect any Statements of Work then in effect. Upon such termination, Client shall pay SPS for all Services rendered and Expenses incurred by SPS prior to the effective date of termination under completed Statements of Work, and shall continue to perform its obligations under this Agreement, including without limitations its payment obligations, for any Statements of Work then in effect until completion of such Statements of Work in accordance with their respective terms. In the event of a termination, SPS will render a final billing to Client after the effective date of any such termination, and Client will pay the same. The provisions of this Agreement will survive any such termination in accordance with the terms
Summit Public Schools By: _____ Name: Diane Tavenner Title: CEO	[School] By: _____ Name: _____ Title: _____

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