

In the opinion of Chiesa Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel, assuming continuing compliance by the Authority, the Borrower and North Star with certain tax covenants described herein, under existing law, interest on the Bonds (i) is not includable in gross income for Federal income tax purposes under current law, (ii) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of computing the alternative minimum tax. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Interest on the Bonds and any gain from the sale thereof are not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act. For a more complete discussion see “TAX MATTERS” herein.

\$29,595,000

**THE ESSEX COUNTY IMPROVEMENT AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC. - 2020 PROJECT)**

Dated: Date of Issuance**Due: July 15, as shown on inside cover**

The Bonds described above (the “Bonds”) are special, limited obligations of The Essex County Improvement Authority (the “Authority”) and will be issued under and will be payable solely from and secured by (i) a pledge of certain funds held under the Trust Indenture, dated as of October 1, 2020 (the “Indenture”), between the Authority and Zions Bancorporation, National Association, as trustee (the “Trustee”) and certain payments to be made by NSA 377 Washington Street, LLC, a New Jersey limited liability company (the “Borrower”), under a Loan Agreement dated as of October 1, 2020 (the “Loan Agreement”) between the Authority and the Borrower. The Borrower’s obligations under the Loan Agreement will be secured by a Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated the Issue Date (as defined in the Indenture), in favor of the Authority and assigned to the Trustee. The Borrower will lease the facilities refinanced in part from the proceeds of the Bonds (the “Project Facilities”) to North Star Academy Charter School of Newark, Inc., a public charter school authorized by the State of New Jersey (“North Star”) for lease payments sufficient to pay the principal of, premium, if any, and interest on the Bonds. See “SECURITY FOR THE BONDS – The Lease Agreement” herein.



THE BORROWER, NSA 377 WASHINGTON STREET, LLC, IS A SINGLE PURPOSE ENTITY, IS NOT A SCHOOL AND WILL HAVE NO OPERATIONS AND NO ASSETS EXCEPT FOR THE PROJECT FACILITIES.

The Bonds will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside front cover hereof. Interest on the Bonds is payable semiannually on each January 15 and July 15, commencing on January 15, 2021. The Bonds will be issued as fully registered bonds, and, when issued, will be registered in the name of Cede & Co, as nominee for The Depository Trust Company, New York, New York (“DTC” or the “Securities Depository”), an automated depository for securities and a clearinghouse for securities transactions. Purchases of beneficial interests in the Bonds will be made in book-entry form (without certificates). The Bonds will be issued in minimum denominations of \$25,000 or any integral multiple of \$5,000 in excess thereof. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly by the Trustee to Cede & Co., which will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry System” herein.

THE BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY, AS DESCRIBED HEREIN.

Proceeds of the Bonds will be used by the Borrower to (i) refinance a construction loan related to the Project Facilities, (ii) fund a debt service reserve fund, and (iii) pay costs of issuance of the Bonds.

THE BONDS SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY, THE COUNTY OF ESSEX, OR ANY POLITICAL SUBDIVISION OTHER THAN THE AUTHORITY, WHETHER LEGAL, MORAL OR OTHERWISE. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED THEREUNDER, AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY, THE AUTHORITY HAS NO TAXING POWER.

THE BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS, UNLESS SUCH RESTRICTION IS REMOVED PURSUANT TO THE INDENTURE) ONLY TO “QUALIFIED INSTITUTIONAL BUYERS” OR “ACCREDITED INVESTORS” (EACH AS DEFINED HEREIN). SEE “NOTICE TO INVESTORS” AND “TRANSFER RESTRICTIONS” HEREIN.

Investment in the Bonds involves a significant degree of risk and is speculative in nature as described under “RISK FACTORS” herein and under other sections of this Limited Offering Memorandum.

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

The Bonds are offered when, as and if issued by the Authority, subject to the approval of the legality of the Bonds by Chiesa Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Borrower by Faegre Drinker Biddle & Reath LLP, Florham Park, New Jersey; for North Star by Saiber LLC, Florham Park, New Jersey; and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is expected that the Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York on or about October 29, 2020.

STIFEL

Dated: October 15, 2020

\$29,595,000
THE ESSEX COUNTY IMPROVEMENT AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC. - 2020 PROJECT)

MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP NOS.

\$3,470,000 Serial Bonds

<i>Due July 15</i>	<i>Amount</i>	<i>Interest Rate</i>	<i>Price</i>	<i>Yield</i>	<i>CUSIP* Number</i>
2022	\$325,000	4.000%	104.813	1.150%	29681CAA6
2023	340,000	4.000	107.140	1.310	29681CAB4
2024	355,000	4.000	109.179	1.450	29681CAC2
2025	370,000	4.000	110.943	1.580	29681CAD0
2026	385,000	4.000	111.944	1.790	29681CAE8
2027	400,000	4.000	112.700	1.970	29681CAF5
2028	415,000	4.000	113.078	2.150	29681CAG3
2029	430,000	4.000	113.010	2.340	29681CAH1
2030	450,000	4.000	113.412	2.440	29681CAJ7

\$5,600,000 4.000% Term Bond due July 15, 2040 Price 106.542[‡] Yield 3.210% CUSIP* 29681CAK4

\$8,270,000 4.000% Term Bond due July 15, 2050 Price 104.669[‡] Yield 3.430% CUSIP* 29681CAL2

\$12,255,000 4.000% Term Bond due July 15, 2060 Price 103.415[‡] Yield 3.580% CUSIP* 29681CAM0

* CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and none of the Authority, the Borrower nor the Underwriter makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

‡ Priced to first optional redemption date of July 15, 2030. The Bonds are subject to extraordinary redemption prior to their respective maturity dates. Redemption of Bonds that were purchased at a price greater than the applicable redemption price, prior to the first optional redemption date thereof, July 15, 2030, could reduce the otherwise expected yield on such Bonds. See “THE BONDS” and “RISK FACTORS – Extraordinary Redemption of Bonds Prior to First Optional Redemption Date” herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS LIMITED OFFERING MEMORANDUM, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Limited Offering Memorandum does not constitute an offer to sell the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority, the Borrower, North Star or the Underwriter to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Limited Offering Memorandum nor the sale of any of the Bonds implies that the information herein is correct as of any time subsequent to the date hereof. 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 the implication that there has been no change in the matters described herein since the date hereof.

This Limited Offering Memorandum is not to be construed as a contract with the purchasers of the Bonds. All summaries of statutes and documents are qualified in their entirety by reference to such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been provided by the Authority, the Borrower, North Star or the Underwriter and by other sources which such parties believe are reliable, but it is not guaranteed as to its accuracy or completeness, and it is not to be construed as a representation by the Underwriter.

This Limited Offering Memorandum is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE LIMITED OFFERING MEMORANDUM.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BORROWER, THE SCHOOL AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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 this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Each of North Star and Uncommon Schools, Inc., maintains a website and social media accounts. The information available on such websites and provided through such social media accounts is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum.

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 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, unless such restriction is removed pursuant to the Indenture. In addition, the face of each Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Indenture.

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, and from certain funds and accounts established and maintained pursuant to the 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 the Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers or Accredited Investors, unless such restriction is removed pursuant to the Indenture; and
5. That the Authority, the Borrower, North Star, 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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LIMITED OFFERING MEMORANDUM
\$29,595,000
THE ESSEX COUNTY IMPROVEMENT AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC. - 2020 PROJECT)

INTRODUCTION

General

This Limited Offering Memorandum, including the cover page, inside cover page, and Appendices hereto (the “Limited Offering Memorandum”), is furnished in connection with the offering of \$29,595,000 aggregate principal amount of Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. – 2020 Project) (the “Bonds”) of The Essex County Improvement Authority (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”).

The Bonds will be issued pursuant to the county improvement authorities law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (the “Act”) and a bond resolution of the Authority. See “THE AUTHORITY.”

The Bonds

The Bonds will be special, limited obligations of the Authority and will be issued pursuant to a Trust Indenture, dated as of October 1, 2020 (the “Indenture”), between the Authority and Zions Bancorporation, National Association, as trustee (the “Trustee”).

The proceeds of the Bonds will be loaned to NSA 377 Washington Street, LLC, a New Jersey limited liability company (the “Borrower”), pursuant to a Loan Agreement dated as of October 1, 2020 (the “Loan Agreement”) between the Authority and the Borrower for the purpose of (i) refinancing a construction loan to the Borrower (the “Construction Loan”), the proceeds of which were used to finance a portion of the construction of a public school building of six stories containing approximately 162,000 sq. ft. located at 359-377 Washington Street, in the City of Newark, County of Essex and State of New Jersey, (collectively, the “Project Facilities”), (ii) funding a debt service reserve fund, and (iii) paying costs of issuance of the Bonds (collectively, the “Project”).

The Borrower is a single purpose entity and is not a school. The Borrower is exempt from federal taxation as a disregarded entity of a corporation recognized as a 501(c)(3) organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Project Facilities will be leased by the Borrower to North Star Academy Charter School of Newark, Inc., a public New Jersey charter school (“North Star”), which currently operates 14 schools serving approximately 6,200 students in grades K-12 in Newark, New Jersey. North Star Academy Foundation, Inc. (“NSA Foundation”) is the sole member of the Borrower and NSA Foundation is a controlled affiliate of Uncommon Schools, Inc. (“Uncommon Schools”). For more information regarding the Borrower, North Star and Uncommon Schools, see Appendix A hereto.

The Borrower is required, pursuant to the provisions of the Loan Agreement and a Series 2020 Note from the Borrower to the Authority (the “Note”), to make payments sufficient to pay the principal and premium, if any, of and interest on the Bonds when due. The Borrower’s obligations under the Loan Agreement and the Note will be secured by a Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated the Issue Date (as defined in the Indenture), in favor of the Authority and assigned to the Trustee (the “Mortgage”), granting a mortgage lien in and to the Project Facilities and the land on which they are located (the “Mortgaged Property”) to the Authority.

The Mortgaged Property will be leased to North Star pursuant to an Amended and Restated Lease Agreement, dated as of October 1, 2020 (the “Lease Agreement”), between the Borrower as lessor and North Star, as lessee. Under the Lease Agreement, North Star will agree to make lease payments to the Borrower in amounts which in total will be at least sufficient to pay the principal of, premium, if any, and interest on the Bonds and certain other obligations of the Borrower when due. See “– Parity Obligations” below. The obligations of North Star under the Lease Agreement will be an unsecured general obligation of North Star. See “SECURITY FOR THE BONDS – The Lease Agreement” herein. The Form of Lease Agreement is attached hereto as Appendix F.

The Bonds will be secured by an assignment by the Authority to the Trustee of the Authority’s right, title and interest in the Loan Agreement (except for certain reserved rights, including but not limited to the right to enforce certain covenants to collect certain fees and expenses and indemnification of the Authority), the Note and the Mortgage. The Bonds are special, limited obligations of the Authority and will be payable solely from the Revenues (as defined in the Indenture), which include payments made by the Borrower pursuant to the Loan Agreement and the Note (except to the extent payable, under certain circumstances, from proceeds of insurance, sale or condemnation awards) and by payments by North Star pursuant to the Lease Agreement. See “SECURITY FOR THE BONDS” herein.

THE BORROWER IS A SINGLE PURPOSE ENTITY AND IS NOT EXPECTED TO HAVE ANY OPERATIONS OR ASSETS OTHER THAN THE PROJECT FACILITIES. EXCEPT WITH RESPECT TO PAYMENTS BY THE SCHOOL UNDER THE LEASE, NEITHER UNCOMMON SCHOOLS NOR ANY OF ITS AFFILIATES NOR THE SCHOOL IS OBLIGATED TO MAKE PAYMENTS WITH RESPECT TO THE PRINCIPAL AND PREMIUM, IF ANY, OF OR INTEREST ON THE BONDS.

THE BONDS SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE, THE COUNTY OF ESSEX (THE “COUNTY”), OR ANY POLITICAL SUBDIVISION OTHER THAN THE AUTHORITY, WHETHER LEGAL, MORAL OR OTHERWISE. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE, AND FROM ANY AMOUNTS OTHERWISE AVAILABLE THEREUNDER FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Authority for Issuance

The Bonds will be issued by the Authority pursuant to the Act, a resolution of the Authority adopted on July 28, 2020, and the Indenture. See “THE AUTHORITY.”

Parity Obligations

The Borrower has incurred additional debt under (i) a Loan Agreement, dated as of April 21, 2016 (the “CDE Loan Agreement”) by and between the Borrower and the lenders named therein (collectively, the “CDE Lenders”), pursuant to which the Borrower received a loan in the aggregate principal amount of \$21,035,500 (the “CDE Loan”), and (ii) a Loan Agreement, dated as of April 21, 2016 (the “2016 Project Loan Agreement”) by and between the Borrower and Uncommon Properties VII, LLC (the “Uncommon Properties Lender”), pursuant to which the Borrower received a loan in the aggregate principal amount of \$11,370,750 (the “2016 Project Loan”). The CDE Loan is secured by (i) a mortgage as amended by that certain Mortgage Modification Agreement dated the Issue Date (the “CDE Loan Mortgage (Senior)”) securing the A Notes Loan Tranche (as such term is defined in the CDE Loan Mortgage (Senior)) in the aggregate principal amount of \$14,929,250, and (ii) a mortgage dated the Issue Date (the “CDE Loan Mortgage (Junior)”) securing the B Notes Loan Tranche (as such term is defined in the CDE Loan Mortgage (Junior)) in the aggregate principal amount of \$6,106,250. The 2016 Project Loan is secured by (i) a mortgage as amended by that certain

Mortgage Modification Agreement dated the Issue Date securing the Project Loan A Note (as defined in the 2016 Project Loan Agreement) in the aggregate principal amount of \$8,270,000, and (ii) a mortgage as amended by that certain Mortgage Modification Agreement dated the Issue Date securing the Project Loan B Note (as defined in the 2016 Project Loan Agreement) in the aggregate principal amount of \$3,100,750, (hereinafter these mortgages are collectively referred to as the “2016 Project Loan Mortgages”).

Pursuant to an Amended and Restated Project Lenders Subordination and Intercreditor Agreement, dated as of October 1, 2020 (the “Intercreditor Agreement”), by and among the Borrower, the Trustee, the CDE Lenders, Uncommon Properties Lender, and Prudential Impact Investments Private Debt, LLC, as assignee of the Uncommon Properties Lender (the “2016 Project Loan Assignee”), the Borrower’s obligations with respect to the Loan Agreement are on a parity with the 2016 Project Loan Agreement and that portion of the CDE Loan secured by the CDE Loan Mortgage (Senior). Pursuant to the Intercreditor Agreement, the Borrower’s obligations with respect to the Loan Agreement are senior to that portion of the CDE Loan secured by the CDE Loan Mortgage (Junior). See “THE PROJECT – Background,” “SECURITY FOR THE BONDS – Intercreditor Agreement” and “RISK FACTORS – Parity and Other Obligations of the Borrower; Additional Borrower and School Indebtedness” herein.

Redemption

The Bonds are subject to optional redemption, sinking fund redemption, and extraordinary redemption as described herein. See “THE BONDS.”

Investment Risks

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

Transfer Restrictions

The Bonds are to be offered and sold (including in secondary market transactions, unless such restriction is removed pursuant to the Indenture) only to “Qualified Institutional Buyers” or “Accredited Investors.” Pursuant to the Indenture, “Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and “Accredited Investor” means an “accredited investor” as defined in Regulation D promulgated under the Securities Act. See “TRANSFER RESTRICTIONS” herein.

Forward-Looking Statements

If and when included in this Limited Offering Memorandum, the words “expects”, “forecasts”, “projects”, “intends”, “anticipates”, “estimates”, “assumes”, and analogous expressions are intended to identify forward-looking statements and such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Borrower, North Star or the Authority. Such forward-looking statements speak of events, conditions and circumstances only as of the date of this Limited Offering Memorandum. The Borrower, North Star and the Authority disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in their expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Miscellaneous

This Limited Offering Memorandum contains descriptions, summaries or forms of, as may be appropriate, among other matters, the Authority, the Borrower, North Star, the Bonds, the Project, the Indenture, the Loan Agreement, the Note, the Mortgage, and the Lease Agreement. Such descriptions and information do not purport to be comprehensive or definitive. Definitions of certain words and terms used in this Limited Offering Memorandum have the meaning ascribed to such terms in the Loan Agreement or the Indenture. All references herein to the Indenture, the Loan Agreement, the Note, the Mortgage, and the Lease Agreement are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of such documents will be available for inspection at the corporate trust office of the Trustee in Boise, Idaho, after delivery of the Bonds. The forms of the Loan Agreement, the Indenture and the Lease Agreement are attached to this Limited Offering Memorandum as Appendices D, E and F, respectively.

THE AUTHORITY

The Authority is a public body corporate and politic organized and existing under the Act and created pursuant to a resolution of the Board of Chosen Freeholders of the County duly adopted on October 12, 1972. The Authority has, among other powers, the authority to extend credit or make loans to any governmental unit for the planning, design, acquisition, construction, equipping and furnishing of public facilities, the payments with respect to which will be sufficient to pay the principal of and interest on the bonds or notes issued for that purpose by the Authority. The names and dates of expiration of the terms of the members of the Authority are as follows:

<u>Commissioner</u>	<u>Expiration of Current Term</u>
Steven H. Klinghoffer, Chairman	January 31, 2020 [†]
Ronald J. Brown, Vice Chairman	January 31, 2022
Gerard M. Spiesbach, Treasurer	January 31, 2024
Carla A. Stanziale, Secretary	January 31, 2024
Mark S. Dunec, Commissioner	January 31, 2020 [†]
Clifford Ross, Commissioner	January 31, 2020 [†]
Jacqueline Yustein, Commissioner	January 31, 2021

[†] Members of the Authority whose terms have expired continue to serve until reappointment or until their successors are appointed and qualified.

The Executive Director of the Authority is Steven C. Rother, Esq., who is appointed by the members of the Authority. Chiesa Shahnian & Giantomasi PC, West Orange, New Jersey, is Bond Counsel to the Authority with respect to the issuance of the Bonds. Nia H. Gill, Esq., is General Counsel to the Authority.

The Authority does not represent or warrant in any way as to the accuracy or completeness of any information in this Limited Offering Memorandum, including the Appendices hereto, other than the information concerning the Authority under the caption “THE AUTHORITY” and under the caption “LITIGATION – The Authority” herein.

THE SCHOOL AND THE BORROWER

Founded in 1997, North Star is a New Jersey nonprofit corporation and a public charter school authorized by the State of New Jersey. North Star currently operates 14 schools across 11 facilities serving approximately 6,200 students in grades K-12, all located in Newark, New Jersey. The Borrower is a New Jersey limited liability company formed for the purpose of holding title to and leasing facilities to North Star. The sole member of the Borrower is North Star Academy Foundation, Inc., a New Jersey nonprofit corporation and an organization described in Section 501(c)(3) of the Code (the “Foundation”).

For additional information regarding North Star, its operations, and the Borrower, see “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR” attached hereto.

On May 4, 2020, the Governor of New Jersey (the “Governor”) ordered public school buildings to remain closed for the remainder of the 2019-20 school year, in a response to the spread of the novel coronavirus known as COVID-19. Uncommon has announced that all of its affiliate schools, including the schools operated by North Star, will operate solely through remote learning for the beginning of the 2020-21 school year, through at least October 19, 2020. “CERTAIN RISK FACTORS – Infectious Disease Outbreak; COVID-19” herein and See “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR – COVID-19 Response; Remote Learning; State Assessments; and State Aid.”

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of funds in connection with the Project:

SOURCES

Par Amount of Bonds	\$ 29,595,000.00
Original Issue Premium	1,551,334.45
Borrower Equity Contribution	<u>1,648,618.05</u>
Total	<u>\$ 32,794,952.50</u>

USES

Refunding of Construction Loan	\$ 30,770,820.00
Debt Service Reserve Fund	756,600.00
Costs of Issuance ⁽¹⁾	<u>1,267,532.50</u>
Total	<u>\$ 32,794,952.50</u>

⁽¹⁾ Includes Authority Fee, Bond Counsel fees, Underwriter’s Discount, Underwriter’s Counsel fees, Trustee and Trustee’s Counsel fees, Borrower’s and School’s Counsel fees, fees of the Borrower’s financial consultant, title insurance premium, printing costs and other miscellaneous costs associated with the issuance of the Bonds.

THE PROJECT

The net proceeds of the Bonds will be used to (i) refinance the Construction Loan, the proceeds of which funded a portion of the construction of the Project Facilities, (ii) fund a debt service reserve fund, and (iii) pay certain costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” above.

Background

North Star currently operates three schools at the Project Facilities: North Star Academy Lincoln Park Elementary School; North Star Academy Lincoln Park Middle School; and North Star Academy Lincoln Park High School. The expected aggregate current enrollment of the schools at the Project Facilities for the 2020-21 school year is approximately 1,300. For additional information regarding North Star and its programs, see “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR”

The Project Facilities are situated on a 1.62 acre site at 377 Washington Street in Newark, New Jersey (the “Project Site”), that the Borrower purchased for \$5,000,000 in March 2016. Pursuant to that certain Construction Loan Agreement, dated as of April 21, 2016 (the “Construction Loan Agreement”) by and between the Borrower and M&T Bank, the Borrower obtained the Construction Loan in an amount not-to-

exceed \$31 million, of which \$30,770,819.98 is currently outstanding. Construction of the Project Facilities was also funded from proceeds of (i) the CDE Loan (in the aggregate amount of \$21,035,500), and (ii) the 2016 Project Loan (in the aggregate principal amount of \$11,370,750). See “INTRODUCTION – Parity Obligations” and “RISK FACTORS – Parity and Other Obligations of the Borrower; Additional Borrower and School Indebtedness” herein.

North Star operates at the Project Facilities pursuant to a Lease Agreement, dated as of April 21, 2016 (the “Original Lease”), by and between the Borrower and North Star. In connection with the issuance of the Bonds, the Original Lease will be amended and restated by the Lease Agreement. See “SECURITY FOR THE BONDS – The Lease Agreement” herein.

Refinancing of Construction Loan

The net proceeds of the Bonds will be used, in part, to pay the outstanding amount of the Construction Loan, together with interest accrued to the date of such payment and any fees or expenses due under the Construction Loan Agreement. Each of the CDE Loan and the 2016 Project Loan will remain outstanding, each secured by separate mortgages on the Project Facilities. Pursuant to the Intercreditor Agreement, the Borrower’s obligations with respect to the Loan Agreement and that portion of the CDE Loan secured by the CDE Loan Mortgage (Senior) and the 2016 Project Loan Agreement will be secured on parity with each other, and senior to the obligations of the Borrower pursuant to that portion of the CDE Loan secured by the CDE Loan Mortgage (Junior). See “INTRODUCTION – Parity Obligations,” “SECURITY FOR THE BONDS – The Intercreditor Agreement” and “RISK FACTORS – Parity and Other Obligations of the Borrower; Additional Borrower and School Indebtedness” attached hereto.

Site Layout and Construction

The Project Facilities consist of (i) an approximately 162,600 square foot six-story school building, (ii) a parking structure of approximately 74,840 square feet that has been renovated to accommodate recreation facilities, and (iii) a courtyard play area of approximately 1,900 square feet.

The school building contains five stairwells and three elevators. The first floor contains an 8,700 square foot gym and performance space, a 5,430 square foot cafeteria, administrative offices, conference rooms, nurses office, storage areas, five bathrooms, three kindergarten classrooms, a receiving area and mechanical/utility rooms. The second floor contains 12 elementary school classrooms, administrative offices, a performance and art area, conference rooms, storage areas, and five bathrooms, and an open area leading to the gym below.

The elementary school, including the kindergarten, occupies the first and second floors only. The third floor is above the first floor gym and contains 14 classrooms, two labs, conference rooms, administrative offices, a performance and art area and a 1,820 square foot multipurpose room. There is a shared vestibule which connects the third floor and shared stairwell to the adjacent parking garage where the rooftop recreation area is located. The third floor houses the middle school.

The fourth floor contains a 9,250 square foot multipurpose room and cafeteria, 13 high school classrooms, the high school library, offices, storage areas, and five bathrooms.

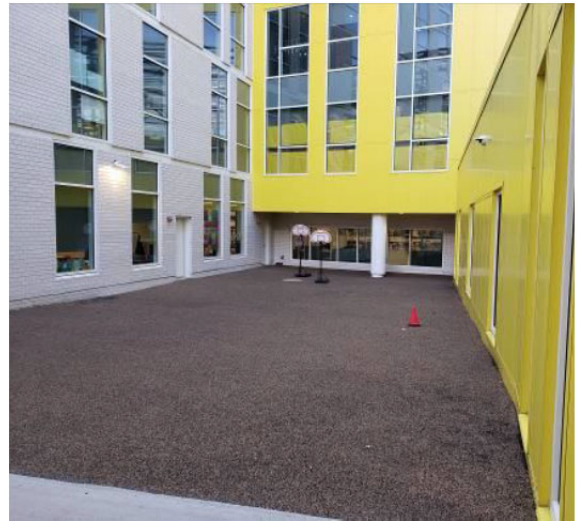
The fifth floor contains a 9,450 square foot gym and performance and art space, 11 classrooms, two labs, conference rooms, offices, storage areas and five bathrooms. The sixth floor contains ten classrooms, two labs, conference rooms, offices, storage areas and an open area to the gym below. The high school resides on the fourth through sixth floors only.

The roof houses the majority of the school building's mechanical equipment, as well as an enclosed penthouse for the boilers, hot water heaters and distribution pumps for hot and cold water to heat and cool the building.

The parking garage contains first floor pick-up/drop-off and queuing and U-turn area, parking spots on the first through third floors, a third floor recreation area with stepped seating and a basketball court, a fourth floor open play area and an additional basketball court. The top floor of the garage (and the third and fourth floor play areas) is enclosed with netting.



External View of Project Facilities



Courtyard



External View of Project Facilities



Gymnasium



Typical Classroom



Typical Classroom



Outdoor Play Area on Garage Roof



Hallway

Appraisal

BBG, Inc. (the “Appraiser”) appraised the sites and improvements comprising the Project Facilities. In that connection, the Appraiser prepared an “as-is” market value appraisal of the fee simple interest in the Project Facilities, assuming unencumbered ownership, in a report dated October 2, 2020 (the “Appraisal”).

The Appraisal employed three different approaches: (i) the Income Approach, which is used to value the subject property as a rental building and followed the Direct Income Capitalization method; (ii) the Cost Approach, which is based on the current cost to replace the subject as of the effective date of the appraisal; and (iii) the Sales Comparison Approach, which was utilized to determine the hypothetical “as vacant” land value as a part of the Cost Approach based on per square foot of site area]

Appraisal Amounts. The Appraisal estimates that the “as-is” market value of the fee simple interest in the Project Facilities, as of September 24, 2020, is \$66,300,000.

Limitations. The summary of the Appraisal contained in this section is not meant to be exhaustive, and reference should be made to such report for a complete recital of its terms. Complete copies of the Appraisal are available upon request from the Underwriter. The Appraisal was prepared for use by the Borrower, the Foundation, the Authority, the Underwriter and the Trustee, and the Appraisal states that the intended use of the Appraisal is for asset valuation to be used in a publicly-offered bond financing. The value of the Project Facilities as estimated in the Appraisal represents only the opinion of the Appraiser, and only as of the effective date. The Appraiser has not been engaged to update or revise the estimates contained in the Appraisal since its effective date. See “CERTAIN RISK FACTORS – Limitations of Appraisals” herein.

Environmental Inspection

Brinkerhoff Environmental Services, Inc. (“Brinkerhoff”) performed a Phase I Environmental Site Assessment for the Project Site on behalf of the Borrower in connection with the initial construction of the Project Facilities in 2016. In that connection, Brinkerhoff prepared a report dated May 19, 2015 (the “Phase I Report”).[†] The Phase I Report states its purpose was to review the general environmental condition of the land and structure that comprise the Project Site. Specifically, the Phase I Report sought to identify recognized environmental conditions (“RECs”), controlled recognized environmental conditions (“CRECs”), and historical recognized environmental conditions (“HRECs”) on and near the Project Site and records of those areas that may adversely impact the Project Site owner or operator under existing federal, state, and local environmental laws, and to recommend further actions necessary to confirm, quantify, or abate those conditions.

Brinkerhoff’s scope of work included: a physical inspection of the Project Site; a review of federal and state standard environmental record sources; a review of reasonably ascertainable standard historical sources that might include aerial photographs, fire insurance maps, property tax files, recorded land title records, United States Geological Survey (USGS) 7.5 Minute Topographic Maps, local street directories, building department records, zoning/land use records, or other historical sources; and preparation of the Phase I Report.

The Phase I Report did not identify any CRECs or HRECs. The Phase I Report identified the following potential REC:

- The Project Site contained a parking garage over half the lot and an asphalt parking lot. Since the site contained various residential structures and commercial establishments, the potential exists that one or more underground storage tanks (“USTs”) may have been related to the former structures. The commercial establishments may have also adversely affected the properties during operations. Brinkerhoff recommended a Phase II investigation to further evaluate this REC.

Additionally, the Phase I Report found that although the Project Site is not located within a mapped historic fill area, the Project Site is located in a highly urbanized area and the potential exists that urban historic fill is present.

Brinkerhoff performed a Phase II Environmental Site Investigation for the Project Site to address the REC identified by the Phase I Report and the potential of urban historic fill. In that connection, Brinkerhoff prepared a report dated July 27, 2015 (the “Phase II Report” and, together with the Phase I Report, the “Environmental Reports”). To address the potential RECs, Brinkerhoff included completion of a geophysical investigation to determine if evidence was present suggesting the presence of USTs; a soil boring program was completed along with collection of soil samples for laboratory analysis to investigate the possible presence of historic fill; and a limited groundwater investigation was completed.

The Phase II Report identified one anomaly which may be suggestive of a buried object, possibly a UST, however there was insufficient data to confirm it was a UST. Brinkerhoff recommended uncovering the anomaly. The Phase II Report determined that historic fill contaminated with polynuclear aromatic hydrocarbons and metals were identified, and perchloroethylene was detected slightly over the ground water quality standards. Brinkerhoff recommended a licensed site remediation professional be retained to address such contaminants in accordance with applicable standards.

[†] The Phase I Report was later updated by Brinkerhoff in a Phase I Environmental Site Assessment Update, dated February 15, 2016 (the “Update”), but the conclusions and recommendations in such Update remained unchanged from the original Phase I Report.

Brinkerhoff was retained as a licensed site remediation professional and the recommendations set forth by Brinkerhoff in the Phase II Report were implemented during the construction of the Project Facilities. North Star has occupied the Project Site continually since development of the Project Facilities was completed in summer 2018.

The Environmental Reports speak only as of their respective dates, and Brinkerhoff has not been asked to perform any additional assessments since the time of the assessments described in the Environmental Reports. Environmental Reports are subject to a number of limitations and disclaimers, and may only be relied upon by certain parties including the Borrower and Uncommon Schools, and the liability of Brinkerhoff in connection with the Environmental Reports may be limited. Potential investors may refer to the complete Environmental Reports for a full understanding of such limitations, and for additional information pertinent to the assessments. Copies of the Environmental Reports are available upon request from the Underwriter. Costs incurred by the Borrower or North Star with respect to environmental remediation or liability could adversely affect their respective financial conditions. See “RISK FACTORS – Limitations on Value of the Facilities and to Remedies Under the Mortgages” herein.

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DEBT SERVICE SCHEDULE

The following table sets forth the amounts required to make debt service payments with respect to the Bonds, including principal due at maturity, and interest.

<i>Period Ending (July 15)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2021	--	\$841,813.33	\$841,813.33
2022	\$325,000	1,183,800.00	1,508,800.00
2023	340,000	1,170,800.00	1,510,800.00
2024	355,000	1,157,200.00	1,512,200.00
2025	370,000	1,143,000.00	1,513,000.00
2026	385,000	1,128,200.00	1,513,200.00
2027	400,000	1,112,800.00	1,512,800.00
2028	415,000	1,096,800.00	1,511,800.00
2029	430,000	1,080,200.00	1,510,200.00
2030	450,000	1,063,000.00	1,513,000.00
2031	465,000	1,045,000.00	1,510,000.00
2032	485,000	1,026,400.00	1,511,400.00
2033	505,000	1,007,000.00	1,512,000.00
2034	525,000	986,800.00	1,511,800.00
2035	545,000	965,800.00	1,510,800.00
2036	565,000	944,000.00	1,509,000.00
2037	590,000	921,400.00	1,511,400.00
2038	615,000	897,800.00	1,512,800.00
2039	640,000	873,200.00	1,513,200.00
2040	665,000	847,600.00	1,512,600.00
2041	690,000	821,000.00	1,511,000.00
2042	715,000	793,400.00	1,508,400.00
2043	745,000	764,800.00	1,509,800.00
2044	775,000	735,000.00	1,510,000.00
2045	805,000	704,000.00	1,509,000.00
2046	840,000	671,800.00	1,511,800.00
2047	870,000	638,200.00	1,508,200.00
2048	905,000	603,400.00	1,508,400.00
2049	945,000	567,200.00	1,512,200.00
2050	980,000	529,400.00	1,509,400.00
2051	1,020,000	490,200.00	1,510,200.00
2052	1,060,000	449,400.00	1,509,400.00
2053	1,105,000	407,000.00	1,512,000.00
2054	1,150,000	362,800.00	1,512,800.00
2055	1,195,000	316,800.00	1,511,800.00
2056	1,240,000	269,000.00	1,509,000.00
2057	1,290,000	219,400.00	1,509,400.00
2058	1,345,000	167,800.00	1,512,800.00
2059	1,395,000	114,000.00	1,509,000.00
2060	1,455,000	58,200.00	1,513,200.00
Total	\$29,595,000	\$30,175,413.33	\$59,770,413.33

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 Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference.

General Description

The Bonds will be dated the date of issuance of the Bonds and will bear interest from that date at the rates and mature on the dates set forth on the inside front cover page of this Limited Offering Memorandum.

The Bonds are issued pursuant to a Resolution adopted by the Authority on July 28, 2020, as may be amended by the Authority prior to issuance of the Bonds, and the terms of the Indenture. The Bonds are payable (except to the extent payable from the proceeds of the Bonds and the investment earnings thereon and under certain circumstances, the net proceeds of insurance or condemnation awards) as to principal, premium, if any, and interest, solely from Revenues (as defined in the Indenture), which includes the payments to be made to the Authority under the Loan Agreement and the Note. Pursuant to the Loan Agreement, the proceeds from the sale of the Bonds will be loaned by the Authority to the Borrower for the purpose of providing funds for the financing of the Project. The Bonds are all issued under and are equally and ratably secured by, and entitled to the protection of, the Indenture. The obligations created under the Loan Agreement and the Note are special, limited obligations of the Borrower secured solely by the Mortgage. See “SECURITY FOR THE BONDS” herein.

The Bonds are issuable as book entry only bonds registered in the name of Cede & Co. in minimum denominations of \$25,000 or any integral multiple of \$5,000 in excess thereof. Interest will be payable semi-annually on the 15th day of each January and July (each an “Interest Payment Date”), beginning on January 15, 2021 until the final maturity of the Bonds. Interest on the Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months.

Interest payments (other than the final payment of interest due at the maturity or redemption of the Bonds) will be mailed by the Trustee, as Paying Agent (the “Paying Agent”), on the payment date to each registered Holder of the Bonds as it appears on the registration books of the Authority maintained by the Trustee on the January 1 or July 1 immediately preceding an Interest Payment Date (the “Record Date”), at the address listed for such Holders on such registration books. Upon written request received not later than the applicable Record Date, any holder of Bonds aggregating \$1,000,000 or more shall be entitled to receive interest payments from the Trustee by wire transfer. The final payment of principal or Redemption Premium, if any, will be payable at the corporate trust office of the Trustee or such other place as the Trustee and the registered Holder of the Bond may agree, upon surrender of the Bond for cancellation. The Trustee is the registrar and Paying Agent for the Bonds.

As described below, the Bonds are subject to extraordinary optional and mandatory redemption prior to their stated maturities. Extraordinary optional or mandatory redemption of Bonds that were purchased at a price greater than the applicable redemption price, prior to the first optional redemption date thereof, could reduce the otherwise expected yield on such Bonds. See “RISK FACTORS – Extraordinary Redemption of Bonds Prior to First Optional Redemption Date” herein.

Sinking Fund Redemption

The Bonds are subject to mandatory sinking fund redemption prior to maturity, in part by lot, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 15 in the following years and in the amounts set forth below:

Bonds Maturing on July 15, 2040

<i>Year</i>	<i>Amount</i>
2031	\$465,000
2032	485,000
2033	505,000
2034	525,000
2035	545,000
2036	565,000
2037	590,000
2038	615,000
2039	640,000
2040 [†]	665,000

[†] Maturity

Bonds Maturing on July 15, 2050

<i>Year</i>	<i>Amount</i>
2041	\$690,000
2042	715,000
2043	745,000
2044	775,000
2045	805,000
2046	840,000
2047	870,000
2048	905,000
2049	945,000
2050 [†]	980,000

[†] Maturity

Bonds Maturing on July 15, 2060

<i>Year</i>	<i>Amount</i>
2051	\$1,020,000
2052	1,060,000
2053	1,105,000
2054	1,150,000
2055	1,195,000
2056	1,240,000
2057	1,290,000
2058	1,345,000
2059	1,395,000
2060 [†]	1,455,000

[†] Final Maturity

In lieu of the mandatory sinking fund redemption of the Bonds in any year, the Borrower may deliver to the Trustee for cancellation, or, under certain conditions set forth in the Indenture, request the Trustee to purchase, the Bonds of the applicable maturity in an amount up to but not exceeding the principal amount of such maturity scheduled for sinking fund redemption in such year. The Trustee shall reduce the principal amount of such Bonds subject to mandatory sinking fund redemption on the next succeeding redemption date by the principal amount of the Bonds so presented for cancellation or so purchased.

Optional Redemption

The Bonds maturing on and after July 15, 2040 are subject to redemption prior to maturity at the option of the Authority, at the direction of the Borrower, in whole or in part, at any time on or after July 15, 2030 at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Extraordinary Redemption

The Bonds are subject to redemption prior to maturity, in whole or in part, at any time from insurance proceeds, condemnation awards, proceeds of conveyances in lieu of condemnation or proceeds from the sale of the Project Facilities deposited in the Redemption Fund and available for such purpose, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Extraordinary Mandatory Redemption

The Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date, plus a premium in an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight line basis, when, at the option of the Authority, the Authority provides written notice to the Trustee that any representation or warranty made by the Borrower in the Loan Agreement or in any report, certificate, financial statement or other instrument furnished by the Borrower in connection with the Loan Agreement shall prove to be false or misleading in any material respect when made.

Extraordinary Mandatory Redemption Upon Determination of Taxability

The Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the Redemption Date, after receipt by the Trustee of a notice of the occurrence of a Determination of Taxability (as defined in the Indenture).

Notice of Redemption

The Trustee shall cause notice of any redemption of Bonds to be mailed by first class mail to the Holders of all Bonds to be redeemed at the registered addresses appearing in the registration books. Each such notice shall (i) be mailed not more than 45 nor less than 30 days prior to the redemption date, (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds) (iii) specify the redemption date, the Redemption Price and, if less than all of any particular Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the Redemption Date the Bonds called for redemption will be payable at the corporate trust office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the Bonds to be redeemed, including without limitation the original issuance date, maturity date and interest rate applicable to such Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

If, at the time of mailing of notice of any optional redemption, or any redemption described under “Extraordinary Mandatory Redemption” above, the Borrower shall not have deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, the redemption notice shall state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the Redemption Date, and such notice shall be of no effect unless such moneys are so deposited.

If there shall be so called for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and cause to be delivered, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like series, designation, interest rates and maturities in any of the authorized denominations.

On or before the redemption date specified in the notice above provided for, there shall be deposited with the Trustee an amount of cash sufficient to effect the redemption of the Bonds specified in such notice, except that such amount may be reduced to the extent that moneys then held by the Trustee under any of the provisions of the Indenture are available for such redemption. All moneys deposited with the Trustee, or set apart by the Trustee under the provisions of the Indenture, for the redemption of Bonds shall be held in trust for the account of the respective registered owners of the Bonds to be redeemed and applied in accordance with the provisions of the Indenture.

On the redemption date designated in such notice, the principal amount of each Bond so to be redeemed, together with the accrued interest thereon to such date, and such premium, if any, as is due and payable on such Bond upon such redemption, shall become due and payable; and from and after such date (such notice having been given in accordance with the provisions of the Indenture and such deposit having been made or moneys set apart as aforesaid), then, notwithstanding that any Bonds so called for redemption shall not have been surrendered, no further interest shall accrue on any such Bond (or on the portion thereof so to be redeemed). From and after such date of redemption (such notice having been given in accordance with the provisions of the Indenture and such deposit having been made or moneys set apart as aforesaid), or from and after the date upon which such notice is mailed, if such notice shall state that moneys to effect such redemption have been deposited with or set apart by the Trustee, all such Bonds or such portions thereof, as the case may be, insofar as such deposit shall have been made or moneys set apart as aforesaid, shall be deemed to have been paid in full as between the Authority and the respective Bondholders and shall no longer be deemed to be Outstanding thereunder, and the Authority shall be under no further liability in respect thereof.

If notice of redemption has been duly mailed or duly waived by the Holders of all Bonds called for redemption and the redemption moneys have been duly deposited with the Trustee, then in either such case the Bonds called for redemption shall be payable on the redemption date at the applicable Redemption Price. Payment of the Redemption Price together with accrued interest shall be made by the Trustee, out of Revenues

or other funds deposited for the purpose, to or upon the order of the Holders of the Bonds called for redemption upon surrender of such Bonds if redeemed in full.

Upon the payment of the Redemption Price of Bonds being redeemed, each check or other transfer of funds issued by the Trustee for such purpose shall bear a description of the issue and maturity of the Bonds being redeemed with the proceeds of such check or other transfer.

The DTC Book-Entry-Only System

The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, the Borrower, North Star and the Trustee make no representation as to the accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the Bondowners or registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined below) of the Bonds.

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

Purchase 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 a Bond ("Beneficial Owner") is in turn to be recorded on the 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 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 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 effect 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 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 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, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, the Borrower or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, the Borrower 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 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.

NONE OF THE AUTHORITY, THE BORROWER, THE SCHOOL OR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF

THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE AUTHORITY, THE BORROWER, THE SCHOOL AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF.

Transfer fees. For every transfer and exchange of Bonds, owners of such Bonds requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Trustee, DTC or the DTC Participant in connection with such transfers or exchanges.

TRANSFER RESTRICTIONS

The Bonds are to be offered and sold only to Qualified Institutional Buyers or Accredited Investors. Thereafter, neither the Bonds nor any beneficial ownership interest in the Bonds may be transferred except (A) in Authorized Denominations, and (B) to any person that is either a Qualified Institutional Buyer or an Accredited Investor. At such time as the Borrower shall provide to the Trustee of a rating letter by Fitch, S&P or Moody's indicating that the Bonds are rated "A-" or "A3," as applicable, or better (without regard for gradation within a rating category and without regard for credit enhancement unless such credit enhancement extends through the final maturity date of such Bonds), this restriction shall be of no further force or effect with respect to such Bonds, notwithstanding whether at a future time such Bonds are no longer rated in such rating category. Neither the Trustee nor the Authority shall have any responsibility to determine if a transferor is either a Qualified Institutional Buyer or an Accredited Investor.

Pursuant to the Indenture, "Qualified Institutional Buyer" means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act. Pursuant to the 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 Indenture. See "RISK FACTORS – Purchases and Transfers of Bonds Restricted to Qualified Institutional Buyers and Accredited Investors" herein.

SECURITY FOR THE BONDS

General

The Bonds are special, limited obligations of the Authority. There is no source of funds for payment of the Bonds except from Revenues (as defined under the Indenture) received under the Loan Agreement, the Lease Agreement, and the Mortgage and certain funds held under the Indenture. **The Borrower has no operations and no assets other than the Project Facilities. The Borrower's sole source of revenue to pay obligations under the Loan Agreement will be payments from North Star under the Lease Agreement.**

The Lease Agreement

Pursuant to the Lease Agreement, the Borrower will lease the Mortgaged Property to North Star and North Star will make quarterly payments of base rent in amounts not less than 115% of the debt service on the

Bonds, the Parity Project Loan and the CDE Loans. The initial term of the Lease Agreement will end June 30, 2021, provided that the lease term will automatically renew for a total of eight (8) renewal periods of five (5) years each as long as North Star's charter is in effect (and/or is in the process of being renewed or extended), provided that the lease term shall, in all circumstances, expire no later than June 30, 2061.

The rent payments for Base Rent, Supplemental Base Rent and "additional rent" excluding Operating Expenses (each as defined in the Lease Agreement) due under the Lease Agreement will be made directly to Zions Bancorporation, National Association as custodian under that certain Amended and Restated Disbursement Accounts Pledge, Control and Custody Agreement by and between Zions Bancorporation, National Association as custodian, 2016 Project Loan Assignee, Uncommon Properties Lender, CDE Lenders, Trustee and Borrower, from which the debt service payments on the Bonds will be made directly to the Trustee for the account of the Borrower and will be deposited to the Revenue Fund established under the Indenture. Provided that no event of default has occurred and is continuing under the Indenture or the Loan Agreement and the balance in the Debt Service Reserve Fund is equal to the Reserve Fund Requirement for the Bonds, the Trustee will return to the Borrower on July 15 of each year any Revenues remaining in the Revenue Fund not needed to pay debt service on the Bonds. North Star's primary source of revenue is from payments made to North Star by Newark Public Schools equal to the applicable per pupil payment, as described in Appendix A hereto. See also "RISK FACTORS – Funding of Charter Schools" herein. See Appendix F hereto for the Form of the Lease Agreement.

Pursuant to the Mortgage and subject to the terms and conditions of the Intercreditor Agreement, as security for the Borrower's obligations under the Loan Agreement and the Note, the Borrower will irrevocably, absolutely and unconditionally assign to the Authority, as security for the Bonds, all of its rights, title, estates and interest in and to (i) the Lease Agreement; (ii) all proceeds from the cancellation, surrender, sale or other disposition of the Lease Agreement; (iii) the right to collect and receive rental payments paid by North Star under the Lease Agreement; and (iv) the right to enforce and exercise all terms and conditions of the Lease Agreement; in each case, to the extent such rights and proceeds are allocable to the Bonds.

Financial Covenants Under the Lease Agreement. Pursuant to the Lease Agreement, North Star covenants to maintain a Lease Coverage Ratio of 1.05 to 1 for each fiscal year, and to have at least 30 Days Cash on Hand (defined below), for each fiscal year up to and including fiscal year 2023, and for each fiscal year thereafter shall have at least 45 Days Cash on Hand.

"Lease Coverage Ratio" is defined in the Lease Agreement to mean for any given period, the ratio that (a) the excess of (i) with respect to such period, the actual cash receipts collected by North Star for such period from all sources including unrestricted operating grants plus any surplus revenues from the prior fiscal year, but excluding the proceeds of loans advances and payments of insurance claims over (ii) an amount equal to the total operating expenses incurred by North Star over such period (other than the payment obligations described in clause (b) and expressly excluding non-cash items such as depreciation and amortization) bears to (b) the actual payment obligations of North Star for such period under all leases and subleases to which North Star is a party as lessee or sublessee.

Pursuant to the Lease Agreement, "Days Cash on Hand" for any Fiscal Year means the quotient obtained by dividing (a) the Unrestricted Cash and Investments of North Star plus the Unrestricted Cash and Investments of the Foundation, as of the last day of such fiscal year by (b) the quotient obtained by dividing the total operating expenses, calculated solely with respect to the North Star, for such fiscal year by 365.

"Unrestricted Cash and Investments" is defined in the Lease Agreement to mean the sum of unrestricted cash, cash equivalents, marketable securities, including without limitation board-designated assets, but excluding any trustee-held or similar funds held under an indenture or similar debt documents. For the purposes of calculating Days Cash on Hand, any unrestricted grant or philanthropic contribution shall be included in the total of Unrestricted Cash and Investments for the period of such calculation, so long as the

unrestricted grant or philanthropic contribution was received by North Star or the Foundation prior to the date any certificate is required to be delivered by North Star with respect to such calculation.

In addition, North Star covenants in the Lease Agreement not incur debt, except for trade liabilities incurred in the ordinary course of business of operating a charter school, without the written approval of the Borrower, except that North Star shall be permitted to maintain, renew and/or increase any existing line of credit or credit facility or enter into a new line of credit, credit facility, loan or financing primarily for working capital purposes. See “RISK FACTORS – Senior Obligations of North Star” herein and “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR – NORTH STAR FINANCIAL SUMMARY – Outstanding Indebtedness” attached hereto for information regarding North Star’s existing \$7.7 million line of credit secured by a pledge of all property, assets, accounts receivable, intangibles, inventory, equipment, furniture or fixtures of North Star.

Subordination of Management Fees. Pursuant to the Lease Agreement, in the event that North Star does not have sufficient funds to pay the Base Rent, Supplemental Base Rent or other payments payable by North Star under the Lease Agreement and any payments due from North Star to Uncommon Schools under the Management Agreement (as defined in APPENDIX A attached hereto), North Star shall make all payments due under the Lease Agreement to the exclusion of making any payments to Uncommon Schools under the Management Agreement.

The Mortgage

Pursuant to the Mortgage, the Borrower will grant to the Authority a mortgage lien on the Mortgaged Property as security for the Borrower’s obligations to make payments under the Loan Agreement and the Note. The Mortgage will be assigned by the Authority to the Trustee to secure the Bonds. Simultaneously with the issuance and delivery of the Bonds, the Borrower will deliver a mortgagee title insurance policy covering all of the Mortgaged Property under the Mortgage and insuring title to the Mortgaged Property and the lien of the Mortgage in an amount not less than the principal amount of the Bonds. The lien granted under the Mortgage is *pari passu* with the lien granted to the CDE Lenders pursuant to the CDE Loan Mortgage (Senior) and the Uncommon Properties Lender pursuant to the 2016 Project Loan Mortgages (the CDE Loan Mortgage (Senior) and the 2016 Project Loan Mortgages shall hereinafter be referred to as the “Parity Mortgages”). The lien granted under the Mortgage is senior to the lien granted to the CDE Lenders pursuant to the CDE Loan Mortgage (Junior).

Debt Service Reserve Fund

The Trustee shall establish under the Indenture a Debt Service Reserve Fund into which the Trustee shall initially deposit an amount equal to the initial “Reserve Fund Requirement” for the Bonds. Amounts on deposit in the Debt Service Reserve Fund shall be invested pursuant to the Indenture. If any withdrawal is made under the Indenture, the amount of the withdrawal shall be restored by the Borrower on or prior to the next Interest Payment Date following the Interest Payment Date on which the withdrawal is made. If the value of the assets in the Debt Service Reserve Fund, determined in accordance with the Indenture, is less than 95% of the Reserve Fund Requirement (except to the extent that such deficiency relates to any withdrawal), the difference between such Reserve Fund Requirement and the value of the Debt Service Reserve Fund shall be restored by deductions from the Revenue Fund in approximate equal quarterly amounts so as to restore the Debt Service Reserve Fund to its proper value on or prior to the next succeeding Interest Payment Date following the date of such valuation.

Under the Indenture, “Reserve Fund Requirement” means, for the Series 2020 Bonds, an amount equal to the least of (i) 10% of the original stated principal amount of the Series 2020 Bonds, (ii) 50% of the maximum annual debt service of the Series 2020 Bonds or (iii) 125% of average annual debt service of the Series 2020 Bonds, in an initial amount of \$756,600; and for each series of Additional Bonds such amount as is set forth in a supplement to the Indenture

Additional Bonds

Under the Loan Agreement and the Indenture, Additional Bonds may be issued by the Authority upon compliance with specified requirements and limitations, for the purpose of providing funds for the costs of undertaking or completing the Project or the cost of refunding or refinancing all or a portion of the Outstanding Bonds of any one or more series. Such Additional Bonds, if issued, will be equally and ratably secured with the Bonds (excluding, however, the Debt Service Reserve Fund) with respect to the Mortgage, without preference, priority or distinction of any bonds or indebtedness over any other thereof.

Intercreditor Agreement

The Borrower, the Trustee, the CDE Lenders, the Uncommon Properties Lender and the 2016 Project Loan Assignee will enter into the Intercreditor Agreement to memorialize the co-equal first lien *pari passu* priority between the Mortgage and the Parity Mortgages and the distribution of all proceeds from any foreclosure, sale or other disposition of, or realization upon, the Collateral (as defined in the Loan Agreement) to the holders of the Parity Mortgages prior to distribution of any such Collateral to the CDE Lenders pursuant to the CDE Loan Mortgage (Junior).

THE BONDS SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE, THE COUNTY, OR ANY POLITICAL SUBDIVISION OTHER THAN THE AUTHORITY, WHETHER LEGAL, MORAL OR OTHERWISE. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE THEREUNDER FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Pursuant to the Indenture and to secure the performance of its obligations thereunder, the Authority has pledged and assigned to the Trustee substantially all of its rights under the Loan Agreement, including the present and continuing right to make claim for, collect and receive the revenues and other amounts payable thereunder. The Authority has, however, retained certain of its rights under the Loan Agreement including, but not limited to, the right to enforce all public purpose covenants thereunder and to cause the Bonds to be redeemed for any breach of such public purpose covenants.

RISK FACTORS

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

Sufficiency of School Revenues

The Bonds, together with any Additional Bonds, are secured by and payable solely from a pledge of Revenues, which includes certain funds held under the Indenture and certain payments to be made by the Borrower under the Loan Agreement. The Borrower is a single purpose entity and is entirely dependent on payments from North Star under the Lease Agreement to make payments under the Loan Agreement. Based on present circumstances (i.e., its charter and operating history), North Star believes it will generate sufficient revenues to meet its obligations under the Lease Agreement. However, North Star's charter may be terminated or not renewed, or the basis of the assumptions utilized by North Star to formulate this belief may otherwise change and no representation or assurance can be made that North Star will continue to generate sufficient revenues to meet its obligations under the Lease Agreement.

Economic and Other Factors

Future economic and other factors may adversely affect North Star's revenues and expenses and, consequently, North Star's ability to make payments under the Lease Agreement. Factors that could have such adverse effects include, but are not limited to: decreases in the number of students seeking to attend North Star's schools at optimum levels for each grade level; demographic changes or economic developments in the affected service area, including inflation and interest rates; diminution of North Star's reputation; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of North Star to attract and retain qualified teachers and staff at forecasted salaries; increased costs associated with technological advances; changes in government regulation of the education industry or in the New Jersey charter school statutes; decrease in per-student funding amounts by the State; future claims and torts (for accidents or any other reason) at North Star's schools and the extent of insurance coverage for such claims; and the occurrence of natural disasters, such as floods.

Funding of Charter Schools

Funding for charter school students comes from the various school districts where the charter school students reside. School districts receive their funding from the State. If funds are not allocated by the State, or are reduced for any reason or delayed, either at the State or school district level, it could have a material adverse effect on the operations of North Star. See "APPENDIX A – NORTH STAR FINANCIAL SUMMARY – Primary Source of Revenues: 'Per-Pupil Funding Rate'" for information regarding historic levels of funding.

Other Sources of Revenues

North Star, through reduced lease payments on other facilities that it occupies as well as a few grants, is the beneficiary of federal subsidy programs such as Qualified School Construction Bonds, Qualified Zone Academy Bonds and New Markets Tax Credit financings, and also may benefit in the future from additional Qualified Zone Academy Bond or other federal subsidies such as New Markets Tax Credit financing. These programs may be impacted by sequestration and any shutdown of the federal government, as well as an adverse result of the pending audits of outstanding federal subsidy and tax credit bond issues. See "—IRS Audits of Previous Transactions" herein.

Claims and Insurance Coverage

Litigation could arise from the corporate and business activities of the Borrower or North Star. Such litigation may result from North Star'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 North Star 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 North Star covenant and agree in the Loan Agreement and the Lease Agreement, respectively, that it will maintain, or caused to be maintained, property, general liability and business interruption insurance with respect to the Project Facilities at levels set forth therein. See "APPENDIX D – FORM OF LOAN AGREEMENT," "APPENDIX E – FORM OF INDENTURE" and "APPENDIX F – FORM OF LEASE AGREEMENT" attached hereto.

Infectious Disease Outbreak; COVID-19

An outbreak of disease or similar public health threat, such as the novel coronavirus (“COVID-19”) outbreak, or fear of such an event, could have an adverse impact on the financial condition and operating results of North Star and/or the Borrower.

The spread of COVID-19 is currently having significant negative impacts throughout the world, including in the County and the State. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are concerned about limiting the spread of the disease. The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to COVID-19 concerns.

The Centers for Disease Control and Prevention has provided guidance for school closures in the United States. The Governor ordered schools in the State to remain closed from March 18, 2020 through the end of the 2019-20 school year and subsequently issued guidance on reopening schools in the form of an executive order. See “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR – NORTH STAR ACADEMY CHARTER SCHOOL – COVID-19 Response; Remote Learning; State Assessments; and State Aid.” North Star opened its schools as fully remote on August 31, 2020 for the 2020-21 school year and anticipates launching hybrid in-person learning, which includes appropriate safety and social distancing measures, later this fall (no earlier than October 19, 2020). There can be no assurance that public schools, such as the schools operated by North Star, will not be ordered to reclose during the 2020-21 school year.

Potential impacts to North Star and the Borrower associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing and maintaining distance learning programs or other measures to permit instruction while schools remain closed, decreased demand for North Star’s services, increased competition from established virtual or on-line schools or other distance learning programs, potential decline in academic assessment results due to transition to distance learning programs, disruption of the regional and local economy with corresponding effects on students and their families, adverse effects on State revenues that may affect budgeting and appropriation for charter schools and public education generally.

The State passed a resolution in June 2020 to extend its fiscal year at current spending levels through September 30, 2020. The State’s Fiscal Year 2020-21 budget, signed by the Governor September 29, 2020, maintains per pupil funding at or about the level of Fiscal Year 2019-20. There can be no assurance that the State will not reduce per pupil funding in future years given the economic impacts of COVID-19. “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR – NORTH STAR ACADEMY CHARTER SCHOOL – COVID-19 Response; Remote Learning; State Assessments; and State Aid.”

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriates over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for nonprofit organizations and small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments.

The CARES Act also creates an above-the-line deduction on 2020 federal income taxes for all taxpayers for total charitable contributions of up to \$300 and increases the existing cap on annual contributions for taxpayers who itemize and allows employers to delay payment of the employer portion of federal payroll taxes in 2020. Additionally, the CARES Act appropriates \$13.5 billion for formula-grants to States, which will then distribute 90 percent of funds to local educational agencies to use for coronavirus-response activities, and \$3 billion to governors to allocate at their discretion for emergency support grants to local educational agencies. The CARES Act established the Elementary Secondary School Emergency Relief Fund (the “ESSER Fund”), with allocations from such fund allocated in the same proportion as those funds received under Title I of the federal Elementary and Secondary Education Act in school year 2019-20. The ESSER Fund provided \$2,796,838 in funding for North Star.

On August 26, 2020, the New Jersey Governor announced an allocation of \$100 million from the federal Coronavirus Relief Fund to assist public school districts, charter schools, and renaissance school projects with defraying costs associated with reopening schools for the 2020-21 school year. North Star has been allocated \$781,908 in such funds.

The COVID-19 outbreak is ongoing, and the eventual geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to ameliorate its impact are uncertain. Moreover, the ultimate impact of COVID-19 on operations and finances of North Star and the Borrower is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not adversely impact enrollment of North Star or participation in any of North Star’s distance learning programs or, notwithstanding actions by the State, materially adversely impact the financial condition or operations of North Star or the Borrower. For example, if it is perceived that competitors of North Star, including traditional public schools or other charter schools, are better equipped to handle the spread of COVID-19 or similar future outbreaks or to provide distance learning, it could lead to lower enrollment in the future. Additionally, there can be no assurance that costs of technology to North Star will not increase, or that third-party vendors will continue to be available in the future, each of which could result in increased costs and difficulty in providing distance learning in the future.

See “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR – NORTH STAR ACADEMY CHARTER SCHOOL – COVID-19 Response; Remote Learning; State Assessments; and State Aid” attached hereto for more information on the responses of North Star and the State to the COVID-19 outbreak.

In addition, while much of the foregoing relates specifically to risks related to the COVID-19 outbreak in 2020, the same types of risks may be associated with subsequent outbreaks of other infectious diseases or illnesses.

Risk of Noncontinued Philanthropy or Grants

In the past, North Star, the Foundation and Uncommon Schools have 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 North Star. See “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR” attached hereto.

Additional Parity and Other Obligations of the Borrower

Parity and Other Borrower Indebtedness. The Borrower has incurred additional debt in connection with the Project Facilities, as further described under the headings “THE PROJECT – Background” and “SECURITY FOR THE BONDS – Intercreditor Agreement” herein. Pursuant to the Intercreditor Agreement,

the Borrower's obligations with respect to the Loan Agreement are on parity with its obligations under the 2016 Project Loan Agreement and that portion of the CDE Loan secured by the CDE Loan Mortgage (Senior). Pursuant to the Intercreditor Agreement, the Borrower's obligations with respect to the Loan Agreement are senior to that portion of the CDE Loan secured by the CDE Loan Mortgage (Junior).

If the Borrower were to generate Revenues in an amount insufficient to pay its obligations on the Loan Agreement, the 2016 Project Loan Agreement and the portion of the CDE Loan Secured by the CDE Loan Mortgage (Senior), there may be insufficient Revenues available to pay debt service on the Bonds.

Additional Debt and Leases. The Loan Agreement permits the Borrower to incur additional indebtedness upon compliance with the provisions thereof.

The incurrence of such additional indebtedness by the Borrower could increase the economic burden on the Borrower and thereby adversely affect the ability of the Borrower to make required payments under the Loan Agreement. See "APPENDIX D – FORM OF LOAN AGREEMENT" attached hereto.

Additional Indebtedness of North Star; Senior Obligations

Senior Obligations. North Star has received a line of credit (the "Line of Credit") in the amount of \$7,700,000 from Santander Bank, N.A. ("Santander"). The Line of Credit currently has a maturity date of January 31, 2021, and North Star has previously renewed the Line of Credit on several occasions. The Lease Agreement permits North Star to extend or renew such Line of Credit.

North Star's payment obligations under the Line of Credit are secured by a security interest in all property, assets, accounts receivable, intangibles, inventory, equipment, furniture or fixtures of North Star. In the event North Star had insufficient revenues to satisfy its financial obligations under the Lease Agreement, its other facility leases and the Line of Credit, Santander would be in a senior position to that of the holders of the Bonds and to the lenders with respect to the other parity obligations of the Borrower secured through the Intercreditor Agreement. In accordance with the Lease Agreement, North Star may maintain, renew and/or increase the Line of Credit, and may enter into a new line of credit or other financing primarily for working capital purposes. See "SECURITY FOR THE BONDS – The Lease Agreement – Financial Covenants Under the Lease Agreement."

Additional Debt and Lease Obligations. The Lease Agreement permits North Star to incur additional debt with the written approval of the Borrower. North Star may also enter into a new lease or sublease or amend an existing lease or sublease resulting in an increase in aggregate annual lease payments required by North Star so long as it certifies that North Star will maintain a Lease Coverage Ratio of 1.05 and the Days Cash on Hand required pursuant to the Lease Agreement.

Current lease obligations of North Star and projected payment schedules are set forth in Appendix A to this Limited Offering Memorandum under the heading "NORTH STAR FACILITIES AND RELATED FINANCING – Projected Lease Obligations." Certain of these existing lease obligations provide for increased lease payments by North Star in respect of the applicable landlords' additional carrying costs and other charges and expenses in certain circumstances relating to such landlords' indebtedness, including loss or reduction of direct subsidy payments or tax credits on qualified tax credit bonds, and refinancing of such indebtedness. See "– Acceleration of Outstanding Debt and Increase of Rent under North Star Leases" below.

The incurrence of additional lease obligations by North Star, or the increase in payment obligations under existing lease obligations of North Star could increase the economic burden on North Star and thereby adversely affect the ability of North Star to make required payments under the Lease Agreement. See "APPENDIX F – FORM OF LEASE AGREEMENT" attached hereto.

Revocation or Non-Renewal of Charter; Expansion of Enrollment Capacity

Unless renewed, North Star's charter will expire on June 30, 2021. North Star's charter may be terminated at any time if North Star is not in substantial compliance with the charter or any relevant provision of New Jersey law. In the event that North Star's charter is revoked or not renewed, North Star would be forced to cease operations and the Lease Agreement would terminate. Each renewal term of the Lease Agreement is tied to a renewal of North Star's charter.

North Star's current charter renewal was approved by the Commissioner of the New Jersey Department of Education (the "Commissioner") on February 29, 2016. As part of such renewal, the Commissioner approved an increase of North Star's enrollment capacity from 4,950 (for the 2015-16 school year) escalating to 6,550 (for the 2020-21 school year) (in January 2018, such capacity was subsequently extended further to 7,300). On April 1, 2016, Education Law Center ("ELC") appealed the Commissioner's decision to grant such expansion, as well as six other Newark charter school expansions granted in 2016 (collectively, the "Expansions"), to the Superior Court of New Jersey Appellate Division (the "Appeals Court"), alleging that the Commissioner's decisions approving the Expansions (i) were arbitrary, capricious and unreasonable because the Commissioner failed to evaluate the loss of funding and assess segregative effects in Newark Public Schools, and (ii) violated the Charter School Act by authorizing the establishment of multiple new charter schools under one charter in unidentified facilities at undisclosed locations.

On May 7, 2019, the Appeals Court issued an opinion affirming the Commissioner's approval of the Expansions. ELC filed a Petition for Certification of Education Law Center with the New Jersey Supreme Court (the "Supreme Court"), appealing the decision of the Appeals Court. On February 3, 2020, the Supreme Court granted ELC's petition for certification, with the Supreme Court agreeing to review the following claims by ELC: (i) the Appeals Court erred by not ruling that the Commissioner's failure to evaluate and address segregation by disability, English language proficiency and race rendered his decision to grant the Expansions arbitrary, capricious and unreasonable; (ii) the Appeals Court erred by not ruling that the Commissioner's failure to evaluate funding loss impacts rendered his decision to grant the Expansions arbitrary, capricious and unreasonable; (iii) the Appeals Court erred by ruling there is no heightened standard for evaluating funding loss impacts on a charter school application.

The appeal in front of the Supreme Court is currently pending, with oral arguments yet to be scheduled. There can be no assurance that the decision of the Commissioner approving the Expansions, previously upheld by the Appeals Court, will be upheld by the Supreme Court. The last school year of enrollment expansions is taking place this school year. If the Supreme Court were to overturn the Commissioner's approval of the Expansions, North Star cannot predict what remedies will be granted by the Supreme Court or what effect, if any, such remedies would have on North Star's current enrollment capacity.

Competition for Students

North Star competes for students with other public schools, charter schools and private schools. There can be no assurance that North Star will attract and retain the number of students that are needed to produce the revenues that are necessary to make sufficient Lease payments to pay the debt service on the Bonds. Several public and charter schools are located in close proximity to North Star. See "APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR – NORTH STAR ACADEMY CHARTER SCHOOL – Competition in Newark" for information regarding other schools in North Star's service area.

Reliance on Projections

The projections of revenues and expenses set forth in Appendix A were prepared by North Star and have not been independently reviewed or verified by any other party. Such projections are derived from the actual operation of North Star, to the extent possible, and from North Star's assumptions about the student

enrollment, funding and expenses. There can be no assurance that the actual enrollment revenues, funding and expenses for North Star will be consistent with the projections contained herein.

No feasibility studies have been conducted with respect to operations of the Project 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 North Star’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.

THE SCHOOL PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE PROJECT 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 “APPENDIX A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR” 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.

Factors Associated with Education

There are a number of factors affecting schools in general, including North Star, which could have an adverse effect on North Star’s financial position and ability to make the payments required under the Lease Agreement. These factors include, but are not limited to, increasing costs of compliance with Federal or state regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; any unionization of North Star’s workforce with consequent impact on wage scales and operating costs of North Star; changes in existing statutes pertaining to the powers of North Star; decline of North Star’s reputation, the faculty or student body, either generally or with respect to certain academic or extracurricular areas; and the disruption of North Star’s operations by real or perceived threats against North Star, the employees or the students. North Star cannot assess or predict the ultimate effect of these factors on its operations or its ability to make the required rental payments under the Lease Agreement.

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 trustees and/or the upper management of the school (the “Key Trustees/Managers”). Loss of such Key Trustees/Managers, and the inability of North Star to find comparable qualified replacements, could adversely affect any of North Star’s operations or financial results.

Value of Project Facilities May Fluctuate

The value of the Project Facilities at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Project Facilities which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline. Upon a default under the Mortgage, no assurances can be given that the Trustee would be able to lease the Mortgaged Property, or the rental amount that would be payable thereunder, or that the amount that the Trustee would otherwise receive in connection with a foreclosure of the Mortgaged Property would be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

Default Under the Lease Agreement; No Assurance Regarding Subsequent Tenant

If there is a default by the Borrower under the Loan Agreement attributable to a default by North Star under the Lease Agreement, the Borrower will likely not have sufficient funds to satisfy its obligations under the Loan Agreement absent re-leasing – or in appropriate cases, selling – the Project Facilities. Were North Star to default under the Lease Agreement, there is no assurance that the Borrower would be able to find a new tenant for the Project Facilities which could generate revenues in a sufficient amount to allow the Borrower to make payments under the Loan Agreement to satisfy debt service on the Bonds. This risk is heightened by the fact that the Project Facilities have been improved specifically for use as a school campus and may be restricted to that use.

Inability to Liquidate or Delay in Liquidating the Mortgaged Property

Upon the occurrence and continuance of an event of default, the Trustee shall be entitled to exercise certain rights, including the right to possession of and the right to sell the Mortgaged Property pursuant to a foreclosure sale under the Mortgage. The Mortgaged Property is intended to be used solely for educational purposes of North Star. The location of the Mortgaged Property might also limit the number of potential purchasers. Consequently, a potential purchaser of the Bonds should not anticipate that a transfer of the Mortgaged Property could be accomplished rapidly, or at all. Any sale of the Mortgaged Property would require compliance with the laws of the State of New Jersey applicable thereto. Such compliance might be difficult, time-consuming and expensive. Any delays in the ability of the Trustee to foreclose on the Mortgage would likely result in delays in the payment of the Bonds. In addition, in the event the Trustee took possession of the Mortgaged Property, the Mortgaged Property might be subject to real property taxation.

Survival of Lease Agreement after a Bond Default and Foreclosure

The Borrower, North Star and the Trustee will enter into a Subordination, Non-Disturbance and Attornment Agreement (the “SNDA”) with respect to the Project Facilities. The SNDA addresses the priority of the rights between North Star, the Borrower and the Trustee for the Project Facilities. The SNDA provides that North Star’s rights under the Lease Agreement to the use, possession and enjoyment of the Project Facilities will not be disturbed by the Trustee so long as no event of default exists under the Lease Agreement. The non-disturbance portion assures North Star and the Borrower that its rights to the Project Facilities will be preserved (“nondisturbed”) on specified conditions within control of North Star or the Borrower, as applicable, if the Borrower defaults on its Loan with the Authority or North Star defaults on its obligations under the Lease Agreement, respectively, and the Trustee forecloses on the Project Facilities. The attornment component of the SNDA provides that North Star will continue its obligations under the Lease Agreement if a new landlord takes over the Lease Agreement.

Risks of Real Estate Investment

General. Development, ownership and operation of real estate, such as the Project Facilities, involves certain risks, including the risk of adverse changes in general economic and local conditions, including population decreases; uninsured losses; operating deficits and mortgage foreclosure; lack of attractiveness of the property to students/parents; cyclical nature of the real estate market; adverse changes in neighborhood values; and adverse changes in zoning laws, other laws and regulations and real property tax rates (to the extent such taxes are applicable to the Project Facilities). Such losses also include the possibility of fire or other casualty or condemnation. If the Project Facilities, or any portion thereof, were not available during the period of restoration, such unavailability could adversely affect North Star's ability to make payments under the Lease Agreement. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage or other funding may render the sale or refinancing of the Project Facilities difficult or unattractive.

Limitations of Appraisals. Appraisals are estimates of value and not an assurance of what any particular property would bring in sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the values represent reliable estimates of what the Project Facilities would bring in liquidation following an event of default.

Damage, Destruction or Condemnation. Although the Borrower will be required to obtain certain insurance against damage or destruction and business interruption insurance as set forth in the Loan Agreement and the Mortgage, as applicable, there can be no assurance that any portion of the Project 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 or North Star, as a result of damage or destruction to the Project Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Project Facilities, or any portion thereof, are damaged or destroyed, or are taken in a condemnation proceeding, the proceeds of insurance or any such condemnation award for the Project Facilities, or any portion thereof, it is the Borrower's right to either restore or rebuild the Project Facilities or to redeem the Bonds in accordance with the terms of the Loan Agreement. There can be no assurance that the amount of revenues available to restore or rebuild the Project Facilities, or any portion thereof, or to redeem the Bonds will be sufficient for that purpose, or that any remaining portion of the Project Facilities will generate revenues sufficient to pay the expenses of the Borrower and the debt service on the Bonds remaining outstanding.

Flood. Pursuant to the Loan Agreement, the Borrower has covenanted that, so long as the Project Facilities are located in an area identified by the Secretary of Housing and Urban Development as having special flood and mud slide hazards, the Borrower will maintain, or cause to be maintained flood insurance coverage. The Project Facilities are not located in special flood hazard area.

Environmental Regulation and Remediation

The Project Facilities are and will be subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to the Project Facilities, or otherwise for complying with environmental requirements, whether arising from pre-existing conditions or conditions arising as a result of activities conducted in connection with the ownership of and operations at the Project Facilities. Costs incurred with respect to environmental compliance, remediation or liability could adversely affect the Borrower's financial condition and its ability to generate pledged revenues sufficient to pay debt service on the Bonds. Any such environmental compliance measures, remediation or any such potential liability to third parties could also make it difficult to successfully re-sell or re-let the Project Facilities.

See "THE PROJECT – Environmental Inspection" herein.

Potential investors should note that any environmental assessments and the accompanying reports are subject to the limitations specified in such reports and, more generally, and to the basic limitation that no environmental assessment can completely eliminate uncertainty regarding the potential for recognized environmental conditions in connection with a subject property. Further, the reports and records prepared in connection with such assessments and investigations speak only as of their dates, and no additional assessments have been requested or performed. Potential investors must refer to the complete reports and other documents for a full understanding of such limitations, and for additional information pertinent to those items. The complete documents will be provided upon written request to the Trustee.

Potential Effects of Bankruptcy

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

In a bankruptcy proceeding, the Borrower could file a reorganization plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the Bonds). The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the Borrower, as the case may be, provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half the number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. The Borrower is prohibited from creating secured creditors except as provided in the Loan Agreement.

Tax-Exempt Status

Under present Federal and State law, regulations and rulings, the income of 501(c)(3) organizations, such as the Foundation and the Borrower (as an entity disregarded as separate from the Foundation), is exempt from Federal and New Jersey income tax, except for any unrelated business income. Failure of the Foundation to maintain its status as a 501(c)(3) organization or changes in such current laws, or the regulations, rulings or interpretations thereof could adversely affect the Borrower and the Foundation, as applicable. Such failure would adversely affect the exclusion of interest on the Bonds from income for federal income taxation purposes.

As a public charter school established in accordance with the laws of the State, North Star is exempt from federal and state taxation. Changes in current laws, or the regulations, rulings or interpretations thereof could adversely affect North Star. Such failure could adversely affect the exclusion of interest on the Bonds from income for federal income taxation purposes.

Moreover, the ongoing tax-exempt status of interest on the Bonds is conditioned, under relevant provisions of the Code, on compliance by the Borrower and North Star with various requirements set forth, *inter alia*, in Sections 145 and 148 of the Code, requiring, among other things, that the Project Facilities be owned throughout the term of the Bonds by a governmental unit or an organization described in Section 501(c)(3) of the Code, that not more than five percent of the proceeds of the Bonds (inclusive of proceeds applied to defray issuance costs) be applied to any "private business use," any use giving rise to "unrelated business income," or other uses inconsistent with the charitable purposes of the Borrower, as a 501(c)(3) organization, and that certain investment earnings in respect of the Bonds be subject to non-arbitrage

requirements imposed under Section 148 of the Code, including requirements to perform certain “rebate” computations and to make certain “rebate” payments of “arbitrage” earnings all as further provided in applicable statutes, regulations, rulings and decisions. Failure to comply with such requirements could result in the loss of the tax-exempt status of interest on the Bonds to the owners thereof, and such interest could become taxable to such owners retroactive to the date of issuance of the Bonds.

IRS Audits of Previous Transactions

Uncommon Schools, through wholly-owned subsidiaries, has participated, including as the “conduit borrower,” in several financing transactions, some involving qualified school construction bonds (“QSCB”) or qualified zone academy bonds (“QZAB”) that financed, among other things, school facilities leased to North Star. One of those issues of QSCBs (\$41,300,000 of Qualified School Construction Bonds (North Star Academy Charter School of Newark, Inc. Project) Series 2016), issued on April 21, 2016 (the “2016 NSA QSCBs”), financed a portion of the Project Facilities located at 377 Washington Street, Newark, New Jersey, which were also financed in part by the Construction Loan to be refinanced from proceeds of the Bonds.

On December 6, 2016, the Internal Revenue Service began an examination of the 2016 NSA QSCBs. Subsequently, the IRS began examinations of the five other bond issues involving Uncommon Schools and North Star with structures similar to the 2016 QSCBs. On September 16, 2019, the IRS issued Proposed Adverse Determinations for the 2016 NSA QSCBs and three of the other five bond issues under examination.

The parties to each of the foregoing bond issues and related transactions (the “NSA Transactions”) have responded fully to all requests for information and documents and such parties are being represented by nationally recognized bond counsel in connection with the ongoing reviews.

Each of the NSA Transactions involved the issuance of qualified tax credit bonds (i) providing for tax credits or direct subsidy payments based on the par amount of the obligation and (ii) sold at original issue discount. Uncommon Schools and the applicable affiliates have appealed the Proposed Adverse Determinations and understand that the matters have been forwarded to the IRS Office of Appeals. In the Proposed Adverse Determinations the IRS asserted that the tax credits and direct subsidy payments should be disallowed. At this time, the outcome of such appeals and the timing of the ultimate resolution of any of the open examinations or any future examinations cannot be predicted. If the Proposed Adverse Determinations are confirmed by the IRS Office of Appeals, suits to overturn these results could be initiated in U.S. Tax Court, U.S. District Court or U.S. Court of Federal Claims.

In addition, on October 4, 2019, the Internal Revenue Service commenced reviews of two issues involving Uncommon Schools (but not related to North Star) with structures similar to the NSA Transactions. No further correspondence has been received regarding these reviews, following responses to the initial document requests related thereto.

No assurance can be given regarding the outcome of any such examinations or appeals; however, the range of possibilities includes the following three potential outcomes. First, Uncommon Schools and its affiliates may prevail in such appeals, with the result that the tax credits and direct subsidy payments with respect to the NSA Transactions continue undiminished. Second, the portion of the tax credits and direct subsidy payments with respect to the NSA Transactions that is attributable to original issue discount may be disallowed, with the result that the tax credits and direct subsidy payments with respect to the NSA Transactions are reduced (in relation to the amount of such original issue discount on the respective transactions), but continue. Third, the entire amount of the tax credits or direct subsidy payments on one or more of the NSA Transactions may be disallowed. In any case of reduced or disallowed tax credits or subsidy payments, the IRS may seek to recover such amounts paid within preceding tax years, and may also seek interest and penalties.

In the event that one or more of the NSA Transactions are determined not to qualify for all or a portion of the applicable tax credits or direct subsidy payments, the respective underlying financial transactions may be adversely affected, which may then result in the lease payments to be made by North Star in connection with such transactions being increased. See “Appendix A – CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS, INC. AND NORTH STAR ACADEMY CHARTER SCHOOL, INC. – NORTH STAR FINANCIAL SUMMARY – Financial Projections.” In such an event, budgetary measures may need to be taken to allow for the increased rent payments; however, neither the management of Uncommon Schools nor management of North Star expects such potential increase to adversely affect compliance by North Star with covenants requiring it to maintain a Lease Coverage Ratio of 1.05 and the Days Cash on Hand required pursuant to the Lease Agreement. In addition, if all or a substantial portion of the tax credits and/or direct subsidy payments for the NSA Transactions are disallowed, the applicable borrowers may seek to refinance the NSA Transactions with tax-exempt obligations, subject to market conditions.

No assurance can be given that proposed adverse determinations will not be received in the remaining two NSA Transactions or that Uncommon Schools will prevail in its appeals of any Proposed Adverse Determinations and, notwithstanding the foregoing, no assurance can be given that the eventual outcome of such appeals will not adversely affect the operations or finances of North Star or Uncommon Schools.

Acceleration of Outstanding Debt and Increase of Rent Under North Star Leases

The acquisitions of the issues of QZAB and QSCB bonds described above under the heading “—IRS Audits of Previous Transactions” by various affiliates of Uncommon Schools were each financed with proceeds of third-party loans or the sale of the tax subsidy portion of the bond certificates to third-party lenders (each an “Upper Tier Loan” and, collectively, the “Upper Tier Loans”). Under the financing documents relating to such NSA Transactions (as defined above), a loss of the federal subsidy payments or tax credits (as applicable) could result in an event of default under one or more Upper Tier Loans if the respective borrowers under such Upper Tier Loans cannot provide a plan to make up for such loss of subsidy or tax credit that is, in some cases, subject to approval of the Upper Tier Loans lenders. Remedies under each Upper Tier Loan include acceleration of the outstanding amounts owed thereunder.

The source of payment for the obligations of the borrower under each Upper Tier Loan is rent payments under various lease agreements to which North Star is tenant, relating to the facilities financed with proceeds of such QZAB and QSCB bond financings (including the Lease Agreement). The amount of rent due under each such lease agreement (including the Lease Agreement) may be increased pursuant to the terms of such leases to pay increased costs of the respective landlords, including due to a loss of federal subsidies or tax credits and refinancing of such indebtedness. See “ – Additional Indebtedness of North Star; Senior Obligations – Additional Debt and Lease Obligations” above.

In the event that Uncommon Schools does not prevail in its pending appeals of the Proposed Adverse Determinations and, as a result, the NSA Transactions no longer qualify for all or a portion of the subsidy payments or tax credits in connection therewith, such loss of subsidy or tax credits could result in a default under one or more Upper Tier Loans. If any such Upper Tier Loan were accelerated as a remedy for default, and the full outstanding amount owed thereunder becomes owed by a borrower, this may adversely affect the finances of such borrower, the Foundation, and/or Uncommon. In such circumstance, Uncommon Schools and its affiliates would likely have to refinance such accelerated Upper Tier Loan. Debt service on such bonds, notes or other obligations could be materially higher than payments on the Upper Tier Loan. A variety of events could prevent access to the municipal securities market, prohibit Uncommon Schools from issuing such bonds, notes or other obligations, or make the issuance of such bonds, notes or other obligations prohibitively expensive. No assurance can be given that such a financing will be available to Uncommon Schools or its affiliates on sufficiently favorable terms. Moreover, as noted above, increased costs to borrowers under the Upper Tier Loans, including those due to loss of subsidy payments or tax credits, acceleration, or refinancing of such obligations, may result in increased payments due from North Star under the applicable leases. See “ – Additional Indebtedness of North Star; Senior Obligations – Additional Debt and Lease Obligations” above.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the Federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed.

Debt Service Reserve Fund

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

Lack of Secondary Market

Although the Underwriter intends to engage in secondary market trading of the Bonds (subject to applicable state securities laws), the Underwriter is not obligated to repurchase any of the Bonds at the request of the owners thereof and cannot assure that there will be a continuing secondary market in the Bonds. In the secondary market for securities similar to the Bonds, the difference between the bid and asked price may be greater than the bid and asked spread for more traditional types of municipal securities. It is not expected that an active trading market for the Bonds will ever develop.

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 Indenture contains provisions limiting transfers of the Bonds and beneficial interests therein to Qualified Institutional Buyers or Accredited Investors, unless such restriction is removed pursuant to the Indenture. The face of each Bond will contain a legend indicating that the Bond is subject to transfer restrictions as set forth in the 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.

Failure to Provide Ongoing Disclosure

The Borrower and North Star will enter into a Continuing Disclosure Agreement with Zions Bancorporation, 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.

Cybersecurity

North Star, like many other public and private entities, relies on a technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, North Star is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to North Star’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Within the last five years, North Star has not experienced attacks on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. No assurances can be given that North Star’s efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of North Star. North Star carries cybersecurity insurance.

Extraordinary Redemption of Bonds Prior to First Optional Redemption Date

The Bonds may be subject to extraordinary optional or mandatory redemption resulting from the receipt of insurance or condemnation proceeds relating to the Project Facilities, upon a Determination of Taxability of the Bonds, upon the Project Facilities ceasing to be operated as an authorized “project” under the Act, or in the event a representation or warranty of the Borrower in or in connection with the Loan Agreement shall prove to be false or misleading in any material respect when made. See “THE BONDS” herein. The resulting redemption of Bonds purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Bonds.

TAX MATTERS

In the opinion of Chiesa Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel, assuming continuing compliance by the Authority, the Borrower and North Star with certain tax covenants described herein, under existing law, interest on the Bonds (i) is not includable in gross income for Federal income tax purposes under current law, (ii) is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

In addition, interest on the Bonds received or accrued in any taxable year by certain foreign corporations may be included in computing the “dividend equivalent amount” of such corporations subject to the branch profits tax imposed on such corporations under Section 884 of the Code. Further, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Code for S corporations which have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross revenues of such S corporations is passive investment income.

Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds, including the Bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner’s basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Bond Counsel expresses no opinion as to any such consequences and prospective purchasers of the Bonds who may be subject to such collateral consequences should consult their tax advisors.

In rendering its opinion, Bond Counsel has relied on the Authority's, North Star's and the Borrower's covenants, contained in the Indenture, the Loan Agreement, the Lease Agreement and in the arbitrage certificates, that they will comply with the applicable requirements of the Code, relating to, inter alia, the use and investment of proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Failure of the Authority, North Star or the Borrower to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Bonds that may affect the tax-exempt status of the interest thereon.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, life insurance companies, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals who otherwise qualify for the earned income credit. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Bonds will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010 the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Bonds will be included in determining the modified adjusted gross income of the taxpayer.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Bonds do not constitute "qualified tax-exempt obligations".

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

Bond Counsel is also of the opinion that interest on the Bonds and any gain from the sale thereof are not includable in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

NO ASSURANCE CAN BE GIVEN THAT PENDING OR FUTURE LEGISLATION OR AMENDMENTS TO THE CODE IF ENACTED INTO LAW, OR ANY PROPOSED LEGISLATION OR AMENDMENTS TO THE CODE, WILL NOT ADVERSELY AFFECT THE VALUE OF, OR THE TAX STATUS OF INTEREST ON, THE BONDS. ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the Borrower, North Star and Zions Bancorporation, National Association, as dissemination agent, will enter into a Continuing Disclosure Agreement. The proposed form of the Continuing Disclosure Agreement is attached to this Limited Offering Memorandum as Appendix H.

A failure by the Borrower or North Star to provide any information required under the Continuing Disclosure Agreement thereunder shall not constitute an Event of Default under the Indenture, the Loan Agreement, the Lease Agreement or any other document related to the issuance of the Bonds. The sole and exclusive remedy for such failure shall be an action by or on behalf of the Holders of the Bonds to compel specific performance of the obligations under the Continuing Disclosure Agreement.

Prior Undertaking. North Star previously entered into a continuing disclosure agreement pursuant to the Rule in connection with the issuance by the Authority of its Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. - 2017 Project) (the “Prior Undertaking”) which requires the filing of audited financial statements as well as annual and quarterly reports including certain financial information and operating data related to North Star and NSA 18th Avenue, LLC, an affiliate of the Foundation (the “Prior Borrower”), as well as notices of certain events. Neither the Prior Borrower nor North Star have failed to comply in all material respects with their obligations under the Prior Undertaking.

The Borrower has not previously entered into a continuing disclosure undertaking pursuant to the Rule.

LITIGATION

The Authority

There is, to the best of the knowledge of the Authority, no action, suit or proceeding, in law or in equity, pending or threatened against the Authority to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting the validity or affecting the power of the Authority with respect to the issuance and sale of the Bonds or the documents or instruments executed by the Authority in connection therewith or the existence of the Authority or the power or right of the Authority to finance the Project. The Authority is not involved in any litigation in which an adverse decision could materially impair its financial operation, except as described below.

There is environmental litigation pending involving the Authority and other potentially responsible parties that, if adversely decided, may have a material adverse impact on the financial status of the Authority; however, such litigation does not affect the Authority’s right to receive Revenues under the Bond Resolution, or the timely payment of principal or the Redemption Price of and interest on the Bonds.

The Borrower and North Star

Except as already described herein, there is no litigation of any nature pending or threatened against the Borrower or North Star to restrain or enjoin completion of the Project or which would materially adversely affect the Borrower’s or North Star’s financial condition or ability to perform their respective obligations under the documents described herein to which they are a party.

PLEDGE OF STATE NOT TO LIMIT POWERS OF THE AUTHORITY OR RIGHTS OF BONDHOLDERS

The Act sets forth the pledge and agreement of the State that it will not limit or alter the rights or powers vested by the Act in the Authority to fulfill the terms of any agreements made with holders of obligations of the Authority or in any way impair the rights and remedies of such holders, until such obligations, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged or provided for.

LEGALITY FOR INVESTMENT

The Act provides that (1) the State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof; (2) all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, which banks, trust companies, and other such institutions are organized and existing under the laws of the State; and (3) all executors, administrators, guardians, trustees and other fiduciaries acting under the laws of the State, may legally invest any sinking funds, moneys or other funds belonging to them or within their control in obligations of authorities created pursuant to the Act and such obligations will be authorized security for any and all public deposits.

NEGOTIABILITY OF THE BONDS

The Act provides that any bond or obligation issued pursuant to the Act, including the Bonds, shall be fully negotiable within the meaning and for all purposes of the negotiable instruments law of the State. Each holder or owner of such a bond or other obligation, including the Bonds, or of any coupon appurtenant thereto, by accepting such bond or coupon shall be conclusively deemed to have agreed that such bond, obligation or coupon is and shall be fully negotiable within the meaning and for all purposes of said negotiable instruments law.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the Authority of the Bonds will be passed upon by Chiesa Shahinian & Giantomasi PC, West Orange, New Jersey, Bond Counsel. Copies of Bond Counsel's approving opinion, a form of which is attached hereto as Appendix G, will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Borrower by Faegre Drinker Biddle & Reath LLP, Florham Park, New Jersey; for North Star by Saiber LLC, Florham Park, New Jersey; and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California.

FINANCIAL STATEMENTS

The financial statements of North Star included in Appendix B-1 of this Limited Offering Memorandum have been audited by AAFCPAs, Inc. and the consolidated financial statements of Uncommon Schools, Inc. and Affiliates included in Appendix B-2 of this Limited Offering Memorandum have also been audited by AAFCPAs, Inc., in each case to the extent and for the periods indicated in the reports which appear in Appendix B.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the Bonds a rating of "BBB-" with a stable outlook. Such rating reflects only the views of S&P and any explanation of the significance of the rating may only be obtained from S&P.

Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. A rating is not a recommendation to buy, sell or hold securities. There is no assurance that any rating or outlook will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if in its judgment circumstances so warrant. None of the Underwriter, the Authority, North Star or the Borrower has undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of a rating of the Bonds or to oppose any such proposed change or withdrawal. A downward revision or withdrawal of such rating may have a substantial adverse effect on the market price of the Bonds. Actual changes in ratings on the Bonds will be disclosed by the Borrower as described in the proposed form of the Continuing Disclosure Agreement attached to this Limited Offering Memorandum as Appendix H.

UNDERWRITING

The Bonds will be purchased by the Underwriter at a purchase price of \$30,850,384.45, which represents the par amount of the Bonds, plus original premium of \$1,551,334.45, less an underwriter's discount of \$295,950.00. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the purchase contract. The purchase contract 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 Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial 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 North Star.

MISCELLANEOUS

The references herein to the Bonds, the Indenture, the Loan Agreement, the Note, the Lease Agreement, and the Mortgage are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to the Bonds, the Indenture, the Loan Agreement, the Note, the Lease Agreement, and the Mortgage, copies of which are available for inspection at the corporate trust office of the Trustee in Boise, Idaho. The forms of the Loan Agreement, the Indenture and the Lease Agreement are attached to this Limited Offering Memorandum as Appendices D, E and F, respectively.

The agreement of the Authority with the owners of the Bonds is fully set forth in the Indenture, and neither advertisements of the Bonds nor this Limited Offering Memorandum are to be construed as constituting an agreement with the owners of the Bonds. Statements made in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The attached appendices are integral parts of this Limited Offering Memorandum and must be read together with all of the preceding information.

The delivery of this Limited Offering Memorandum has been duly approved by the Authority and the Borrower.

THE ESSEX COUNTY IMPROVEMENT AUTHORITY

By: /s/ Steven C. Rother
Executive Director

Approved by:

NSA 377 WASHINGTON STREET, LLC

By: North Star Academy Foundation, Inc., its sole member

By: /s/ Jennifer Consilvio
Authorized Signatory

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC.

By: /s/ Ravi Bellur
Trustee

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APPENDIX A

CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR

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APPENDIX A

CERTAIN INFORMATION REGARDING UNCOMMON SCHOOLS AND NORTH STAR

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.

GENERAL OVERVIEW

Founded in 1997, Uncommon Schools, Inc. (“Uncommon”) is a New Jersey not-for-profit corporation and recognized as a 501(c)(3) corporation by the Internal Revenue Service. Uncommon comprises a network of public, college-preparatory charter schools located in six regions (Boston, MA; Camden, NJ; Newark, NJ; New York City; Rochester, NY; and Troy, NY), which serves traditionally under-served communities in each of those regions.

Uncommon was one of the first charter management organizations (“CMO”) created in the country through a unique partnership of four charter entrepreneurs who had founded successful charter schools in the Northeast before joining forces to build the Uncommon network:

- (1) Norman Atkins, the founder of North Star Academy Charter School of Newark, Inc. (“North Star”) in Newark, NJ and founder of Uncommon Schools, Inc.;
- (2) Brett Peiser, the founder of South Boston Harbor Academy in south Boston, MA;
- (3) Evan Rudall, the founder of Roxbury Preparatory Charter School in the Mission Hill neighborhood of Boston, MA; and
- (4) Doug Lemov, a founder of Academy of the Pacific Rim in Hyde Park, MA.

Today, the Uncommon network is comprised of 55 schools serving approximately 20,650 students in grades K-12.

Uncommon has not guaranteed and is not otherwise liable for the payment of the principal or redemption price of, or interest, on the Bonds.



Founded	1997	
Locations	Brooklyn, NYC Rochester, NY Troy, NY	Boston, MA Camden, NJ Newark, NJ
No. of Schools (2020-21)	55 Schools	
	NYC: 24 Rochester: 6 Troy: 3	Boston: 4 Camden: 4 Newark: 14
Budgeted Enrollment (2020-21)	20,650 Students Grades Serve: K-12	
Total Budgeted Revenues (2020-21)	\$371 million	



approximately 6,200 students in grades K-12 in Newark, NJ. At full capacity of its current schools, which North Star is expected to reach by the 2026-27 school year, it expects to serve approximately 6,736 students at its 14 current schools.

North Star has begun planning for an expansion anticipated to include an additional 5-7 schools serving an additional approximately 2,300-3,300 students at full capacity. Such expansion is not expected to occur for several years and is contingent upon securing affordable facilities and a strong leadership pipeline in order to avoid negative impact to North Star's existing schools. As such plans are not yet formalized, this planned expansion is not reflected in the enrollment and financial projections in this Appendix A.

North Star holds a charter from the State of New Jersey Department of Education ("NJDOE") to operate a network of public schools in Newark serving grades K-12 with a maximum enrollment of 7,300 students under its current charter. North Star's charter was originally approved on July 1, 1997 by the NJDOE and has been renewed four times since that time (North Star's current charter term expires June 30, 2021). In 2005, Uncommon expanded to support other regions and entered into a formal management agreement with North Star. See "NORTH STAR MANAGEMENT AND LEADERSHIP – Management Agreement" herein.

Founded	1997
No. of Schools (2020-21)	14 Schools • 6 elementary schools (K-4) • 6 middle schools (5-8) • 2 high school (9-12)
Authorizer	State of New Jersey Department of Education
Charter Term	One charter; originally granted in 1997 (four renewals) Charter expires on June 30, 2021
Enrollment (2020-21)	6,200 Students Grades Served: K-12
Total Revenues (2019-20)	\$106.1 million

Since the opening of North Star, Uncommon has demonstrated that the most revolutionary teaching practices are not happening in the suburbs or elite private schools. Instead, they are happening in urban districts like those in which Uncommon operates. In all regions, Uncommon schools are out-performing their district counterparts. Uncommon holds its schools to a more stringent standard – benchmarking against the results of their non-economically disadvantaged peers. Uncommon believes it is important to be relied upon as a partner to districts. In three of the districts in which it operates (Newark Public Schools, New York City Department of Education and Camden City School District) Uncommon currently has specific professional development partnerships

and is in discussion with or in the process of developing partnerships with the three other districts. Uncommon has also made its online materials for remote learning available to the public. See "UNCOMMON SCHOOLS – Student Assessment and Outcomes" herein for detailed information on the overall academic success of Uncommon's schools, and "NORTH STAR STUDENT OUTCOMES" herein for detailed information on the academic success of North Star.

Under management agreements with each region, Uncommon provides an extensive list of services, including, but not limited to, program and curriculum design, development and implementation; assistance

with student assessment and evaluation; teacher and leader recruitment; teacher and leader professional development; charter renewal and application support; facilities assistance; budgeting, financial management, bookkeeping and payroll; fundraising; insurance procurement; reporting and compliance; technology; marketing; and advocacy.

As part of its management work for its regions, Uncommon develops or secures facilities for schools not located in local district buildings. In 2016, Uncommon formed North Star Academy Foundation, Inc. (the “Foundation”) and transferred to the Foundation ownership of all facilities owned by Uncommon and leased to North Star. The Foundation is a New Jersey nonprofit corporation and recognized as a 501(c)(3) corporation by the Internal Revenue Service.



The Foundation was formed to develop, renovate and lease educational facilities to North Star, and to support North Star, education, and students in Newark by sponsoring educational programs, partnering with other education organizations in the area, and making grants to local programs that offer quality educational programs. Today, the Foundation is the sole member of eleven disregarded special purpose entities of which nine either own or long-term lease facilities that are subleased to North Star. NSA 377 Washington Street, LLC, the Borrower under the Loan Agreement (the “Borrower”) and the obligor on the Bonds, is one such disregarded special purpose entity. See “NORTH STAR FACILITIES AND RELATED FINANCING” herein.

More information on Uncommon and its schools, including North Star, can be found at <http://www.uncommonschools.org/>. However, the information presented on such website is not incorporated herein by reference.

NORTH STAR ACADEMY FOUNDATION, INC.

The Foundation (founded in 2016), through special purpose limited liability companies, owns or long-term leases all of the private facilities leased to North Star. The Foundation does not have employees; its activities are conducted by its board of directors with support from Uncommon.

Pursuant to the Foundation’s bylaws, two-thirds of the board members of the Foundation are appointed by Uncommon (the “Uncommon Appointed Directors”), and the remaining members are appointed by the Uncommon Appointed Directors. There are currently four members on the Foundation board. Brief biographies of the four members of the Foundation board follow:

TABLE 1
BOARD OF DIRECTORS
Foundation

<i>Name</i>	<i>Company Name</i>	<i>Company Title</i>
Brett Peiser, President & Trustee	Uncommon Schools	Chief Executive Officer
Brooke Reid, Trustee	Macy’s Co.	Treasurer
Ravi Bellur, Trustee	Tarsadia	Managing Director
Norman Atkins, Trustee	Together Ed	Managing Partner

Source: The Foundation.

Brett Peiser, President & Trustee. Mr. Peiser is President and Chief Executive Officer (“CEO”) of Uncommon. Prior to becoming CEO in July 2012, Mr. Peiser served as founding Managing Director of Uncommon Schools New York City. As Managing Director, he oversaw a network of 14 schools in Brooklyn, serving over 3,000 elementary, middle, and high school students. The network’s first middle school – Williamsburg Collegiate – is the highest scoring school in New York City on the NYC Department of Education Progress Reports since the DOE began issuing reports in 2006. Mr. Peiser is the Founder and

former Principal and Executive Director of Boston Collegiate Charter School, one of Massachusetts' highest performing public schools. Over Mr. Peiser's last four years, Boston Collegiate was the only public school in Boston with 100% of 10th graders passing both the Math and English MCAS exams, a statewide graduation requirement. Mr. Peiser is a graduate of New York City Public Schools and a former History Teacher at Midwood High School in Brooklyn. Mr. Peiser received a Bachelor of Arts degree from Brown University and a Master of Public Policy degree from the John F. Kennedy School of Government at Harvard University, and is a recipient of the Broad Fellowship for Education Leaders.

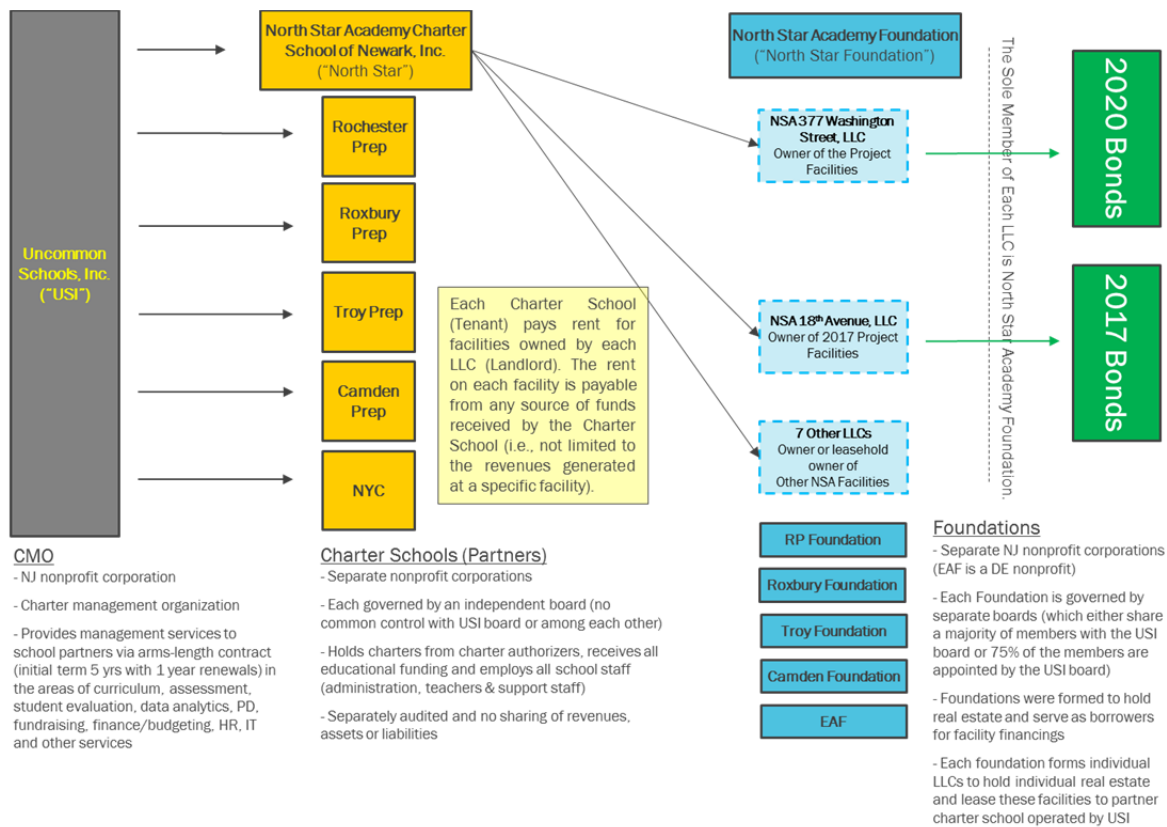
Brooke Reid, Trustee. Brooke Reid is the Treasurer of Macy's Co. Prior to that, Ms. Reid served as Senior Vice President, Head of Strategy at Cross River Bank. Previously, Ms. Reid was a Managing Director at Morgan Stanley based in New York where, during her 15-plus-year tenure at the firm, she served as Head of Business Development for Morgan Stanley Private Bank, N.A. and ran the Short-term Credit Products Origination and Investor Marketing effort in Fixed Income Capital Markets helping large corporations and financial institutions raise short-term capital globally. Ms. Reid graduated summa cum laude from Howard University with a Bachelor of Business Administration degree in International Business with a concentration in Finance. Ms. Reid also earned a Master of Business Administration degree from Harvard Business School.

Ravi Bellur, Trustee. Ravi Bellur is a Managing Director at Tarsadia Capital and Trustee of North Star. Mr. Bellur has a Bachelor of Science degree in economics from the Wharton School of Business at the University of Pennsylvania.

Norman Atkins, Trustee. Norman Atkins is the Managing Partner of Together Education, an education innovation studio that catalyzes and builds enduring, mission-driven, nonprofit education organizations. Atkins is the Co-Founder of Relay GSE and served as President in its first decade, recently becoming Board Chair. During his tenure, Relay GSE grew from a small teacher preparation program serving a few dozen educators in New York City to an accredited, independent graduate school of education training 4,000 current and aspiring teachers in 19 cities and 1,200 school leaders nationwide. He is also the Founder, former CEO, and current Board Chair of Uncommon Schools. In addition, he is the Co-Founder and Board Chair of Zearn, a comprehensive, Tier-1 digital math program reaching more than two million students. In 1997, Atkins co-founded and co-led North Star Academy of Newark, one of New Jersey's first and most celebrated charter schools. From 1989 to 1994, he was the Co-Executive Director of the Robin Hood Foundation in New York City. He was a Pahara-Aspen Education Fellow and an Ashoka Fellow. Atkins began his career as a journalist, writing about education, poverty, politics, culture, and social issues for The New York Times Magazine, The New Yorker, Rolling Stone, The Wall Street Journal, The Washington Post, and The Boston Globe. He earned an A.B. in History from Brown University and an M.A. in Educational Administration from Columbia University Teachers College.

The following figure shows the relationships between the various entities (Uncommon, North Star and the Foundation), and each entity's role in the Series 2020 Bonds financing. To date, four major construction or renovation projects, each between \$20 to \$70 million, have been undertaken by Uncommon on behalf of North Star (including the Project Facilities, as defined in the forepart of this Limited Offering Memorandum), on top of more than 20 smaller projects. All the projects have been developed by internal Uncommon staff.

FIGURE 1
ORGANIZATIONAL RELATIONSHIPS
 Uncommon Schools, the Borrower, North Star and Related Entities



Source: The Foundation.

NORTH STAR ACADEMY CHARTER SCHOOL

Overview

Historically, North Star has been one of the highest performing charter schools in New Jersey and one of the best performing public schools in the country. In 2019, North Star was ranked the number one high school in Newark and the 15th best high school in New Jersey out of 438 high schools by *U.S. News & World Report*. In 2017, the *Washington Post* ranked North Star as the fifth most challenging high school in New Jersey and the 225th most challenging high school in the nation.

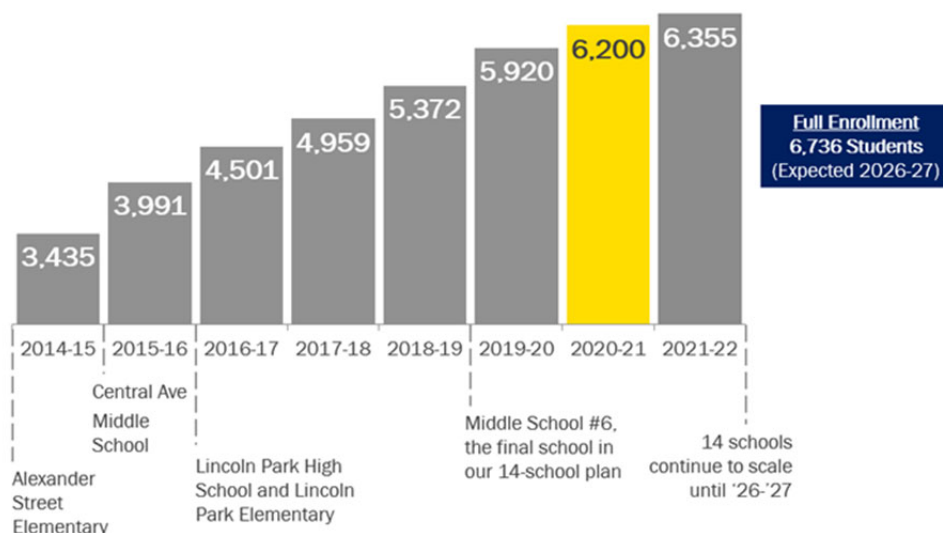


North Star operates an extended day model as well as a data driven approach. Its curriculum is aligned with Common Core State Standards. North Star has 14 schools serving approximately 6,200 students in grades K-12, more than 97% of students are students of color and approximately 86% of students qualify for free or reduced price lunch.

As of fall 2019, North Star completed its growth to 14 schools. For the 2020-21 school year, North Star has approximately 6,200 students enrolled which represents 92% completion of its projected full enrollment of 6,736 students at its current 14 schools, which North Star expects to reach by the 2026-27 school

year. Remaining growth at North Star’s existing schools is based on existing feeder patterns of newer schools reaching their full grade span.

FIGURE 2
HISTORICAL & PROJECTED ENROLLMENT
North Star



Source: North Star.

North Star has begun planning for an expansion anticipated to include an additional 5-7 schools serving an additional approximately 2,300-3,300 students at full capacity. Such expansion is not expected to occur for several years and is contingent upon securing affordable facilities and a strong leadership pipeline in order to avoid negative impact to North Star’s existing schools. As such plans are not yet formalized, this planned expansion is not reflected in the enrollment and financial projections in this Appendix A.

Note regarding COVID-19.

On March 18, 2020, all public school buildings in New Jersey were closed in response to the spread of the novel coronavirus known as COVID-19. On May 4, 2020, the Governor of New Jersey (the “Governor”) ordered public school buildings to remain closed for the remainder of the 2019-20 school. Uncommon has announced that all of its schools, including North Star, will operate fully remote for the beginning of the 2020-21 school year, through at least October 19, 2020. See “ – COVID-19 Response; Remote Learning; State Assessments; and State Aid” below and “CERTAIN RISK FACTORS – Infectious Disease Outbreak; COVID-19” in the forepart of this Limited Offering Memorandum.

The Charter Agreement

North Star operates all of its schools under a single charter authorized by the State of New Jersey Department of Education. North Star’s original charter ran from July 1997 to June 2001. North Star’s current charter was renewed in February 2016 and expires on June 30, 2021. In accordance with the State of New Jersey Charter School Program Act of 1995 (the “Charter School Act”), charters granted to New Jersey public charter schools are initially granted for four years with renewals in five-year increments. To date, North Star has received four 5-year renewals. See the current charter agreement for North Star, as well as the initial charter approval and most recent renewal letter, attached hereto as Exhibit A.

Because all North Star schools are under the same charter, all students from North Star elementary schools may go on to North Star middle schools and North Star high schools. Each year, approximately 92% of rising 4th grade North Star students enroll in North Star middle schools, and 87% of rising 8th grade North Star students enroll as 9th grade students at North Star high schools. North Star also backfills seats that open throughout the year and from year-to-year, at all schools in grades K-9.

Charter Renewal. Under the New Jersey Administrative Code, charter schools that have been deemed high performing, based upon the criteria outlined in the State's Academic Performance Framework, for three consecutive years during the most recent charter term, and have had no major fiscal or compliance issues, shall be eligible for an expedited renewal review process. For such charter schools, the renewal process may be conducted in an abbreviated format established by NJDOE, and charter schools will be notified within 75 days of their charter submission whether it has been granted renewal of its charter. North Star has been notified by NJDOE that it qualifies for an expedited review process of its upcoming charter renewal process.

As required under the Charter School Act, North Star submitted an application for renewal of its charter on October 15, 2020. Pursuant to the Charter School Act and the expedited renewal review process, the New Jersey Commissioner of Education will grant or deny a renewal of North Star's charter by December 29, 2020. North Star expects its charter to be renewed for a five-year term. North Star is seeking an increase of maximum enrollment under its renewal charter to 7,600 students.

Educational Philosophy

NORTH STAR MISSION STATEMENT

To serve inner-city Newark children by building an uncommon school where students partake of a rigorous, 11-month, extended day, academic program that gives them the means to beat the odds in school and life.

To shape an intimate, supportive, engaging school community - where classes are small and personalized; where parents are partners; where teachers teach with passion and commitment; and where all the adults model - and all the students develop and live - the values of caring, respect, honesty, justice, and self-discipline.

To generate for students a transforming experience at an age when they are forging their very identities and lifetime aspirations; and to cultivate in them the belief that they are the masters of their own destinies: each one worthy of greatness and goodness, each one capable of - and responsible for - serving the community and the world around them.

Program & Curriculum: Normally, North Star operates an extended day and extended school year model. North Star students have a nine-hour school day beginning at 7:30 a.m. and ending at 4:30 p.m., two hours longer than the traditional public school day. The school year runs at least 185 days instead of the regular 180 days. This model allows extra time for math and reading. Math and reading are taught every day in classes that are double the standard class length. North Star follows a tight classroom management system, which maximizes the time teachers have for instruction. North Star's curriculum is fully aligned with the Common Core State Standards.

Data Driven Approach / Assessment: Student performance data, measured regularly, drives current and future curriculum, professional development for teachers, and teaching methods. Every aspect of every lesson by every teacher is analyzed to support the singular mission of moving students to the highest academic

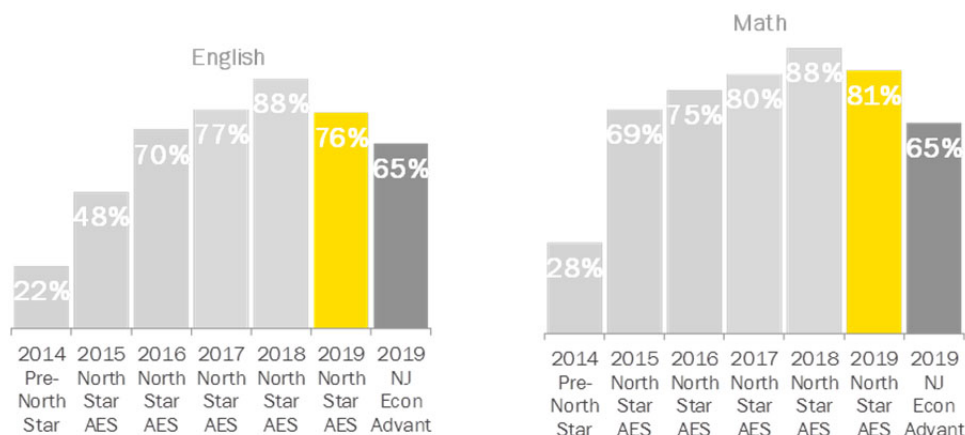
achievements possible. Uncommon and North Star use data to drive the behavior of adults, so that adults can support children in their learning in the way that works for those children.

Successful Turnaround of a Failing District School (Alexander Street): In 2014, North Star agreed, for the first time, to takeover a failing Newark Public District school, called Alexander Street, which was closed by the district because it was the lowest performing school in Newark. At the request of Newark Public Schools, North Star was invited to revive Alexander Street and turn it around.

On doors opening, North Star opened enrollment to a full K-4 grade-span, and discovered students who were reading three full grades below their allotted grade. Uncommon and North Star leaders developed new and more frequent assessments, revamped curricula at each grade, trained an entire teaching staff on the new curriculum, and in the first year of operations (which means 7-8 months of school) fourth graders taking the PARCC exam (as defined herein) boasted proficiency rates of 60% in English and 77% in math, beating the state averages of 51% and 40%, respectively.

Scores have remained strong, with 2019 data showing 76% of Alexander third and fourth graders proficient in English and 81% in math on the NJSLA (as defined herein). The vast majority of the district's Alexander students enrolled in the North Star operated version – these were the same students of which only 22% and 28% were proficient in ELA and math, respectively, in 2014; who were now not just beating district averages but beating state averages. For comparison purposes the 2019 data shows that New Jersey Economically Advantaged Students scored 65% in English and 65% in math on the NJSLA. See “NORTH STAR STUDENT OUTCOMES” herein for more detailed information on North Star's and Uncommon's use of data and assessment.

FIGURE 3
PARCC EXAMS: GRADES 3-4 PROFICIENCY
North Star Alexander Street Elementary School (1st Turnaround School)



Source: North Star.

Professional Development and the Teach Like a Champion Training System: Professional development is the cornerstone of North Star's and Uncommon's success. Uncommon has designed a highly effective teacher observation and feedback model that drives instructional development throughout the schools. Now used by schools throughout the U.S. and the world, the system is codified in three best-selling books: *Leverage Leadership*, *Get Better Faster*, and *Teach Like a Champion 2.0*. Teachers are observed daily by a variety of instructional leaders – and receive immediate coaching during class. Classes are also regularly videotaped to allow a deeper dive between coach and teacher during weekly one-on-one coaching sessions with principals and instructional leaders. This allows teachers to see themselves in action, to watch more experienced teachers, and to absorb new approaches more quickly and easily.

Known as the Teach Like a Champion (“TLAC”) system, these professional development techniques and training philosophy were originally developed and further refined by Uncommon at North Star schools. Since 2012, TLAC provides educators with a set of techniques, a shared vocabulary, and a framework for practice that equip teachers to achieve dramatic results with their students. The TLAC Team is part of Uncommon Impact, Uncommon’s initiative to share what the organization has learned about enabling all students, particularly those not born to privilege, to achieve at dramatically higher levels. The Uncommon and TLAC team has trained over 30,000 school leaders, principals and teachers all over the world.

For the 2018-2019 school year:

- The TLAC team trained **2,385 school leaders/principals/teachers**, impacting approximately **375,108 students**
- TLAC Plug and Plays have been purchased by educators in **45 states** and **14 countries** (India, South Korea, Australia, Singapore, Canada, Great Britain, Switzerland, Columbia, Philippines, Netherlands, Paraguay, Greece, Chile, Dominican Republic)
- The state of Texas licensed TLAC Online to provide it for free to all K-12, university, and pre-service teachers and leaders—potentially **362,000 educators reaching over 5.3 million students**.

The Uncommon and TLAC team has published 12 books on teacher training and development which have sold over 3 million copies worldwide and been translated in over 10 languages. The book titles can be found below. Current Uncommon school leaders, Patrick Bambrick-Santoyo (Chief Schools Officer 9-12) and Juliana Worrell (Chief Schools Officer, K-8) have written numerous books including *Great Habits*, *Great Readers*, *Leverage Leadership 2.0* and *Get Better Faster*.



For more information on TLAC, please refer to www.teachlikeachampion.com. However, the information presented on such website is not incorporated herein by reference. See “NORTH STAR MANAGEMENT AND LEADERSHIP” herein for more detailed information on North Star’s and Uncommon’s approach to developing academic leaders.

Student Enrichment Programs: North Star students participate in a wide variety of enrichment activities that serve to help students become well-rounded individuals and to better prepare them for college

life. After-school programs vary by location and include step, dance, art, capoeira, choir, double-dutch, and karate. North Star middle and high schools also offer basketball, soccer, field hockey, flag football, cross country, volleyball, and rugby in addition to non-athletic programs such as yearbook, debate, gardening, entrepreneurship, performing arts, and mock trial. For middle and high school students, North Star strongly encourages participation in summer programs to gain comfort in new, diverse communities and to build additional skills outside the classroom.

Consistent Operational Performance. North Star operational leaders tightly manage their 14 school budgets to consolidate into a single budget for the charter. North Star’s core budget has operated on public revenue and has historically generated a surplus each year. See “NORTH STAR MANAGEMENT AND LEADERSHIP” herein for a more detailed overview of the Uncommon and North Star operational model.

Family Involvement: Uncommon believes that a clear line of communication with caregivers is critical to student success and families are encouraged to reach out to staff with questions and concerns. To foster a culture of joy that extends to families while also expanding students’ experiences, each school has multiple performances and celebrations each year, which are open to families and community members and are typically well attended.

Each school has its own Parent Council, typically comprised of four-five members, which raises funds to support school specific activities and events (i.e., special field trips, pizza parties, and student appreciation week).

Outside of the Parent Councils and school events, there is a separate Parent Advocacy group of nearly 50 parents and guardians from across all North Star schools. The Parent Advocacy group meets monthly and organizes smaller groups of parents to provide support at one-two advocacy events each month ranging from appearing at public hearings to helping with school tours and information sessions.

Growth Plan

North Star currently operates 14 schools and remains committed to providing a high-quality college preparatory education to as many Newark students as possible. North Star expects its student enrollment to continue to grow organically with schools adding grades necessary to reach their planned grade span. North Star also expects to continue to add seats at its high schools for several years after reaching full grade configuration. North Star has begun planning for an expansion to include another 5-7 schools, for a total of 19-21 schools serving an additional 2,300-3,300 students at full capacity. However, the expansion will not occur for several years and is contingent upon securing affordable facilities and a strong leadership pipeline to avoid any negative impact to the existing schools. As plans are not yet formalized, the expansion is not reflected in projections included here.

The following table sets forth the grade configuration and anticipated enrollment at full capacity. The last column references the fiscal year in which each school reached (or is expected to reach) its full grade configuration.

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TABLE 2
PLANNED GRADE EXPANSION AND ENROLLMENT GROWTH BY GRADE
North Star

<i>Grade</i>	<i>K</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>Total</i>	<i>Year at Capacity⁽²⁾</i>
Vailsburg Elem. School	92	92	92	92	92									463	2011-12
Fairmount Elem. School	92	92	92	92	92									463	2015-16
Liberty Elem. School	92	92	92	92	92									463	2016-17
West Side Park Elem. School	92	92	92	92	92									463	2014-15
Alexander Elem. School	92	92	92	92	92									463	2014-15
Lincoln Park Elem. School	92	92	92	92	92									463	2020-21
Downtown Middle School						92	92	92	92					370	2007-08
Clinton Hill Middle School						92	92	92	92					370	2009-10
Vailsburg Middle School						92	92	92	92					370	2013-14
West Side Park Middle School						92	92	92	92					370	2015-16
Central Avenue Middle School						92	92	92	92					370	2018-19
Lincoln Park Middle School						92	92	92	92					370	2022-23
Washington Park High School										241	216	201	189	869	2005-06
Lincoln Park High School										241	216	201	189	869	2019-20
Total⁽¹⁾	555	555	555	555	555	555	555	555	555	481	433	403	379	6,736	

⁽¹⁾ Totals may not sum due to rounding.

⁽²⁾ Reflects year at which all grades were first served.

Note: The shaded figures represent grades that are not yet served as of Fall 2020.

Source: North Star.

Student Attendance & Retention

The following table shows North Star's student attendance and retention rates for the past five years, and student retention for the current year. North Star anticipates attendance for the 2020-21 school year to be in line with prior years, and has worked to ensure all students have online access, but acknowledges that the ongoing COVID-19 pandemic may present additional challenges.

TABLE 3
STUDENT ATTENDANCE AND RETENTION
North Star
2015-16 through 2020-21

<i>School Year</i>	<i>Attendance</i>	<i>Retention⁽¹⁾</i>
2015-16	95.5%	90.0%
2016-17	95.5	92.0
2017-18	96.6	91.7
2018-19	95.0	91.5
2019-20	94.6	92.1
2020-21	--	94.6

⁽¹⁾ Student retention reflects the percent of students who were enrolled at least one day on or after October 1 of the prior year that were enrolled as of October 1 of the year shown.

Source: North Star.

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Market Share

The following table shows current and historical market share data. Comparative data for the 2020-21 school year are not yet available.

TABLE 4
MARKET SHARE
North Star
2014-15 through 2019-20

<i>School Year</i>	<i>North Star Students</i>	<i>Charter Enrollment in Newark (including North Star)</i>	<i>Non-Charter Enrollment</i>	<i>Total Newark Enrollment</i>	<i>North Star Students % of Charter Students</i>	<i>North Star Students % of Newark Students</i>
2014-15	3,435	13,810	32,098	45,908	25%	7%
2015-16	3,991	15,655	36,035	51,690	25	8
2016-17	4,501	16,215	35,836	52,051	28	9
2017-18	4,959	17,270	35,835	53,105	29	9
2018-19	5,382	18,606	36,112	54,718	29	10
2019-20	5,920	20,116	36,675	56,791	29	10

Source: North Star.

Demographics

The following table shows certain demographic data for North Star and Newark Public Schools (“NPS”) for the 2019-20 school year.

TABLE 5
DEMOGRAPHIC DATA
North Star
2019-20

<i>Demographic</i>	<i>North Star</i>	<i>NPS</i>
Free/Reduced Lunch ⁽¹⁾	86.0%	82.9%
Special Education	10.7	15.6
English Language Learner	1.4	16.8
African-American	89.5	40.0
Latino	7.5	50.9
Caucasian/Other	1.5	9.1

⁽¹⁾ Defined as “economically-disadvantaged” by the NJDOE.

Source: North Star.

Competition in Newark

In Newark, New Jersey, half of the charter schools in the city are 10 or more years old. Demand for charter school seats in Newark remains high, as academic performance among charters is generally stronger than the local district schools.

In Newark, the majority of charter schools participate with the district schools in a universal application and enrollment system (“Newark Enrolls”). All Newark families submit a single application and rank up to their top-8 school preferences. These rankings are the primary criteria used to place students in Newark’s schools. The following table sets forth all of the current and approved charter schools in Newark and their participation in Newark Enrolls.

TABLE 6
CHARTER SCHOOLS IN NEWARK
North Star
2020-21

School Name	Opened	Current	2019-20 Enrollment
1. North Star Academy Charter School	1997	K-12	5,921
2. Robert Treat Academy Charter School*	1997	K-8	688
3. Marion P. Thomas Charter School	1999	PK-12	1,531
4. New Horizons Community Charter School	1999	K-8	547
5. Discovery Charter School*	1999	4-8	112
6. Maria L. Varisco-Rogers Charter School*	1999	K-8	573
7. The Gray Charter School*	2000	K-8	344
8. TEAM Academy Charter School	2002	K-12	4,781
9. University Heights Charter School	2005	PK-8	895
10. Newark Educators' Community Charter School	2008	PK-4	266
11. Great Oaks Legacy Charter School	2010	PK-12	1,675
12. Roseville Community Charter School	2011	K-4	267
13. People's Preparatory Charter School	2011	9-12	405
14. Philip's Academy Charter School	2013	K-8	515
15. Link Community Charter School*	2015	5-8	306
16. Achieve Community Charter School	2016	K-6	315
17. LEAD Charter School	2017	9-12	263

* Does not participate in Newark Enrolls

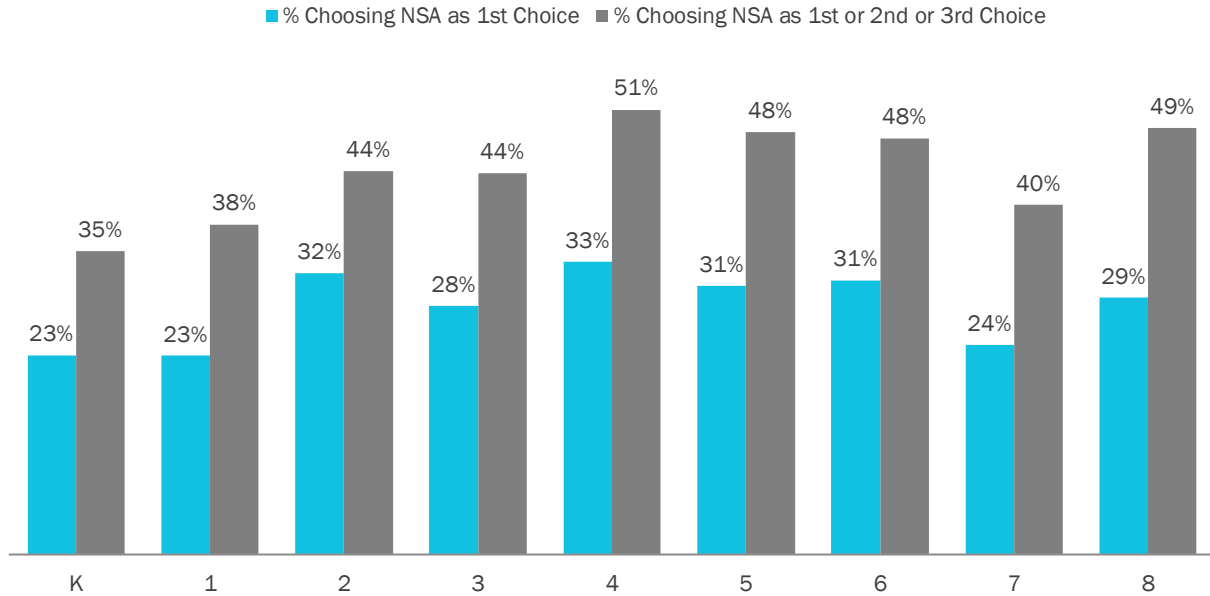
Source: North Star.

North Star just began its 23rd year of operations and is one of the oldest, largest and highest performing charters in the State of New Jersey. As described above, there are 17 charter schools currently operating in Newark. M.E.T.S. Charter Schools previously operated a charter school in Newark, before closing following the 2019-20 school year.

Since the launch of Newark Enrolls, North Star has been the most selected choice for K-8 (the primary entry point into North Star) by Newark families. The figure below shows the percentage of K-8 students which ranked North Star as their #1 choice or among their top 3 choices by grade for the 2019-20 school year.

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FIGURE 4
NEWARK ENROLLS K-8 STUDENTS CHOOSING NORTH STAR BY GRADE
 North Star
 2019-20



Source: North Star.

For North Star, taking part in Newark Enrolls has not changed demand for seats.

During the Newark Enrolls application process for seats in the 2019-20 school year, 26% of applicants in grades K-8 chose North Star as their #1 school choice, and 40% ranked North Star as their 1st, 2nd or 3rd choice.

For the 2020-21 school year Newark Enrolls process, more applications identified North Star as the #1 choice, as well as their top five choice, for grades K-8, than any other participating school. The following table shows the schools that received the most applications identifying them as an applicant's first choice during the Newark Enrolls application process for the 2020-21 school year in prekindergarten through grade 12, and prekindergarten through grade 8.

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TABLE 7
SCHOOLS IDENTIFIED AS TOP CHOICE IN NEWARK ENROLLS APPLICATION
2020-21

<i>Grade Span PK-12</i>	<i>School Type</i>	<i>Grades Served</i>	<i>First Choice</i>
North Star	Charter	K-12	2,440
KIPP New Jersey (Newark)	Charter	K-12	1,933
Science Park High School	District ⁽¹⁾	7-12	1,119
Great Oaks Legacy Charter School	Charter	PK-12	916
East Side High School	District ⁽¹⁾	9-12	823
Technology High School	District ⁽¹⁾	9-12	811
Oliver Street School	District ⁽¹⁾	PK-8	645
Newark Vocational High School	District ⁽¹⁾	9-10	546
Barringer High School	District ⁽¹⁾	9-12	505
Marion P. Thomas Charter School	Charter	PK-12	495

<i>Grade Span PK-8</i>	<i>School Type</i>	<i>Grades Served</i>	<i>First Choice</i>
North Star	Charter	K-12	2,088
KIPP New Jersey (Newark)	Charter	K-12	1,595
Great Oaks Legacy Charter School	Charter	PK-12	685
Oliver Street School	District ⁽¹⁾	PK-8	645
Lafayette Street School	District ⁽¹⁾	PK-8	457
First Avenue School	District ⁽¹⁾	PK-8	445
Ann Street School	District ⁽¹⁾	PK-8	374
Philip's Academy Charter School of Paterson	Charter	K-8	370
Elliott Street School	District ⁽¹⁾	PK-8	366
Marion P. Thomas Charter School	Charter	PK-12	353

⁽¹⁾ Run by Newark Public Schools.

Source: North Star.

Relationship with the Authorizer and Newark Public Schools

North Star enjoys a strong relationship with the New Jersey Commissioner of Education and the NJDOE, as evidenced by North Star's four five-year renewals and positive comments in its past renewal letters. North Star is a "Tier 1 school", the strongest tier in New Jersey's ranking system. As a Tier 1 School, North Star's renewal process is less time consuming and burdensome compared to other charter schools in the state. See "— The Charter Agreement – Charter Renewal" above.

Similarly, North Star has a strong working relationship with NPS, which is the local school district serving students in the City of Newark. Some examples of the strong ongoing collaborative efforts between North Star and NPS are:

- Uncommon, with North Star, **forged a partnership with NPS to train district teachers in the *Great Habits, Great Readers*[™] reading program.**

This program was developed by two Uncommon school leaders: (1) Uncommon Chief Schools Officer for 9-12, Paul Bambrick-Santoyo, who is also the leader of professional development for all teachers and academic leaders at Uncommon, and the former North Star Managing Director, and (2) Uncommon Chief Schools Officer for K-8, Juliana Worrell, who is the leader of professional development for all K-8 teachers at Uncommon, and the former founding principal for North Star Alexander Street Elementary (turnaround school).

- In 2016, North Star launched a professional development program **to provide targeted professional development to teachers in Newark’s North Ward schools.**
- North Star has trained over **350 teachers** and have created opportunities for Newark Board of Education teachers to join Uncommon summer professional development programs.

More detail on Uncommon partnerships with districts is set forth herein under the heading “UNCOMMON SCHOOLS, INC.,” and on Mr. Bambrick-Santoyo herein under the heading “NORTH STAR MANAGEMENT AND LEADERSHIP.”

COVID-19 Response; Remote Learning; State Assessments; and State Aid

Due to the evolving coronavirus COVID-19 situation, North Star closed its school facilities in March 2020 and transitioned to remote learning and instruction for the remainder of the 2019-20 school year. North Star began the 2020-21 school year remotely and expects to transition to a hybrid model on or after October 19, 2020. While academic focus will continue, North Star is committed to the safety and care of its students, families, staff, and community.

Remote Learning. Uncommon launched its digitally-driven remote instructional model on March 17, 2020 for grades 9-12 and on March 30 for kindergarten through grade 8, allowing all of its students to access lessons and instructions online, including access to Epic! Online Reading Library. During the first two weeks of distance learning, North Star launched a K-8 learning plan, trained teachers and leaders on its distance learning program, launched a family-facing website, surveyed families on technology needs, and distributed laptops and learning packets to students. North Star is supplying a Chromebook to every student so that students have proper access to remote instruction. Additionally, North Star will provide proper internet access via hotspots for families who indicate that they do not have regular access to the internet. Moreover, students and teachers are trained on how to successfully use and access the online platforms that are necessary to carry out the curriculum.

Uncommon’s K-8 remote learning website, as well as its K-8 online videos lessons streaming on the Vimeo website, are publicly available online. From March 30, 2020 through June 12, 2020, Uncommon’s K-8 remote learning website had approximately 136,000 users from 48 states and 70 countries, with approximately 721,000 unique page views. Additionally, during such time Uncommon’s 777 online video lessons available on Vimeo were played over 598,000 times (including over 155,000 finishes) by approximately 344,000 unique viewers.



WEB OVERVIEW

- 136,000 users
- 721,000 unique page views
- Visitors hail from 48 states and 70 countries
- Access to Epic! Online Reading Library
- Online work assignments

VIMEO OVERVIEW

- 9 remote learning channels on Vimeo (grades K-8), 777 video lessons
- 598,000 plays, 344,000 unique viewers
- 155,000 finishes

Elementary/Middle School Distance Learning Curriculum. For elementary and middle school, lessons and instruction, by grade and by week, are available on the Uncommon website, and assignments are submitted electronically to teachers by students. Uncommon provided six full weeks of distance learning curriculum to start with and is posting additional content to the Uncommon distance learning website as distance learning continues. This content includes weekly student work packets (approximately 40 pages) and teaching videos.

For the first two weeks of instruction in the fall 2020 semester students independently engaged with instructional videos, and beginning on September 14 students had 2+ hours of live instruction each day in addition to independent work (including 20-30 minutes of independent reading). Instructional hours have increased 1-1.5 hours from the spring semester distance learning. For independent work, students complete work via paper packets or Google Classroom, depending on grade. Teachers hold daily office hours and weekly teacher/parent check-ins. The following are suggested distance learning schedules for Uncommon students in grades K-8:

Time	Subjects (Middle School)
8:30-9:00	Community building (live)
9:00-9:30	Math (live)
9:30-10:00	Reading (live)
10:00-10:30	Writing (live)
10:30-11:00	History (live)
11:00-11:30	Science (live)
11:30-12:00	Specials (live 2x/wk; independent 2x/wk)
12:00-12:30	Lunch break
12:30-4:00	Independent work (1 hr: Math, ELA, History, 30 min Science)

High School Distance Learning Curriculum. For high school, class periods for each core academic class are taught live via Zoom video conferences, including a combination of instruction and assignment work time. Students have access to daily office hours and small-group tutoring and weekly community meetings. Extracurricular activities are also available to students, including projects and clubs taught by teachers and outside experts in their fields with cross-campus opportunities. High school students are not assigned large amounts of homework beyond what is expected in class, except for Advanced Placement classes.

The following is a suggested distance learning schedule for Uncommon students in grades 9-12:

Time	Mon-Thurs Subjects	Time	Friday Subjects
8:00-8:55	Math	8:00-8:40	Math
9:00-9:55	Science	9:45-9:25	Science
10:00-10:55	Spanish	9:30-10:10	Spanish
11:00-11:55	Break	10:15-10:55	Break
12:00-12:55	History	11:00-11:40	College Seminar or Arts Elective
1:00-1:55	College Readiness (1-3x/wk)	11:45-12:25	History
2:00-2:55	English	12:30-1:10	English
3:00-3:55	Office hours and projects	1:15-1:45	Community meeting
		2:30-4:00	Opt. cross-regional projects

State Assessments. On March 24, 2020, the Governor announced that the State was cancelling all statewide student assessments for the spring 2020 testing window, including the springtime administration of the New Jersey Student Learning Assessments, ACCESS for English language learners, and the Dynamic Learning Maps, due to the COVID-19 outbreak. On April 7, 2020, the Governor issued an executive order waiving (i) the statutory requirement for a statewide assessment of all eighth grade students, and (ii) statutory graduation assessments required for any 12th grade students expected to graduate in the class of 2020 but, as of March 18, 2020, had not met graduation assessment requirements.

State Reopening Guidance. The Governor ordered all New Jersey schools to close starting March 18, 2020, due to the COVID-19 outbreak. On August 13, 2020, the Governor signed Executive Order No. 175 (“EO 175”), which sets forth the requirements for the reopening of in-person instruction at public school districts, charter and renaissance schools, Approved Private Schools for Students with Disabilities, and nonpublic schools, while providing flexibility for those schools unable to meet the enumerated requirements for health and safety. In order to reopen for full or hybrid in-person instruction, EO 175 requires that all schools meet certain health and safety standards set forth in the NJDOE Checklist for Re-Opening of School 2020-2021 (the “Checklist”). Additionally, EO 175 requires all public and private preschool, elementary and secondary schools to create a reopening plan, and for all such public schools to submit their plan to NJDOE.

Prior to resuming any in-person instruction, the chief school administrator of a school must certify to NJDOE that the school has policies and procedures in place to meet the minimum health and safety standards set forth in the Checklist. Schools that are able to satisfy the required health and safety standards in the Checklist must resume hybrid or full-time in-person instruction during the fall of the 2020-21 school year, and must permit students to engage in full-time remote learning upon the request of a parent.

North Star Reopening Plan. North Star has released a reopening plan for the 2020-21 school year (the “North Star Reopening Plan”). The North Star Reopening Plan states that, based on the current state of the key metrics that need to be in place to open its buildings to students, which include integrating and planning for the results of family, teacher and student surveys, North Star plans to delay the start of in-person hybrid instruction at all North Star until at least October 19th.

K-8 Instruction. K-8 instruction in the 2020-21 school year will take a three phased approach: beginning entirely remotely, and then transitioning through two slightly varied hybrid models. Regardless of the phase, the scope and sequence of the curriculum will remain the same.

Through at least October 19, 2020, full-remote instruction is offered for all K-8 students, which is paper-based. For K-4 families, instructional materials were made available within paper packs to be picked up at school buildings. In addition, students are required to watch 2 previously recorded instructional videos and submit 5 work deliverables per week. Assignments are submitted directly to teachers. Students utilize Zoom to attend office hours and partake in weekly check-ins with teachers.

During remote instruction, grades 5-8 will continue to access work through Google Classroom (as they did during remote learning in school year 2019-20). In addition, they will watch 2 previously recorded instructional videos per week and submit 5 work deliverables for each subject area. Work will be submitted through Google Classroom.

Beginning no earlier than October 19, 2020, North Star anticipates students will have the option to transition into a hybrid learning model during which they will attend school in-person for at least two days per week. At the start of hybrid learning, instruction will be device-agnostic while school staff work to deploy Chromebooks to every family. It will also consist of a combination of synchronous and asynchronous lessons. Students will watch 5 videos per week and deliverable expectations will remain the same as during remote learning. When students are in-person they will receive small group synchronous instruction.

Once an entire grade level is supplied with Chromebooks, they will be trained on Google Classroom and transition to the second phase of hybrid learning, which will consist of additional synchronous lessons. In this second phase, a number of new instructional platforms will also be utilized. K-4 students will use Zearn to access some portion of their math curriculum, and Amplify for ELA material. 5-8 students will use Zearn in combination with Actively Learn, which allows Uncommon teachers to digitize their preexisting ELA curriculum. For all grades, small group synchronous instruction will happen remotely and in-person during this second phase.

In implementing a hybrid instructional model, North Star Elementary and Middle Schools will use A/B Scheduling. In this model, each grade will be split in half, with one group receiving in-person instruction on Monday and Wednesday, and the remaining students receiving in-person instruction on Tuesday and Thursday. Fridays will be entirely remote, with limited exceptions. Regional and school-based operations staff will coordinate to ensure families with multiple students, and other potential small groups (such as carpools) attend schools on the same day. During hybrid instruction, when feasible, Monday through Thursday in-person instruction will be prioritized for Kindergarten classes and students with special needs and those from certain at-risk populations. The following is a sample weekly schedule for hybrid learning in grades 1-8.

Grades 1-8	Monday	Tuesday	Wednesday	Thursday	Friday
Group A (50% of students)	In-person	Remote	In-person	Remote	Remote
Group B (50%)	Remote	In-person	Remote	In-person	

High School Instruction. High School students began the 2020-21 school year entirely remotely. Remote high school instruction consists of 7 daily periods, with each subject being offered twice over the course of the day. Students have 5-6 formal instructional periods per day, with the remaining 2 periods being reserved for breaks and additional work time. To accommodate this schedule, teachers teach 2 periods during the school day. More specifically, teachers with 1 course teach that course twice in one day—with half of their students attending each period. Teachers with 2 different courses teach 1 period for each course. And the last period of the day is reserved for Office Hours or Targeted Tutorial (additional small group support). Schools

will need to create custom schedules to make this plan fit and support the enrollment needs of its students and the capacity of its teachers.

At the end of the school day, teachers will host Office Hours, or small group tutoring for students who need additional support. During this period as well, students will be able to continue engaging in extracurricular activities including Projects and Clubs. All projects will be fully remote and will be led by a combination of teachers and outside experts in their fields. Because they will be online, some projects will also be cross-campus, meaning students will have the opportunity to join together with other Uncommon students from other cities and states.

Under a hybrid model, the majority of instruction for High School students will remain remote, with the exception of one day per week of in-person instruction between Monday and Thursday. In order to maintain social distancing and accommodate varied class enrollment and teacher capacity, exact student schedules will vary by school.

For in-person instruction, student groupings, or Squads, will be created of approximately 12-15 students who have as many of the same class enrollments as possible so that classroom teachers can rotate to classrooms to teach. Groups of this size will increase the number of squads that are homogeneous in course enrollment, and allow for social distancing within classrooms. Squads will be assigned one classroom in which to spend the entirety of the school day. Squads will also be assigned designated staff Squad Leaders to oversee the group during breakfast, lunch, dismissal, and advisory time. Squads will replace advisories during a remote or hybrid scenario – squad leaders will complete typical advisor actions such as leading Report Card Conferences. In the event of return to full in-person instruction, schools can decide to revert to original advisories or reconfigure squads to create new advisories for the remainder of the year. The following is a sample weekly schedule for hybrid learning in grades 9-12.

Grades 9-12	Monday	Tuesday	Wednesday	Thursday	Friday
Group A (25% of students)	In-person	Remote	Remote	Remote	Remote
Group B (25%)	Remote	In-person	Remote	Remote	Remote
Group C (25%)	Remote	Remote	In-person	Remote	Remote
Group D (25%)	Remote	Remote	Remote	In-person	Remote
Group E Students with IEPs	In-person	Remote	In-person	Remote	In-person

State Aid. On March 13, 2020, the New Jersey Commissioner of Education issued guidance stipulating that, in the event a district or charter school, in collaboration and consultation with its local health agency, determines that it is in the best interests of students and staff to close individual schools or the whole district, the district or charter school may utilize home instruction to provide instructional services to enrolled students. Further, any day on which all students impacted by such a public health-related closure have access to home instruction services provided consistent with the guidance in the Commissioner’s memo will count as a day on which the charter or district school has provided public school facilities toward its compliance with the requirement under State law to provide 180 days of public school facilities in order to receive State aid.

For purposes of satisfying the minimum requirement of 180 days of public school facilities for the 2020-21 school year, pursuant to EO 175, a school day, whether in-person or remote, must consist of at least

four (4) hours of active instruction to students by an appropriately certified teacher, except that one continuous session of two and one-half hours may be considered a full day in kindergarten.

See “NORTH STAR FINANCIAL SUMMARY – Primary Source of Revenues” herein.

The federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) included specific funding sources for local education agencies, and established the Elementary Secondary School Emergency Relief Fund (the “ESSER Fund”). ESSER Fund awards were allocated in the same proportion as those funds received under Title I of the federal Elementary and Secondary Education Act in school year 2019-20. Allocations were calculated based on federal statute and guidance. The ESSER Fund provided \$2,796,838 in funding for North Star. North Star also received a Digital Divide grant in the amount of \$1,184,088 and a Coronavirus Relief Fund grant in the amount of \$781,908.

Uncommon applied for and received a Paycheck Protection Program loan in the amount of approximately \$4,000,000 (the “PPP Loan”), provided by a lender pursuant to the U.S. Small Business Administration’s Paycheck Protection Program (the “PPP”), a loan program instituted pursuant to the federal Coronavirus Aid, Relief, and Economic Security Act. Pursuant to the PPP, all or a portion of the PPP Loan will be forgiven if the funds are used for payroll costs, interest on mortgages, rent and utilities. Uncommon expects that the full amount of the PPP Loan will be forgiven.

North Star did not apply for a loan through the PPP.

2019-20 Fiscal Year Financial Impact. The following table shows a comparison of North Star’s budget and unaudited actual results for the fiscal year ending June 30, 2020, reflecting the impact that the outbreak of COVID-19 had on North Star’s revenues and expenditures during the 2019-20 fiscal year.

Core Aid increased due to approximately 40 more students than budgeted, and an increase in average per pupil funding (\$16,000 vs. \$15,852 budgeted). Federal Aid decreased due to lower Child Nutrition funds collected due to the COVID-19 related school closure (offsetting expense reduction, described below).

Total expenses decreased approximately \$6M due to the school closure, including the following:

- Approximately \$1 million less stipends paid
- Approximately \$1 million less contracted special education services
- Approximately \$1 million less Child Nutrition funds
- Approximately \$1.3 million less supplies
- Approximately \$1 million less field trips, professional development, and travel

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TABLE 8
COMPARISON OF BUDGET TO UNAUDITED ACTUAL RESULTS
North Star
2019-20

	<i>Budget 2019-20</i>	<i>Unaudited 2019-20</i>	<i>Difference \$</i>	<i>Difference %</i>
Revenues				
Core Aid	\$93,054,272	\$94,657,491	\$1,603,219	+1.7%
Federal Aid	8,614,856	7,535,716	(1,079,141)	-12.5%
Philanthropic Contributions	2,260,686	2,290,297	29,610	+1.3%
Family Collections	492,064	254,832	(237,231)	-48.2%
Other Revenues	1,712,010	1,648,780	(63,231)	-3.7%
Total Revenues	106,133,888	106,387,115	253,227	+0.2%
Expenses				
Instruction Expenses	\$40,333,036	\$38,011,645	\$(2,321,392)	-5.8%
Administrative Expenses	36,848,867	35,246,933	(1,601,935)	-4.3%
Support Expenses	26,881,507	24,821,540	(2,059,967)	-7.7%
Capital Outlay	-	11,557	11,557	n/a
Total Expenses	104,063,411	98,091,674	(5,971,736)	-5.7%
Total Surplus	\$2,070,478	\$8,295,441	\$6,224,963	+300.7%
<i>% of Revenues</i>	<i>2.0%</i>	<i>7.8%</i>	<i>-</i>	<i>+299.7%</i>

Source: North Star.

NORTH STAR STUDENT OUTCOMES

Academic Results

North Star students are often surpassing their local district schools and are meeting or surpassing their internal standard of matching or exceeding the results of their non-economically disadvantaged peers. The figures on the following pages show snapshots of academic results at every grade level of North Star for the 2018-19 school year, the most recent year for which such results are available.

As discussed under the heading “NORTH STAR ACADEMY CHARTER SCHOOL – COVID-19 Response; Remote Learning; State Assessments; and State Aid” above, the State suspended the administration of State assessments for the 2019-20 school year, due to the outbreak of COVID-19.

Elementary and Middle School Performance

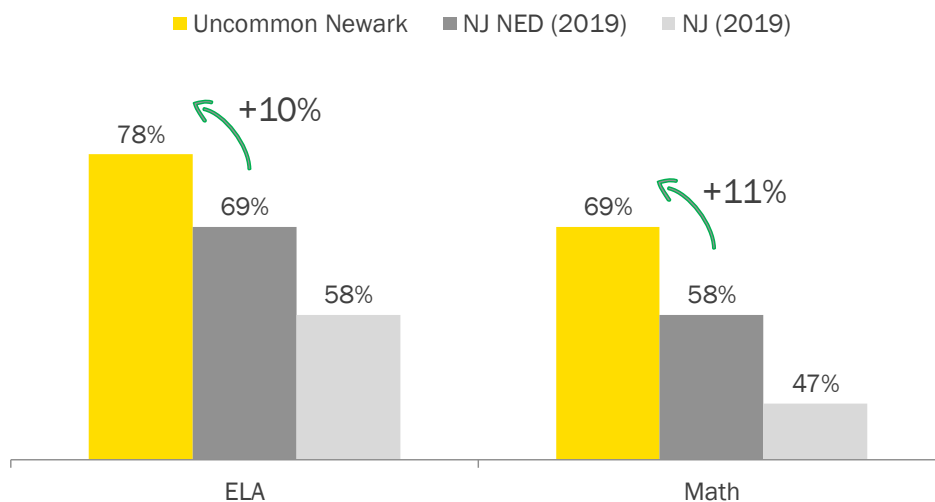
Starting with the 2014-15 school year, New Jersey adopted a student assessment standard developed by the Partnership for Assessment of Readiness for College and Careers (“PARCC”). North Star (and all other New Jersey public schools) utilized PARCC through the 2017-18 school year. For 2018-19, New Jersey transitioned from PARCC to the New Jersey Student Learning Assessment (“NJSLA”) which is similar to the PARCC exam in many respects except that it consists of fewer questions and takes less time to administer. The NJSLA consists of three sections: English Language Arts (ELA), Math and Science.

In September 2019, the NJDOE announced a timeline to replace the NJSLA exams with a new exam by 2021-22. The State is moving toward a new testing system based on public criticism of the prior PARCC exam as placing too much emphasis on testing and wasting classroom instruction on test preparation. In addition, recent state appellate court rulings have invalidated the PARCC test as a graduation exam for high school students.

Regardless of state exam used, North Star has demonstrated through its results that its program is capable of reversing the “economic” achievement gap (i.e. the historical difference in academic results between low income students and economically advantaged students) in Newark. The following figure shows the percentage of North Star grades 3-8 students meeting or exceeding expectations on the NJSLA Exams Grades 3-8 for the 2018-19 school year compared to the State of New Jersey average for all students and the State of New Jersey average for all “non-economically disadvantaged” students. A “non-economically disadvantaged” student is defined as a student that does not qualify for the federal free or reduced price lunch program. For 2019-20, about 86% of all North Star students were classified as economically disadvantaged.

Due to COVID-19 there were no state exams administered in New Jersey for 2019-20, all test scores reflect the last available year (2018-19).

FIGURE 6
CLOSING THE ECONOMIC ACHIEVEMENT GAP – NJSLA EXAMS GRADES 3-8
 North Star vs. State Averages
 2018-19

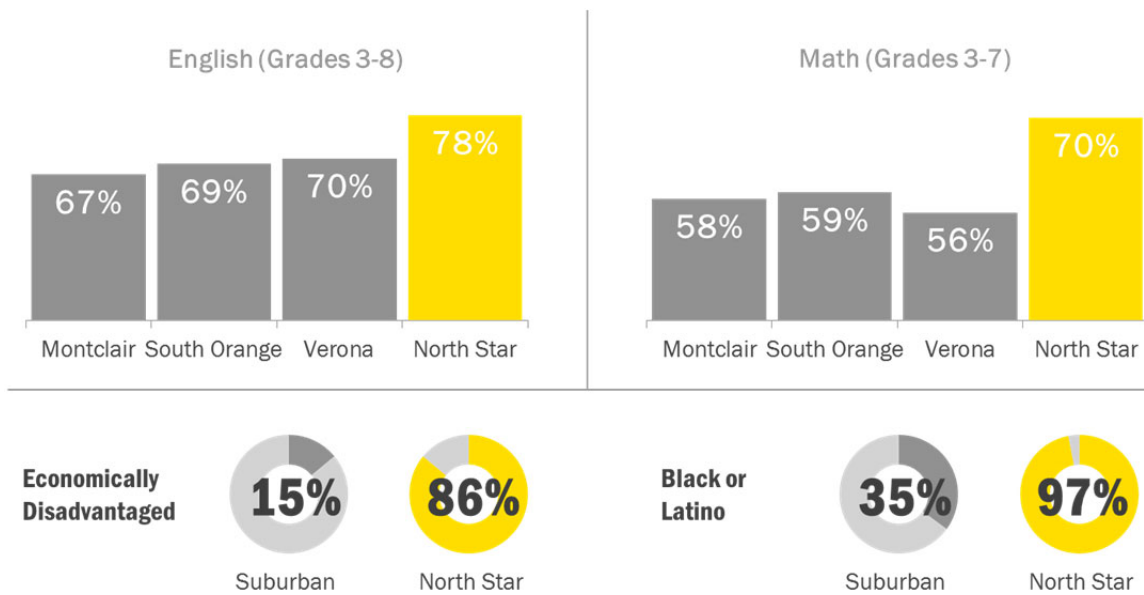


Source: North Star.

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The following figure shows the performance of North Star grade 3-8 students on the NJSLA Exams for the 2018-19 school year compared to nearby suburban districts, along with a comparison of certain demographic information for North Star and suburban districts.

FIGURE 7
NJSLA EXAMS GRADES 3-8⁽¹⁾
 North Star and Suburban Districts
 2018-19

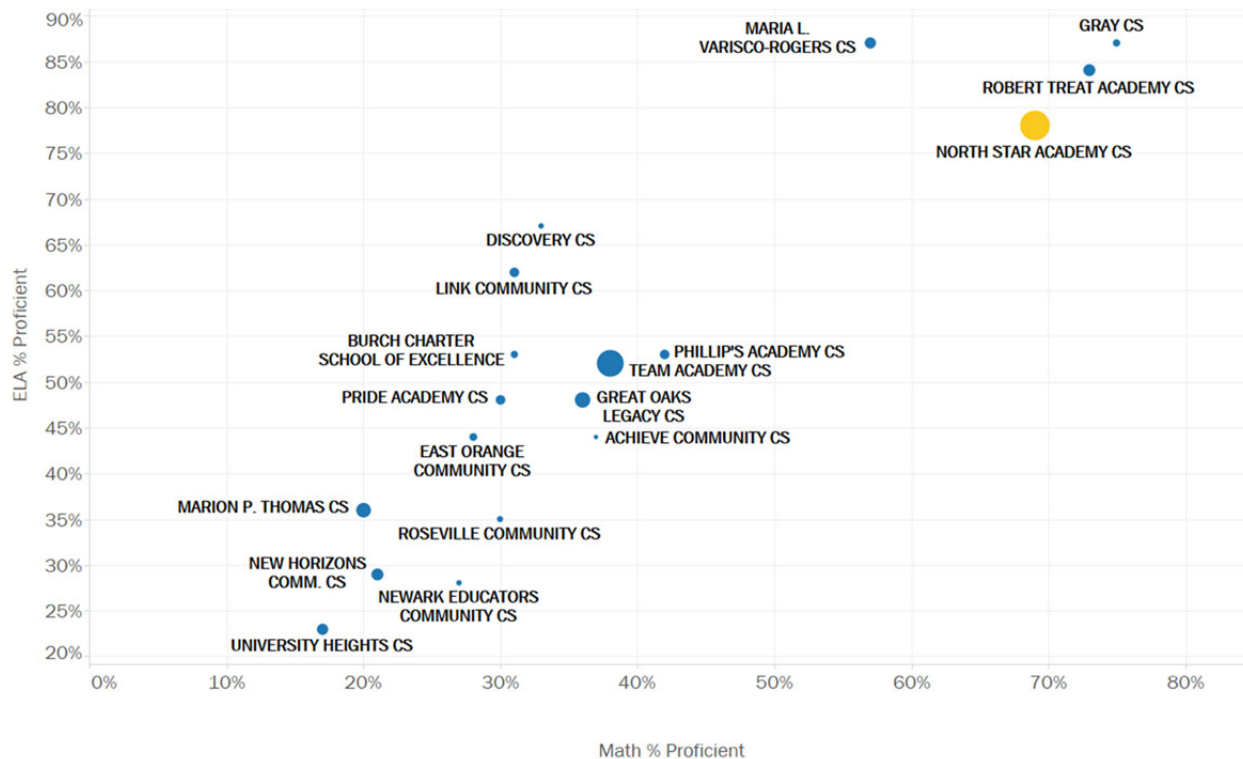


⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”
 Source: North Star.

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The following figure shows the percentage of North Star grades 3-8 students scoring at the advanced or proficient level for the NJSLA Exams for the 2018-19 school year compared to other Newark charter schools.

FIGURE 8
NJSLA EXAMS GRADES 3-8⁽¹⁾
 Newark Charter Schools
 2018-19



⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”
 Source: North Star.

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The following tables compare North Star 3-8 students results on NJSLA (for 2018-19) and PARCC (for prior years) compared to other NPS, the New Jersey state averages, the New Jersey white student averages, and the New Jersey non-economically disadvantaged student averages.

TABLE 9
NJSLA/PARCC MATH EXAM RESULTS GRADES 3-8⁽¹⁾

North Star, NPS and New Jersey
2016-17 through 2018-19

<i>SCHOOL YEAR 2018 – 19⁽²⁾</i>					
<i>Grade Level</i>	<i>North Star</i>	<i>Newark Public Schools</i>	<i>NJ State – All</i>	<i>NJ State – White</i>	<i>NJ State Non-Economically Disadvantaged</i>
Grade 3	77%	35%	55%	66%	67%
Grade 4	81	32	51	62	63
Grade 5	63	24	47	58	59
Grade 6	66	21	41	51	53
Grade 7	69	25	42	53	53
Grade 8	60	25	43	38	36

<i>SCHOOL YEAR 2017 – 18</i>					
<i>Grade Level</i>	<i>North Star</i>	<i>Newark Public Schools</i>	<i>NJ State – All</i>	<i>NJ State – White</i>	<i>NJ State Non-Economically Disadvantaged</i>
Grade 3	83%	31%	53%	64%	66%
Grade 4	79	28	49	60	62
Grade 5	64	27	49	60	62
Grade 6	66	23	44	54	56
Grade 7	61	25	43	54	55
Grade 8	71	25	46	57	57

<i>SCHOOL YEAR 2016 – 17</i>					
<i>Grade Level</i>	<i>North Star</i>	<i>Newark Public Schools</i>	<i>NJ State – All</i>	<i>NJ State – White</i>	<i>NJ State Non-Economically Disadvantaged</i>
Grade 3	77%	27%	50%	61%	63%
Grade 4	83	30	56	67	69
Grade 5	76	36	59	69	71
Grade 6	70	31	53	63	65
Grade 7	78	36	59	69	70
Grade 8	86	37	59	68	69

⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”

⁽²⁾ The State of New Jersey switched from PARCC to the NJSLA exam beginning with the 2018-19 school year. Reflects the percentage of students that “met” or “exceeded expectations”.

Source: North Star.

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TABLE 10
NJSLA/PARCC ELA EXAM RESULTS GRADES 3-8⁽¹⁾
North Star, NPS and New Jersey
2016-17 through 2018-19

SCHOOL YEAR 2018 – 19⁽²⁾

<i>Grade Level</i>	<i>North Star</i>	<i>Newark Public Schools</i>	<i>NJ State – All</i>	<i>NJ State – White</i>	<i>NJ State Non-Economically Disadvantaged</i>
Grade 3	68%	28%	50%	60%	61%
Grade 4	83	33	57	67	69
Grade 5	74	32	58	68	69
Grade 6	80	35	56	65	67
Grade 7	83	44	63	72	73
Grade 8	82	44	63	72	72

SCHOOL YEAR 2017 – 18

<i>Grade Level</i>	<i>North Star</i>	<i>Newark Public Schools</i>	<i>NJ State – All</i>	<i>NJ State – White</i>	<i>NJ State Non-Economically Disadvantaged</i>
Grade 3	79%	30%	52%	61%	64%
Grade 4	86	34	58	68	70
Grade 5	79	35	58	68	71
Grade 6	80	34	56	66	68
Grade 7	82	39	63	72	73
Grade 8	82	37	60	70	71

SCHOOL YEAR 2016 – 17

<i>Grade Level</i>	<i>North Star</i>	<i>Newark Public Schools</i>	<i>NJ State – All</i>	<i>NJ State – White</i>	<i>NJ State Non-Economically Disadvantaged</i>
Grade 3	81%	35%	52%	63%	65%
Grade 4	73	26	47	59	61
Grade 5	57	24	46	57	59
Grade 6	53	26	44	54	56
Grade 7	64	20	40	49	50
Grade 8	74	21	41	52	52

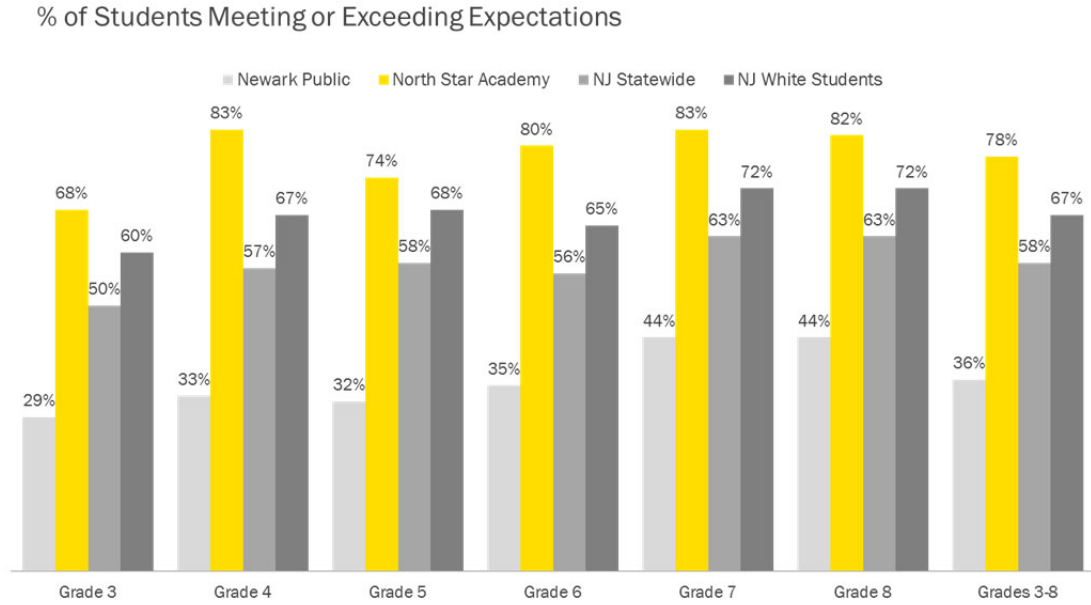
⁽¹⁾ Reflects the percentage of students scoring “advanced” or “proficient.”

⁽²⁾ The State of New Jersey switched from PARCC to the NJSLA exam beginning with the 2018-19 school year. Reflects the percentage of students that “met” or “exceeded expectations”.

Source: North Star.

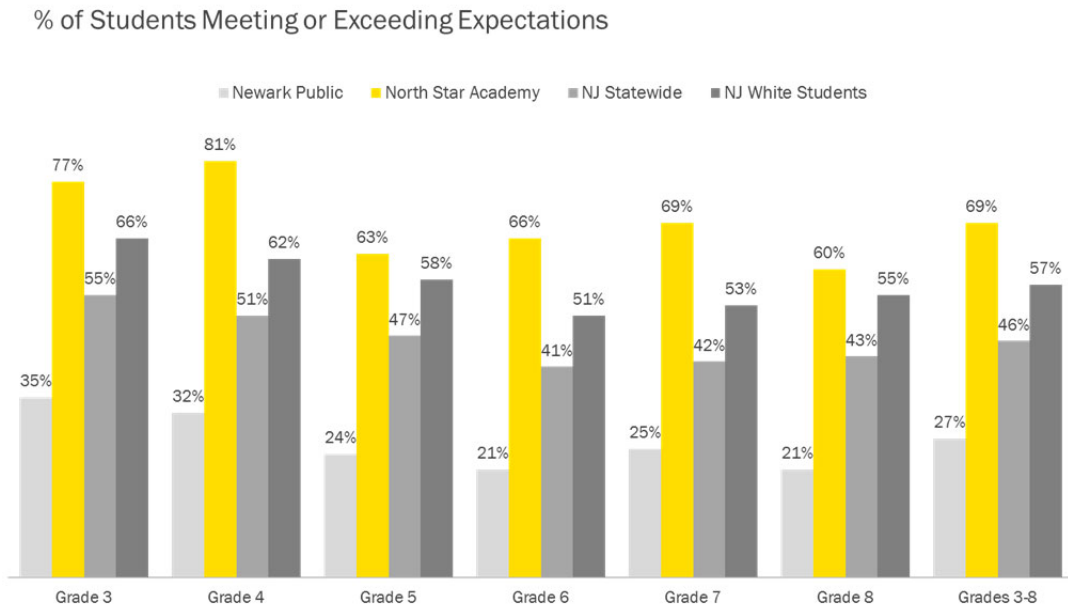
North Star elementary schools and middle schools outperformed Statewide results in 2019 NJSLA proficiency in each grade level in ELA and math, as shown below. The following figures compare North Star 3-8 students meeting or exceeding expectations on the ELA and Math NJSLA exams compared to New Jersey state averages and the New Jersey white student averages.

FIGURE 9
NJSLA ELA EXAM RESULTS GRADES 3-8
 North Star, New Jersey (All Students) and New Jersey (White Students)
 2018-19



Source: North Star.

FIGURE 10
NJSLA MATH EXAM RESULTS GRADES 3-8
 North Star, New Jersey (All Students) and New Jersey (White Students)
 2018-19

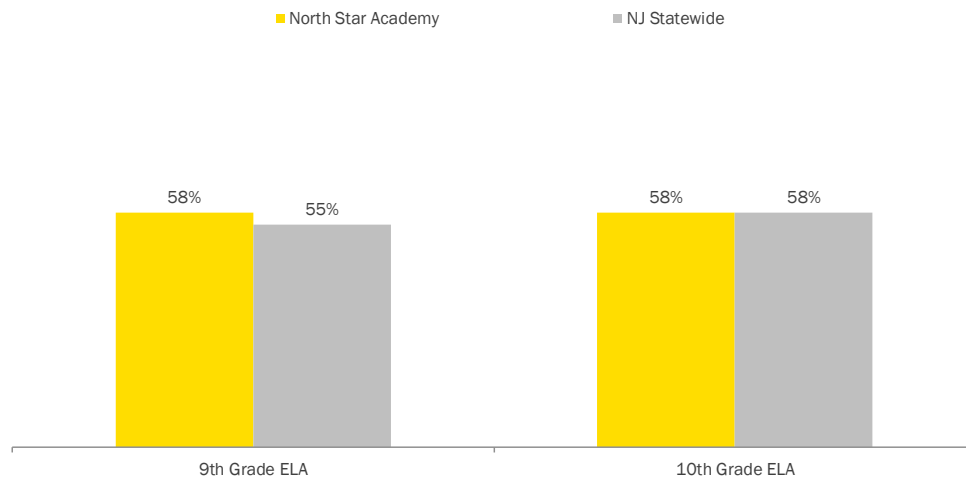


Source: North Star.

High School Performance

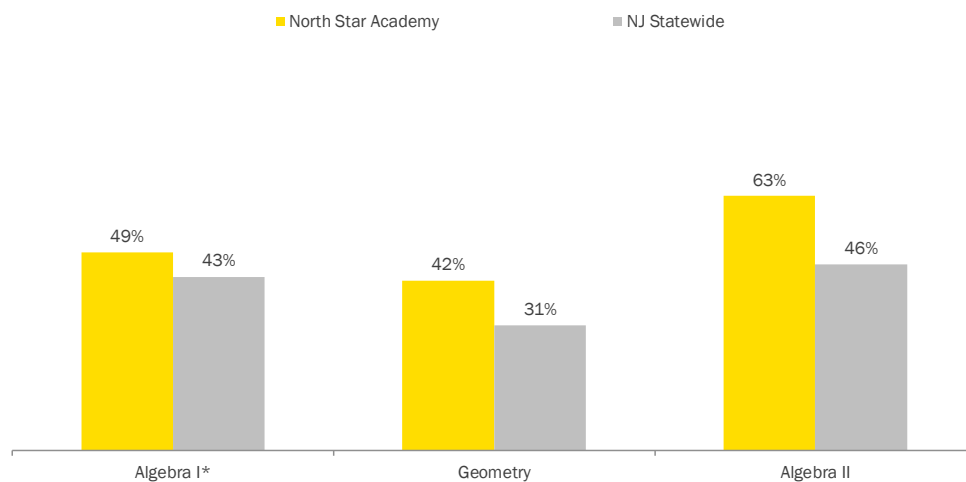
North Star high school students matched or exceeded State-wide results in math and ELA on the 2019 NJSLA exams, as shown below.

FIGURE 11
HIGH SCHOOL NJSLA ELA EXAM RESULTS ⁽¹⁾
North Star and New Jersey
2018-19



⁽¹⁾ Reflects the percentage of students meeting or exceeding expectations.
Source: North Star.

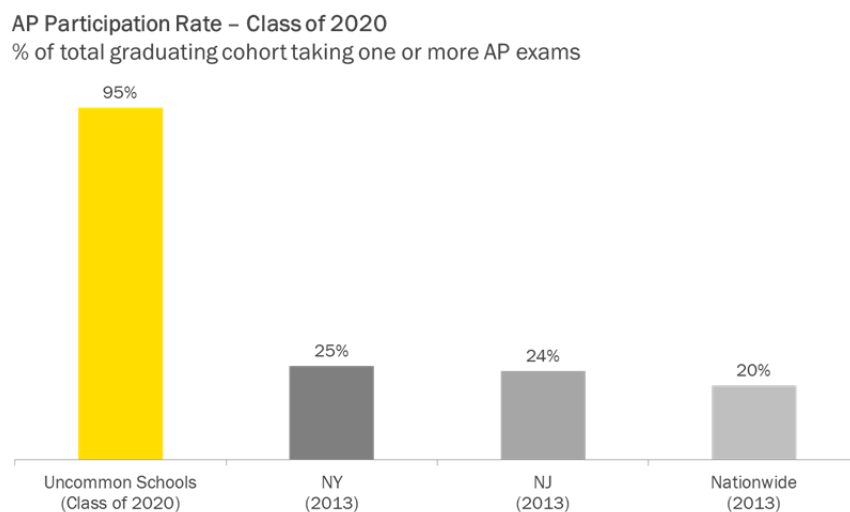
FIGURE 12
HIGH SCHOOL NJSLA MATH EXAM RESULTS ⁽¹⁾
North Star and New Jersey
2018-19



⁽¹⁾ Reflects the percentage of students meeting or exceeding expectations.
Source: North Star.

Ninety-five percent of the North Star Academy (and Uncommon Schools New York) Class of 2020 took one or more AP exams prior to high school graduation, as shown below.

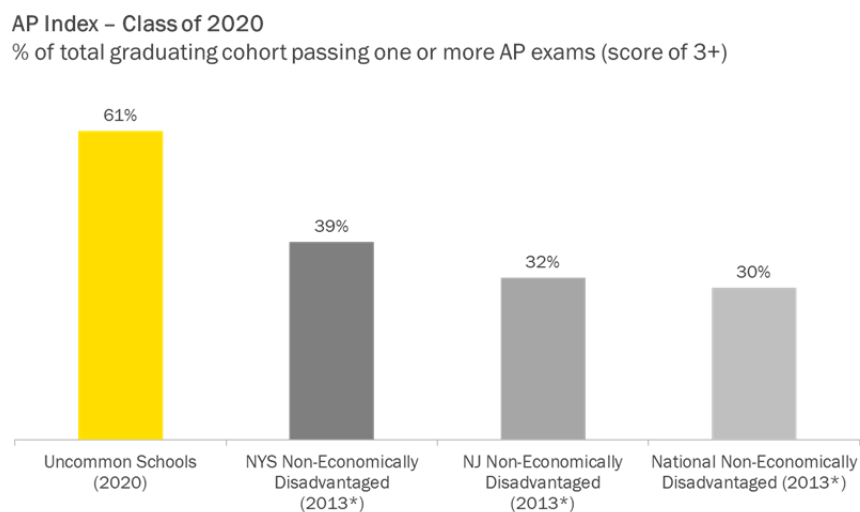
FIGURE 13
AP PARTICIPATION RATE
North Star & Uncommon New York, New Jersey and National
Class of 2020 (North Star); 2019 Comparative Data



Source: North Star.

Sixty-one percent of the North Star Academy Class of 2020 and Uncommon New York Class of 2020 passed an AP exam with scores eligible for college credit (score of 3+) prior to high school graduation, as shown in the following figure.

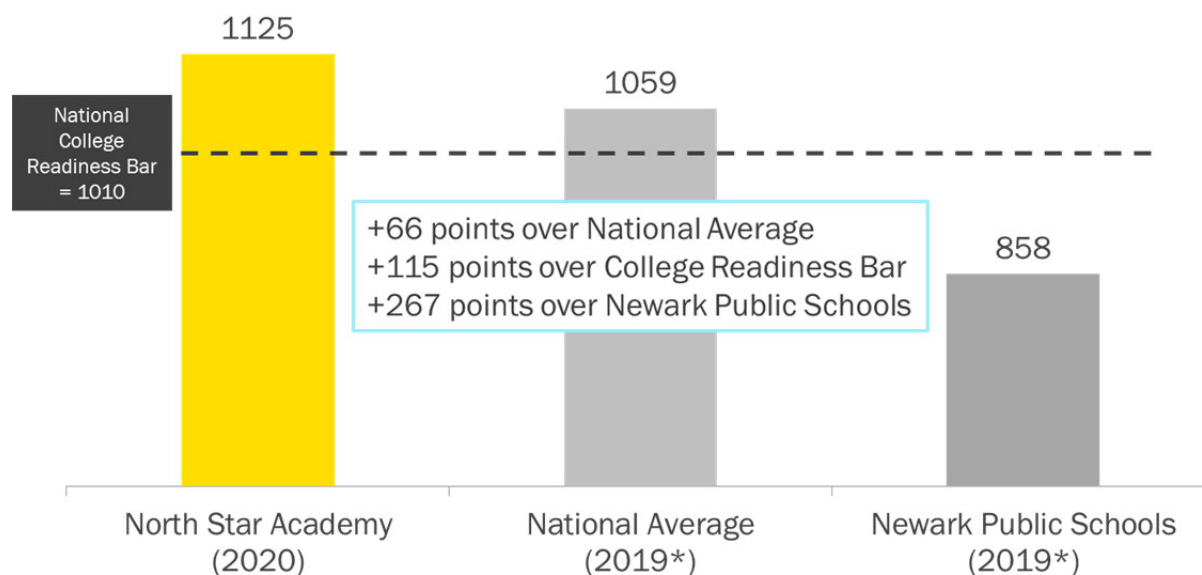
FIGURE 14
AP EXAM RESULTS
North Star & Uncommon New York, New Jersey and National
Class of 2020 (North Star); 2013 Comparative Data



Source: North Star.

On average, North Star Academy Class of 2020 students received an SAT score of 1,125 which far exceeded the 2019 SAT average score for all Newark Public Schools students of 858 and exceeded the College Readiness Bar of 1,010 as defined by the College Board.

FIGURE 15
SAT RESULTS
North Star, NPS and National
2019-20



* 2020 scores are not available as of September 2020.
Source: North Star.

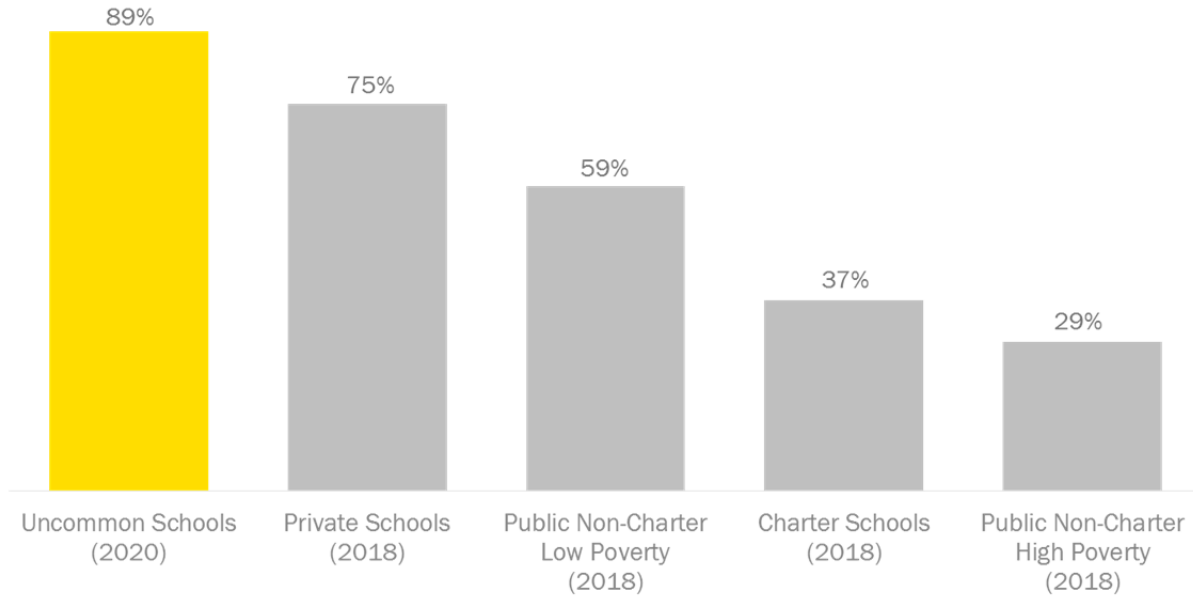
High School and College Graduation

North Star has a robust college counseling office at the high school level and begins to foster a college-bound culture with students starting in Kindergarten. For 2019-20, the four-year high school graduation rate for North Star was 92%, and the five-year graduation rate was 97%.

100% of North Star's 2020 high school graduates were accepted into at least one college, with an average of four acceptances per student. Approximately 94% of 2020 graduates enrolled in two- or four-year colleges or universities after graduation. Over the past five years, North Star's four-year college placement rate ranks highest among all high schools in the state of New Jersey.

FIGURE 16
COLLEGE ATTENDANCE RATES
 North Star & Uncommon New York, NPS and National
 Class of 2020 (Uncommon); 2018 Comparative Data

% of students enrolling in 4-year colleges & universities w/in 6 months of HS graduation



Source: North Star; Overgrad; National Student Clearing House Research Center.

North Star and Uncommon continue to support North Star alumni while in college. Each North Star alumnus receives from Uncommon a \$250.00 textbook scholarship for each semester of school. North Star college counselors visit alumni in college twice per year to provide assistance on accessing school support services and to offer guidance and advice. The following table shows college matriculation rates for the past five-years.

TABLE 11
COLLEGE MATRICULATION RATES
 North Star
 2016-17 through 2019-20

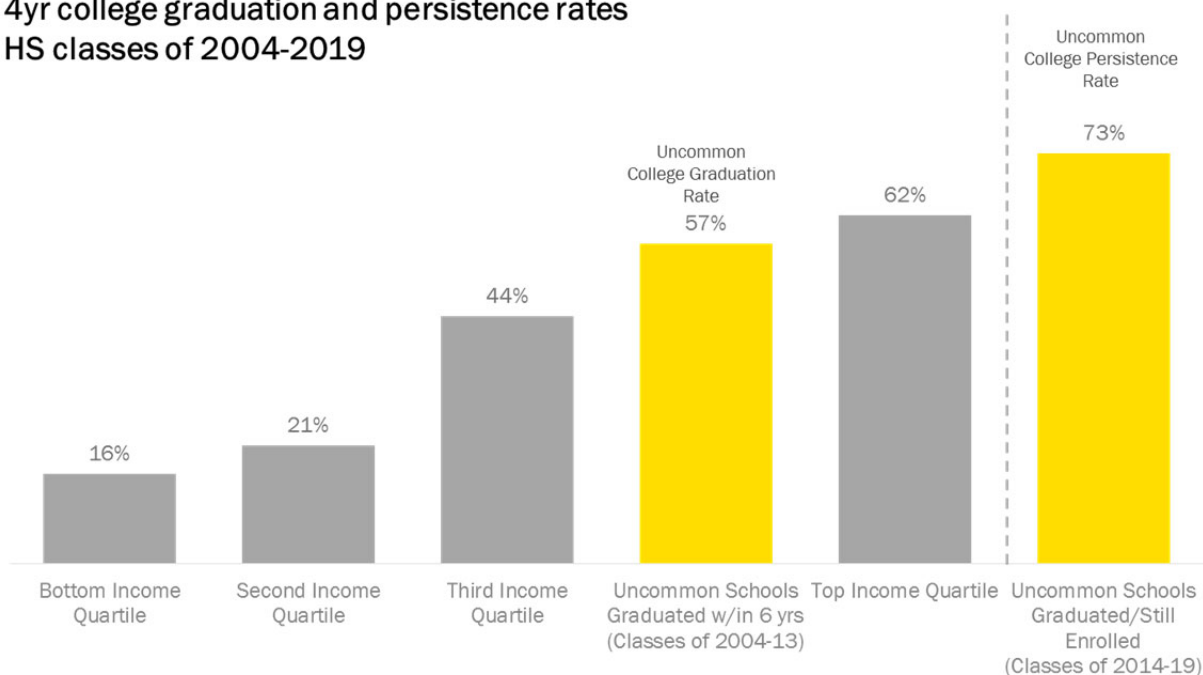
<i>High School Class Year</i>	<i>Matriculation to 2-or 4-year Colleges</i>
2016-17	100%
2017-18	98
2018-19	98
2019-20	94

Source: North Star.

The following figure shows the percentages of North Star graduates graduating in 2004 through 2019 enrolled, and graduated, from 4-year colleges or universities, compared with national data across income levels.

FIGURE 17
COLLEGE GRADUATION RATES BY INCOME LEVEL⁽¹⁾
 North Star and National
 Graduating Classes of 2004 through 2019

**4yr college graduation and persistence rates
 HS classes of 2004-2019**



⁽¹⁾ Reflects graduation rates for 4-year colleges or universities.

Source: North Star.

Additional Notable Academic Highlights

- In 2019-20, North Star had the highest Advanced Placement pass rate of any charter school in New Jersey.
- In 2010, North Star Academy Downtown Middle School won the National Blue Ribbon award.
- To-date, twelve North Star high school seniors were selected as Posse Foundation (“Posse”) scholars (attending Franklin & Marshall, Brandeis, DePauw, Lafayette, Middlebury) and ten students received QuestBridge scholarships (attending University of Pennsylvania, Tufts, Princeton, Yale, Bowdoin, Columbia University, Wesleyan and Colorado College). Posse and QuestBridge scholarships are two of the most highly competitive national college scholarship programs in the country. Posse offers full-tuition four-year scholarships to a small ‘posse’ of students each year and provides them with on-campus support throughout their four years.
- Additionally, in 2015, 100% of students in North Star’s computer science class passed the AP exam, compared to the national passing average of 64%. Ten of the 39 black students in New Jersey who passed this AP exam were North Star students. The teacher who drove this work and inspired

students, Allison Cuttler, received the prestigious Milken Educator Award along with \$25,000. The Milken Educator Awards program is described as “the Oscars of teaching” by *Teacher* magazine. Recipients are selected in early to mid-career for what they have achieved and for the promise of what they will accomplish.

- The North Star Varsity Policy Debate team was ranked #8 in the country by the National Debate Coaches Association during the 2019-20 school year. North Star had never been in the Top 20 before. A Lincoln Park High School graduate was ranked #1 speaker among 170 speakers at the New York City Invitational Debate Tournament. The student was recruited by top debate programs in the country, including Harvard University, University of Texas Austin, and Wake Forest University. She is currently enrolled at Wake Forest on a full debate scholarship.
- In 2019, two North Star teachers were recipients of the Governor’s Educator of the Year Award.
- In 2019, Washington Park High School, one of the North Star high schools (“WPHS”) had a 100% pass rate in both AP Seminar and AP Research. In 2018, they also had 100% pass rate in AP Seminar, and 3 students were chosen as national exemplars for the final portfolios (the only non-white students to be selected nationally).
- In 2019, WPHS was ranked #8 out of more than 400 in NJ on the Washington Post Jay Matthews Challenge Index, which ranks the most rigorous high school coursework in the country.
- In 2019, WPHS was ranked #15 on the US News and World Reports rankings of high schools in New Jersey (438 total)
- In 2017, WPHS was ranked as the 4th Most Challenging High School in New Jersey by The Washington Post.
- Two North Star administrators have won the Ryan Award – a Principal of North Star Academy Clinton Hill Middle School in 2018, and a Head of School of WPHS in 2014.

NORTH STAR MANAGEMENT AND LEADERSHIP

Management Agreement

As briefly described above, Uncommon provides various services to North Star under a Master Services Agreement, dated as of July 1, 2019 (the “Management Agreement”). Under the Management Agreement, Uncommon provides an extensive list of services, some of which are often described as back-office (budgeting/finance, bookkeeping, payroll, compliance, reporting, human resources, recruiting, etc.), and some of which are more front-line (curriculum development, student assessments, student data and analytics, teacher training and development, staff training and development, marketing, fundraising, advocacy and management services).

North Star pays a fee to Uncommon based on a fixed percentage of its core public funding. Management fees are paid quarterly in arrears. Pursuant to the Lease Agreement, in the event that North Star does not have sufficient funds to pay the Base Rent, Supplemental Base Rent or other payments payable by North Star under the Lease Agreement and any payments due from North Star to Uncommon under the Management Agreement, North Star shall make all payments due under the Lease Agreement to the exclusion of making any payments to Uncommon under the Management Agreement.

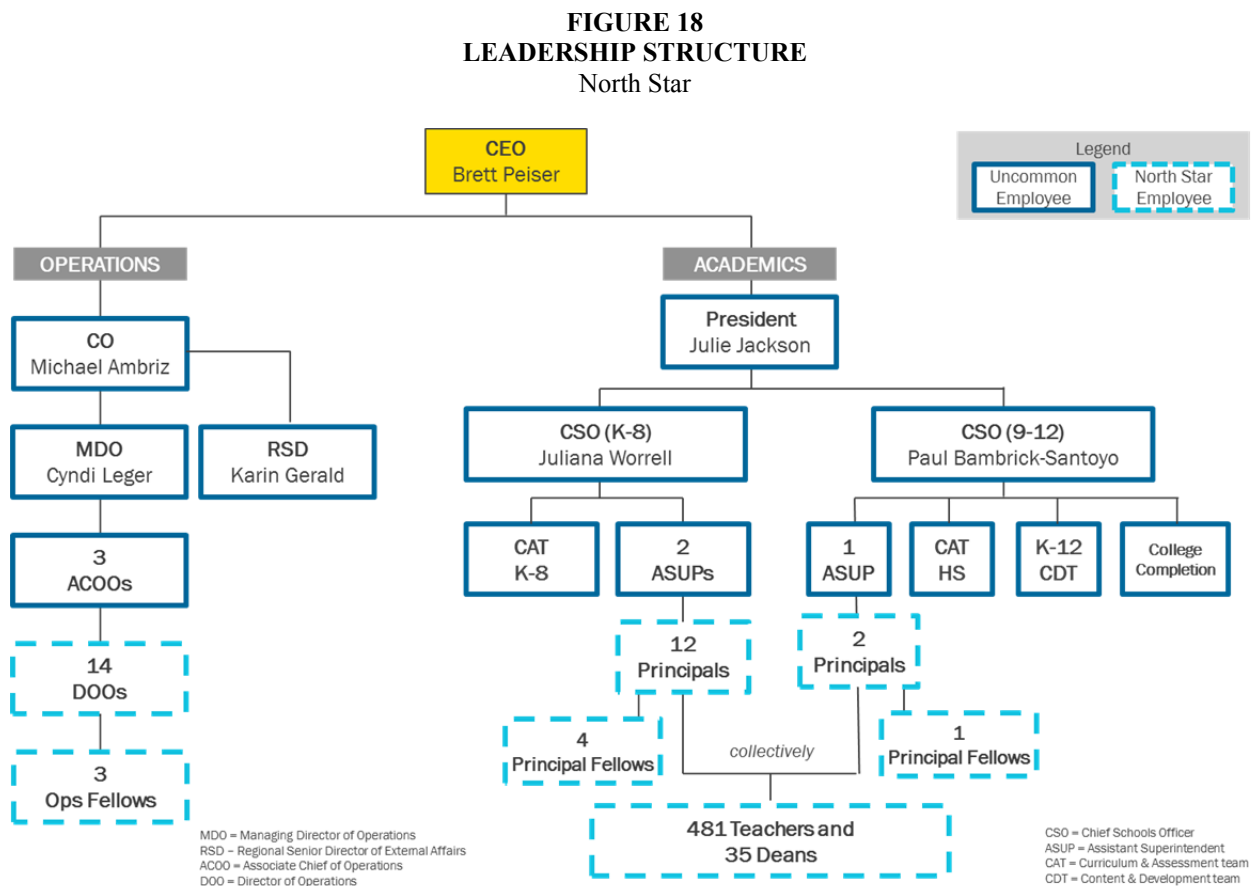
The Management Agreement is negotiated as an arms-length transaction between the Uncommon Board and North Star Board, which are independent nonprofit corporations and do not share any common control or have any board members in common. The initial term of the Management Agreement expires on

July 1, 2024, and renews automatically each fiscal year, unless terminated by either party prior to December 31st of each year. See a copy of the current Management Agreement, attached hereto as Exhibit B.

Management and Leadership Development Model

All Uncommon schools employ a unique dual-leader management model. Each school is co-led by a principal and a director of operations. Principals are the academic leaders within the schools and responsible for day-to-day management of teachers, curriculum development and implementation, student assessment, teacher training and development and academic performance. Directors of operations are responsible for all non-academic related operations at the school which include day-to-day management on non-academic staff, budget development and tracking, facilities management, school policies, attendance, student data and many other duties. The advantage of this model is that principals don't have to be "super heroes" and try to be academic leaders in the classroom while also overseeing the myriad of operational issues that occur every day in the school. Principals are given the freedom to spend 100% of their time helping teachers and students succeed in the classroom. Principals are ultimately accountable for the overall management and performance of each school, but principals and directors of operations work very closely together as a team.

The success of this dual school leader model permeates the rest of the North Star and Uncommon organizations and drives the overall management structure of each. Management of academic and operational functions are further subdivided between Uncommon and North Star as shown below. As part of its services to North Star, Uncommon employees function as the senior most leaders of North Star – on both the academic and operations sides. The following figure below shows the management structure of North Star (and all Uncommon schools).



Source: North Star.

Academic Management. North Star employs layers of academic oversight to ensure the strongest curriculum and the best supports for teachers. Teachers receive one-on-one coaching from Instructional Leaders and Principals. Instructional Leaders are strong teachers who drive high student achievement and are being trained to become principals. Principals coach Teachers and Instructional Leaders through weekly real-time observation and one-on-one meetings to review video and strategy. Principals are coached by Assistant Superintendents, with some receiving additional coaching from Senior Principals. Assistant Superintendents are coached and managed by the Chief Schools Officer of their grade-span. As shown in the figure above, Assistant Superintendents and Chief Schools Officers are Uncommon employees. Principals, Instructional Leaders and Deans of Curriculum Instruction (“DCIs”) (described below) are North Star employees.

Curriculum Development. Curriculum is developed by Lead Lesson Planners, DCIs, and the Curriculum and Assessment team of Uncommon. The Uncommon Curriculum and Assessment team is an 11-person team of content experts who develop and analyze interim assessments to drive curriculum adjustments and development. The DCI is the school level leader of all curriculum and content knowledge. DCIs lead weekly data meetings for school leadership, to help determine what content should be taught and re-taught. As shown in the figure above, all academic and curriculum topics and leaders roll-up to the Chief Schools Officers of Uncommon.

Academic Leadership Development: In general, the model used at North Star and all Uncommon schools is the same: coach teachers with real-time feedback and continuous and targeted professional development to ensure that teachers have the best classroom management skills and the best ability to deliver the strongest instructional content. Find the teachers delivering the best content at the highest levels and train them to train others. Assess and identify the content that is achieving the best results, codify it, disseminate it and train everyone on it. It is very common for an Assistant Superintendent or Chief Schools Officer to visit a school, walking in and out of classrooms, to give real-time actionable feedback to teachers, DCIs, and Principals at the same time. This real-time feedback delivered in the correct way, treats teachers and all leaders like elite athletes – give one correction in real-time and then watch for ownership, understanding and implementation, not unlike a coach shifting the height of a tennis racket to address a particular type of serve. Professional development for all school leaders (Teachers, Instructional Leaders, DCIs, and Principals) happens consistently. There are daily corrective actions, specific school level weekly trainings, weekly one-on-one coaching sessions for each role with their coach and manager, monthly working group sessions across regions to collaborate and create professional development, and formal large group sessions that happen annually for each segment (i.e., teachers start each year with three full days of formal targeted training, principals meet annually at a three-day leadership development retreat, and DCIs and Instructional Leaders meet annually at a separate two-day professional development targeted to their needs). This focus on training leaders of all levels, and giving feedback in real-time in a manner that is immediately implementable is what separates Uncommon’s schools, including North Star, from other schools.

Operational Management. As with academics, North Star employs layers of operational management. The figure below shows the management structure of North Star’s operations. Directors of Operations (“DOOs”) are the front-line operations managers of each school. Each school DOO manages day-to-day school operations, parent or guardian communication, the school budget, supplies, custodians, logistics, scheduling, and day-to-day minor facilities issues, among a litany of other things. Associate Chief Operating Officers (“ACOOs”) train and manage DOOs – managing a group of DOOs by grade-span. Regional Senior Directors are responsible for supporting North Star student recruitment, the relationship with the Newark Public School district and NJDOE, and North Star Board relations. Managing Directors of Operations (MDO) oversee the operations of three of the regions (the North Star MDO oversees Newark, Camden, and Boston), and the Chief of Operations (CO) is a member of Uncommon’s Executive Team and oversees school based operations throughout the network. As shown in the figure above, DOOs and RSDs are employees of North Star, and the ACOOs, MDOs and CO are Uncommon employees.

Operational Leadership Development: North Star’s operations team starts with the training of Operational Fellows. Each fellowship runs from one to two years. In their fellowship years, fellows rotate

among schools, learning the differences in operations of elementary, middle and high schools. Only after demonstrating mastery of school operations in their fellowship period is an Operations Fellow given a position as a DOO. This fellowship training model ensures that North Star has a pipeline of candidates for both the DOO and ACOO roles. All current North Star ACOOs were DOOs for several years before being promoted to the role of ACOO.

Leadership Selection

The vast majority of North Star's school leaders and Uncommon's management team come up through a formal leadership pipeline. The current President of Uncommon, Julie Jackson, began her teaching career twenty-two years ago as an early founding mathematics teacher at North Star. On the academic side, both Chief Schools Officers worked in various roles at North Star. Juliana Worrell, Chief Schools Officer, K-8 started as a teacher and moved up various layers to leading all of Uncommon's K-8 academics. Paul Bambrick-Santoyo, the Chief Schools Officer, High School was a leader at North Star for many years before becoming the head of high school academics across the entire Uncommon network. Additionally, eight of the nine Assistant Superintendents were previously teachers, deans and/or principals within the Uncommon network. Teachers who show leadership skills and have a proven record of outstanding student achievement are groomed for leadership on several pathways, including a principal pathway. High performing principals are then supported to become Senior Principals and ultimately Assistant Superintendents.

The operational side of the leadership pair operates in a similar fashion. As previously noted, Operational Fellows are trained for between one and two years before becoming Directors of Operations at a school. A Director of Operations spends several years with targeted training and professional development to move to an Associate Chief Operating Officer role. At all levels, academic and operational, staff receive intensive coaching, professional development, and on-the-job training. When considering where to place a school leader, Uncommon matches the leader's ability with the school's needs. The success of a school depends on strong school leadership. For that reason, new schools are only opened if there are leaders who meet the rigorous bar for school leadership.

Current Leadership

The following individuals constitute senior management of North Star.

Julie Jackson, President, Uncommon. Julie Jackson became the President of Uncommon in 2019. Previously, Ms. Jackson served as the Chief School Officer for Elementary and Middle Schools, of Uncommon and head of Curriculum and Assessment team. Ms. Jackson began her career as a Teach for America corps member, teaching mathematics to urban New Jersey students for 10 years, including several years at North Star. Ms. Jackson served in various leadership roles at North Star, including Dean of Students, High School Principal, and founding Elementary School Principal. She earned her B.A. in Communications from Shippensburg University in 1992, a M.Ed. in Educational Administration from William Paterson University in 2002 and did graduate work in African-American Studies at the University of Wisconsin. Her strong leadership and commitment to improving public education has earned her several honors. These honors include a Teacher of the Year award in 1998, the Dodge Leadership Award in 2002, Teach For America's Peter Jennings Award for Civic Leadership in 2013, Board of Trustee member for the Oprah Winfrey Leadership Academy for Girls. Ms. Jackson also conducted numerous national and international presentations on student culture, staff culture and leadership in China, South Africa, Chicago, Detroit, Texas, New York, and New Jersey.

Paul Bambrick-Santoyo, Chief Schools Officer, HS and K-12 Content Development. Paul Bambrick-Santoyo is the Chief Schools Officer for High Schools of Uncommon and head of the K-12 Content Development team. Prior to assuming this role in 2015, Mr. Bambrick-Santoyo spent 11 years leading North Star. During his tenure at North Star, North Star grew from serving less than 300 students to more than 3,000, while making dramatic gains in student achievement. Mr. Bambrick-Santoyo is the author of *Driven by Data*,

Leverage Leadership, and *Great Habits, Great Readers*, which have collectively sold more than 400,000 copies worldwide. He has trained over 15,000 school leaders worldwide in instructional leadership, including multiple schools that have gone on to become the highest-gaining or highest achieving schools in their districts, states and/or countries. Mr. Bambrick-Santoyo is a co-founder of the Relay National Principals Academy Fellowship and is the founder and Dean of the Leverage Leadership Institute. He has a B.A. in Social Justice from Duke University and a M.Ed. in School Administration via New Leaders from the City University of New York - Baruch College.

Juliana Worrell, Chief Schools Officer, K-8. Juliana Worrell became the Chief Schools Officer for Elementary and Middle Schools of Uncommon in 2019. Prior to that, Ms. Worrell was the Assistant Superintendent of the North Star elementary schools. Ms. Worrell joined North Star in 2007 as a founding lead teacher at Vailsburg Elementary School. She later went on to found North Star's third elementary school, Fairmount Elementary, and served as principal of both West Side Park Elementary and Alexander Street Elementary Schools. Ms. Worrell is co-author, with Paul Bambrick-Santoyo, of the book *Great Habits, Great Readers*. She serves as an adjunct professor for the Relay Graduate School of Education and the Summer Principals Academy program at Teachers College, Columbia University. Ms. Worrell holds a B.A. in Political Science from Rutgers University, and a M.A. in Education Leadership from Teachers College, Columbia University.

Serena Savarirayan, Assistant Superintendent, North Star Academy K-8 Schools and North Star Academy Lincoln Park High School. Serena Savarirayan is an Assistant Superintendent of the North Star Elementary and Middle Schools and North Star Academy Lincoln Park High School. Prior to her current role, Ms. Savarirayan was the founding principal of North Star Academy Vailsburg Middle School. Before founding Vailsburg Middle, Ms. Savarirayan taught 5th grade language arts, 8th grade English, and served as Instructional Leader and Grade Level Leader at North Star's Clinton Hill Middle School. In addition to her work at North Star Academy, Ms. Savarirayan worked with the National Principals and Principal Supervisors Academy Fellowship at the Relay Graduate School of Education to lead professional development for school leaders across the country. In 2014, Ms. Savarirayan was a fellow at Relay Graduate School of Education's Leveraging Leadership Institute, a selective fellowship designed for principals and principal managers in the top 10% of schools in their local or state district. Currently, Ms. Savarirayan manages a portfolio of 6 schools across Newark and Brooklyn. Ms. Savarirayan began her teaching career in 2002 as a Teach for America corps member in Paterson, N.J., where she taught 5th grade for four years. Ms. Savarirayan is a graduate of Northwestern University.

Kelly Dowling, Assistant Superintendent, North Star Academy K-8 Schools and Camden Prep Schools. Kelly Dowling is an Assistant Superintendent of the North Star Academy Elementary and Middle Schools and Camden Prep Schools. Prior to her current role, Ms. Dowling was the principal of North Star Academy Downtown Middle School. Before her principalship at Downtown Middle, Ms. Dowling taught 6th and 7th grade English, served as the Dean of Students for 3 years and was an Instructional Leader and Grade Level Leader. In addition to her work at North Star Academy, Ms. Dowling worked with the National Principals and Principal Supervisors Academy Fellowship at the Relay Graduate School of Education to lead professional development for school leaders across the country. In 2014, Ms. Dowling was a fellow at Relay Graduate School of Education's Leveraging Leadership Institute, a selective fellowship designed for principals and principal managers in the top 10% of schools in their local or state district. Currently, Ms. Dowling manages a portfolio of 7 schools across Newark, Camden and Brooklyn. Ms. Dowling began her teaching career in 2002 in district schools, where she taught at Newton Street School for three years. Ms. Dowling is a graduate of Montclair State University.

Michael Ambriz, Chief of Operations, Uncommon Schools. Michael Ambriz serves as the Chief Operations and is responsible for developing and implementing strategic priorities and policies for operations across Uncommon. Mr. Ambriz joined Uncommon in 2008 as the founding Regional Chief Operating Officer at North Star. In 2014, helped found Uncommon's newest region Camden Prep. Prior to joining Uncommon Schools, Mr. Ambriz served as the Managing Director, National Institute Operations for Teach For America,

where he was responsible for overseeing all marketing, admissions, technology, human resources and finance projects related to corps member training. Prior to joining Teach For America, he worked at the LAUSD Academic Mentor Program, where he helped to recruit community volunteers to tutor students in 16 schools across the Los Angeles area, and to create systems to reduce the transition time between recruitment and placement. Mr. Ambriz also managed the Cesar Chavez Service and Learning Grant for the California Governor's Office of Service and Volunteerism. He is a Fall 2018 Pahara-Aspen Fellow and holds a B.S. in Electrical Engineering from the University of California, Los Angeles.

Cynthia Leger, Managing Director of Operations, New Jersey & Massachusetts. Cynthia Leger is the Managing Director of Operations for New Jersey and Massachusetts, where she oversees school operations for 20 Uncommon Schools ranging from Kindergarten to 12th grade. Ms. Leger joined Uncommon Schools in August 2010 as an Operational Fellow at North Star Academy. Ms. Leger went on to co-found North Star Academy Fairmount Elementary School as the Director of Operations and then served as the Associate Chief Operating Officer of North Star Academy Elementary Schools for four years. Ms. Leger's previous work experience includes working as a program evaluator at ReLearning Curve and researching education programs for Scholastic Inc. and UNICEF-India. Additionally, Ms. Leger worked for five years writing and editing educational materials in Philadelphia, PA and Hong Kong, China. Ms. Leger received her B.A. from Swarthmore College in 2003 and her M.P.A from NYU's Robert F. Wagner Graduate School of Public Service in 2010.

Karin Gerald, Regional Senior Director, North Star. Karin Gerald joined the North Star network in July 2011 as the Network Director of Special Projects before taking on the role of Director of School Support at which time she managed the Newark school support team. Prior to joining Uncommon Schools, Ms. Gerald served as the Student Services Manager for Achievement First Hartford Elementary Academy. During this time, Ms. Gerald was charged with the dual responsibility of providing support around all non-instructional obligations and acting as the owner of the campus' student information system. As a Program Manager with Communities In Schools of Philadelphia, Ms. Gerald managed three programs across various schools within the Philadelphia school district. These programs focused on providing support and resources for students to stay in school, graduate from high school and attend college/postsecondary training. Ms. Gerald also managed college readiness programs during her role as the GEAR UP Program Coordinator at Temple University, subcontracting and training eight colleges/universities to provide tutoring services and campus-based field experiences to 21 schools. Ms. Gerald received a Bachelor of Science in Secondary Education and Psychology, as well as a Master of Education in Educational Administration from Temple University.

Jason Russell, Associate Chief Operating Officer, Middle Schools. Jason Russell joined the North Star family in January 2011 as the Director of Operations at Clinton Hill Middle School. After three years leading Clinton Hill Middle School operations Mr. Russell took on the challenge of Associate Chief Operating Officer for the North Star Middle Schools. In this role Mr. Russell is charged with supporting all school-based operations leaders in all non-instructional aspects of North Star's work. Mr. Russell is a Brazilian/American who came to Uncommon from the corporate world where he gathered management skills as Regional Sales Manager for Warner Bros. Brazil and project management skills as International Business Development Specialist at MeadWestvaco Brazil. Mr. Russell holds a B.S. in Business Administration from the University of Richmond.

Andrew Stephenson, Associate Chief Operating Officer, Elementary Schools. Andrew Stephenson joined North Star Academy in July 2012 as an Operations Fellow and went on to serve as the founding Director of Operations for North Star Academy Alexander St. Elementary, leading the operational aspects of Uncommon's first turnaround school until June 2017. Mr. Stephenson then spent two years as the Associate Chief Operating Officer for North Star Academy High Schools before returning to his elementary roots to serve in his current role. Prior to North Star, Mr. Stephenson worked as an elementary school teacher at Excellence Boys, another K-8 Uncommon school located in Brooklyn. Mr. Stephenson's background is in music performance and education; he received his Bachelor of Music in Applied Music and Music Education

from the University of Rochester's Eastman School of Music in 2007, followed by his Master's Degree in Elementary Education from Teacher U at CUNY Hunter College in 2010.

Sara Huston, Associate Chief Operating Officer, High Schools. Sara Huston joined North Star Academy in 2012 as a special education teacher. Ms. Huston served in that role for three years before moving on to become the Director of Operations at Washington Park High school in the fall of 2017. In the summer of 2019, Ms. Huston transitioned to the Associate Chief Operating Officer role, working with North Star Academy High Schools and the Regional Team. In between being a teacher and DOO at North Star Academy, Ms. Huston was the Dean of Instruction – Math and Science at DRW College Prep, a part of the Noble Network of Charter Schools in Chicago, IL. In that role, Ms. Huston managed 14 high school math and science teachers. Ms. Huston holds a B.S. in Genetics from the University of Wisconsin – Madison and was a 2012 Teach For America – Newark corps member.

Current Principals

Each North Star school is managed by a Principal. Of the 14 Principals at North Star, most of them have been working at North Star for more than 5 years – with the majority starting as North Star teachers.

NORTH STAR BOARD

North Star is governed by a Board of Trustees (the “Board”) pursuant to its corporate bylaws. North Star’s current bylaws provide for a Board composed of eleven trustees; North Star anticipates it will approve an amendment to its bylaws to provide for a Board composed of thirteen trustees at a meeting in November 2020.

At-large trustees on the Board are appointed for two-year terms, while Parent/Guardian Representatives on the Board are selected from Parent Councils and serve 1-year terms. Board members may serve for an unlimited number of terms and may be removed for cause upon a vote of the full membership of the Board. The current composition of the board and brief biographical information is set forth below. As a public school, North Star adheres to the conflict of interest policy published by the NJDOE.

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TABLE 12
BOARD OF TRUSTEES
North Star

<i>Name</i>	<i>Company</i>	<i>Title</i>	<i>Years of Membership</i>
Rick Rieder, <i>Chair</i>	BlackRock	CIO of Fixed Income & Head of Global Allocation Investing	10+ years
Paul Bambrick-Santoyo, <i>Secretary</i>	Uncommon Schools	Chief Schools Officer High Schools and K-12 Content Development	10+ years
Nicole Bearce Albano	Conduent	Vice President & Associate General Counsel, Global Head of Litigation	10+ years
Ravi Bellur	Tarsadia Capital	Managing Director	10 years
Lawrence Evans	Self-Employed		5 years
Bob Howitt	WKBJ Foundation	Executive Director	10+ years
Thomas Redburn	Lowenstein Sandler PC	Partner	2 years
Scott Sleyster	Prudential Financial, Inc.	Executive Vice President and Chief Operating Officer, International Businesses	6 years
James Verrilli	Relay Graduate School of Education	Senior Dean of Faculty Development	4 years
Doug McNeely	BlackRock	Managing Director	< 1 year
Ezdehar Abuhatab, <i>Parent/Guardian Representative</i>	Essex County College	Assistant Professor	3 years
Steven Creekmur <i>Parent/Guardian Representative</i>	JGM Fund Services	Investor Services Manager	< 1 year
Trisha Scipio-Derrick, <i>Community Representative</i>	DLJ Communications Group	Administrative Affairs	10 years

Source: North Star.

Rick Rieder, Chairman, CIO of Fixed Income & Head of Global Allocation Investing, BlackRock. Rick Rieder, Managing Director, is BlackRock's Chief Investment Officer of Global Fixed Income, and Co-head of BlackRock's Global Fixed Income platform, a member of BlackRock's Global Operating Committee and Chairman of the firm-wide BlackRock Investment Council. Before joining BlackRock in 2009, Mr. Rieder was President and Chief Executive Officer of R3 Capital Partners. He served as Vice Chairman and member of the Borrowing Committee for the U.S. Treasury and is currently a member of the Federal Reserve Bank of New York's Investment Advisory Committee on Financial Markets. Mr. Rieder currently serves on the Alphabet/Google Investment Advisory Committee and the UBS Research Advisory Board. He was awarded the Global Unconstrained Fixed Income Manager of the Year for 2015 by Institutional Investor, was nominated for Fixed Income Manager of the Year by Institutional Investor for 2014 and was inducted into the Fixed Income Analysts Society Fixed Income Hall of Fame in 2013.

From 1987 to 2008, Mr. Rieder was with Lehman Brothers, most recently as head of the firm's Global Principal Strategies team, a global proprietary investment platform. He was also global head of the firm's credit businesses, Chairman of the Corporate Bond and Loan Capital Commitment Committee, and a member of the Board of Trustees for the corporate pension fund. Before joining Lehman Brothers, Mr. Rieder was a credit analyst at SunTrust Banks in Atlanta. Mr. Rieder earned a BBA degree in Finance from Emory University in 1983 and an MBA degree from The Wharton School of the University of Pennsylvania in 1987. He is a member of the board of Emory University, Emory's Business School, and the University's Finance Committee, and is the Vice Chairman of the Investment Committee. Mr. Rieder is founder and chairman of the business school's BBA investment fund and community financial literacy program. Mr. Rieder is the Founder and Chairman of the Board of Graduation Generation Public School Collaboration in Atlanta. He is a Trustee for the US Olympic Foundation and is on the International Advisory Council and Board of Advisors for the Hospital for Special Surgery. He serves on the National Leadership Council of the Communities in Schools Educational Foundation and on the board of Big Brothers/Big Sisters of Newark and Essex County. Mr. Rieder was honored at the Choose Success Awards ceremony in Atlanta in 2015 for his dedication to public education in Atlanta through CIS and Graduation Generation.

Nicole Bearce Albano, Vice President, Associate General Counsel, Global Head of Litigation, Conduent. Nicole Bearce serves as Head of Litigation, Conduent Inc.. Conduent delivers mission-critical services and solutions on behalf of businesses and governments. Prior to her current role, Ms. Bearce served as Vice President, Chief Litigation Counsel & Assistant Secretary at Spectrum Brands Inc., and had a broad responsibility for managing the company's litigation and claims on a worldwide basis. Ms. Bearce practiced for 17 years in the Class Action and Business Litigation groups at Lowenstein Sandler LLP (based in NY & NJ) from 1998-2015, including 10 years as a partner. During her tenure, Ms. Bearce participated on various governance committees within the firm and oversaw the Women's Initiative and Diversity & Inclusion Committee. Ms. Bearce is a graduate of Harvard Law School and clerked for the Hon. Marie L. Garibaldi, the first female justice on the New Jersey Supreme Court, from 1997-1998. Ms. Bearce completed her undergraduate degree (B.A. in History and Political Science, 1994) at Drew University.

Lawrence Evans, Self-Employed. Lawrence M. Evans previous role was a financial advisor employed by Citigroup Global Markets in New York, New York. With over 30 years of experience and 2 exams passed, Mr. Evans is registered with FINRA as a Broker (sometimes referred to as a broker-dealer registered rep, or RR). These firms (also known as broker-dealers) are in the business of buying and selling securities such as stocks, bonds, mutual funds and other investment-related products. These firms are also registered with FINRA and can engage in securities transactions on behalf of its customers (as broker) or for its own account (as dealer).

Bob Howitt, Executive Director, WKBJ Foundation. Bob Howitt has had a varied career: partner of a Wall Street research and money management firm, leadership of a well-known NYC youth agency, and Executive-Director of the WKBJ Foundation--which provided the initial funding for North Star Academy Charter School (now a key component of the Uncommon Schools non-profit charter school organization), and which has had multiple internal education programs that have assisted over 250 financially-challenged young people to attend college. He is also a trustee of the Charles Hayden Foundation, which makes grants in NYC/Newark and Boston. More recently, Mr. Howitt has gone public with his various writings relevant to education, culture, and politics: GUIDE ("Thoughts from Twenty Years in the Educational Trenches: A Unique College Guide for Latino Students and their Supporters"), Cogent Comments (a compilation of over 80 essays), and (to come) a Latino College Assistance Guide, whose value-added is based on interviews with students helped by the WKBJ Foundation. LCAG is available in Spanish and English

Thomas Redburn, Partner, Lowenstein Sandler PC. Specializing in securities opt-out work and debtholders' rights matters, Mr. Redburn is a keen analyst and experienced litigator known for his ability to develop the substantive strategies and arguments that turn client losses into recoveries. A full-service litigator who handles everything from drafting complaints to arguing motions and handling trial and appellate work in state and federal courts, Tom has litigated numerous complex cases in the past few years. Mr. Redburn's notable recent securities cases include representation of institutional investors in federal securities law actions arising from disclosures at Marrone Bio Innovations Inc., American Realty Capital Properties Inc. (n/k/a VEREIT Inc.), Barrick Gold Corporation, and Ocwen Financial Corporation. Mr. Redburn tried a shareholder appraisal action on behalf of former shareholders of CKx Inc., the owner of American Idol and other entertainment brands, in Delaware Court of Chancery. In the debtholder rights space, Mr. Redburn recently argued in the First Department of New York's Appellate Division on behalf of holders of bonds issued by Global A&T Electronics (GATE), successfully obtaining reinstatement of the bondholders' claims that the company breached its agreements with creditors.

Scott Sleyster, Executive Vice President and Head of International Business, Prudential Financial, Inc. Scott Sleyster is Executive Vice President and Head of International Business of Prudential Financial, Inc.'s International Businesses. In this role he oversees Prudential's International Insurance segment, which develops, distributes and services individual life insurance, retirement and related financial security products to markets around the globe. Prudential's International Insurance segment has operations and joint ventures in 11 countries across Asia, Latin America and Africa. Since joining Prudential, Sleyster has served in a variety of leadership positions, most recently as chief investment officer, managing Prudential's \$460 billion general

account portfolio. He also has served as head of the Full-Service Retirement business, president of the Guaranteed Products business and Chief Financial Officer for the Employee Benefits Division. Additionally, Mr. Sleyster has held roles in Prudential's Treasury, Derivatives and Investment Management units. Mr. Sleyster has played an active role in the development of U.S. retirement policy and has supported legislative efforts to promote the formation of new retirement plans, expand coverage under existing plans and increase overall levels of retirement savings. He was appointed by President Bush and Congress as a delegate to the National Summit on Retirement Savings in 2002 and 2006. In 2003, he testified to the Congressional Committee on Education and the Workforce at a public hearing on the Pension Security Act. In 2005, he was named a delegate to the White House Conference on Aging. In 2009, he testified before Congress on the Reform of the Over-the-Counter Derivative Market. Mr. Sleyster recently served as Prudential's representative to the Institute for International Finance's Committee on Asset and Investment Management. In this capacity, he has presented views on long-term investing at several prominent international conferences, including the Organization for Economic Cooperation and Development's High-Level Roundtables in May 2013 and June 2014, and the International Finance Committee's G-20 Conference in February 2014. Mr. Sleyster is a member of the U.S. Chamber of Commerce's U.S.-Japan Business Council (USJBC) Board of Directors and chair of the USJBC Financial Services Committee. He earned an MBA from Northwestern University and a bachelor's degree in finance, with distinction, from the University of Missouri. He also holds the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts.

Paul Bambrick-Santoyo, Chief Schools Officer High Schools and K-12 Content Development, Uncommon Schools. See Ms. Bambrick-Santoyo's biography under the heading "NORTH STAR MANAGEMENT AND LEADERSHIP – Current Leadership" above.

Ravi Bellur, Managing Director, Tarsadia Capital. Ravi Bellur is a Managing Director at Tarsadia Capital. Bellur has a B.S. in economics from the Wharton School of Business at the University of Pennsylvania.

James Verrilli, Senior Dean of Faculty Development, Relay Graduate School of Education. As Senior Dean of Faculty Development at Relay Graduate School of Education, Mr. Verrilli oversees all training and development for Relay faculty from Relay's 18 campuses across the nation. He sits on the steering committee to help shape critical decisions for the institution and has managed Deans on multiple campuses. He is also the Dean of the Relay Newark campus where he manages the region and leads all teacher-training programs in Newark. He began his educational work in 1984, as a Jesuit Volunteer Corps community organizer in the Bronx. Mr. Verrilli then joined Link Community School, first as a teacher and eventually as principal. In 1997, Mr. Verrilli co-founded North Star Academy Charter School of Newark, where he was principal of the Downtown Middle School for 14 years. Mr. Verrilli has received numerous awards for this leadership, including the National Blue Ribbon Schools' Terrel H. Bell Award, given each year by the U.S. Department of Education to the top ten principals in the nation. He earned his B.A. in history from Colby College and his M.A.T. from Brown University.

Doug McNeely, Managing Director, BlackRock. Douglas McNeely is Head of the Strategic Client Coverage Group at BlackRock which is responsible for developing and maintaining strategic relationships with institutional investors, specifically public and corporate pension plans. Prior to joining BlackRock in 2012, Mr. McNeely was President of the Commonfund Securities, Inc., where he was responsible for leading a 60-person sales force in covering over 1500 clients, overseeing business development affairs, broadening global investor base, and building Strategic Partnerships. Mr. McNeely worked with a broad array of clients, including pension funds, endowments, foundations, family offices and select sovereign wealth funds. Previously, Mr. McNeely was Managing Director at Morgan Stanley where he was responsible for the distribution of global asset management products and services to large institutional investors. Before then, Mr. McNeely founded Cameron Capital Management, an institutional quality hedge fund platform. Prior to founding Cameron Capital, Mr. McNeely spent 8 years at Goldman Sachs in Equities Sales and Trading as well as in Equities Management. Mr. McNeely began his career at Donaldson, Lufkin & Jenrette in Equity Sales and Trading. Mr. McNeely earned a B.A. degree in economics from Duke University in 1984 and was

also a member of the Duke Men's Varsity Basketball Team (1980-1984) and Team Captain in 1984. Mr. McNeely has formerly held a number of Trustee positions for non-profit organizations and currently serves as a Trustee of Duke University Perkins Library Board.

Trisha Scipio-Derrick, Administrative Affairs, DLJ Communications Group, Parent Representative. Trisha Scipio-Derrick is an Administrator of DLJ Communications Group. In addition to her administrative and project support skills, Ms. Scipio-Derrick also uses her skills to construct high quality marketing advertisements and planning events. Ms. Scipio-Derrick has also earned her Accounting degree from Knoxville College.

Ezdehar Abuhatab, Parent Council President, Assistant Professor, Essex County College, Parent Representative. Since 1996 to present, at Essex County College, Ms. Abuhatab provides strategic planning, blue print design and policy guidelines for the college's new state of the art Biology and Chemistry labs. Ms. Abuhatab is also responsible for the lead design, implementation, and faculty training the new eLearning curriculum and assessment tool for the college's foundational Biology courses. In addition, to teaching Ms. Abuhatab chairs the assessment committee for Biology and Chemistry department that is responsible for meeting the reaccreditation for the college's Chemistry program. Ms. Abuhatab also is a member of the Hearts of Vailsburg Community in the city of Newark, and a member of the parent council at North Star.

Steven Creekmur, Investor Services Manager, JGM Fund Services. Mr. Creekmur is a 1998 graduate of Norfolk State University with a Bachelor of Science in Management Information Systems. Mr. Creekmur has over 15 years of experience in account management, software solutions development and implementation specifically targeting Alternative Investments organizations. Mr. Creekmur previously served as Investor Services Manager of Private Equity Funds at State Street Global Services for seven years. Mr. Creekmur's current role is that of Manager of Investor Services at JGM Fund Services.

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NORTH STAR ENROLLMENT AND RELATED DATA

Below is a map showing the locations of North Star's school facilities.

FIGURE 9
NORTH STAR SCHOOLS BY LOCATION
North Star
2020-21



Source: North Star.

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Set forth below are various enrollment data related to North Star

TABLE 13
ENROLLMENT BY GRADE

North Star
2019-20 and 2020-21

<i>Grade</i>	<i>2019-20</i>	<i>2020-21⁽¹⁾</i>
Kindergarten	553	553
1 st Grade	559	557
2 nd Grade	557	557
3 rd Grade	557	559
4 th Grade	475	559
5 th Grade	556	556
6 th Grade	464	556
7 th Grade	463	463
8 th Grade	463	463
9 th Grade	430	423
10 th Grade	319	385
11 th Grade	299	297
12 th Grade	223	272
Total	5,918	6,200

⁽¹⁾ Budgeted.

Source: North Star.

TABLE 14
HISTORICAL ENROLLMENT BY SCHOOL

North Star
2014-15 through 2019-20

<i>North Star Schools</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>
Vailsburg Elem. School	444	456	452	456	451	463
Fairmount Elem. School	356	449	448	453	452	469
Liberty Elem. School	269	361	452	450	451	461
West Side Park Elem. School	447	447	444	443	451	466
Alexander Elem. School	286	356	384	423	455	468
Downtown Middle School	315	324	341	353	360	367
Clinton Hill Middle School	329	346	355	359	363	371
Vailsburg Middle School	317	323	351	360	366	378
West Side Park Middle School	261	348	353	353	358	367
Washington Park High School	413	493	575	613	635	689
Central Avenue Middle School	--	89	179	271	365	371
Lincoln Park Elem. School	--	--	88	177	273	371
Lincoln Park High School	--	--	79	247	405	583
Lincoln Park Middle School	--	--	--	--	--	94
Total⁽¹⁾	3,435	3,991	4,501	4,959	5,382	5,918

⁽¹⁾ Totals may not sum due to rounding.

Source: North Star.

TABLE 15
PROJECTED ENROLLMENT BY SCHOOL
North Star
2020-21 through 2024-25

<i>North Star Schools</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>
Vailsburg Elem. School	463	463	463	463	463
Fairmount Elem. School	468	463	463	463	463
Liberty Elem. School	463	463	463	463	463
West Side Park Elem. School	464	463	463	463	463
Alexander Elem. School	463	463	463	463	463
Downtown Middle School	370	370	370	370	370
Clinton Hill Middle School	370	370	370	370	370
Vailsburg Middle School	371	370	370	370	370
West Side Park Middle School	370	370	370	370	370
Washington Park High School	725	781	840	846	846
Central Avenue Middle School	371	370	370	370	370
Lincoln Park Elem. School	464	463	463	463	463
Lincoln Park High School	651	670	673	740	794
Lincoln Park Middle School	185	278	370	370	370
Total⁽¹⁾	6,200	6,353	6,508	6,580	6,635

⁽¹⁾ Totals may not sum due to rounding.
Source: North Star.

NORTH STAR FINANCIAL SUMMARY

Primary Source of Revenues

In accordance with the New Jersey School Funding Reform Act of 2008, operating funds for New Jersey charter schools are determined using a student-weighted formula. Schools receive a base amount of funding for each student plus additional amounts according to each student's demographic characteristics, such as grade level, family income, English language proficiency, and special education needs. Schools also receive additional funding for students with special needs and students for whom English is a second language. For most categories of state and local funding, the Act stipulates that charter schools receive 90% of the amount that the local school district would receive for the same student (i.e., the local district receives some categories of funding that are not available to charter schools).

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Set forth in the table below are the per-pupil funding rates for the current and recent school years. North Star based its budget projections on the assumption that funding will remain flat for the next several years. The last column reflects average funding after application of all supplements to the base amount as described above.

TABLE 16
PER-PUPIL FUNDING RATE
North Star
2014-15 through 2020-21

<i>Year</i>	<i>Base Aid</i>	<i>Special Education</i>	<i>State Adjustment Aid</i>	<i>Average Per Pupil Aid</i>
2014-15	\$10,322	\$8,580	N/A	\$16,158
2015-16	9,356	8,258	N/A	15,817
2016-17	9,356	8,362	\$1,132	15,852
2017-18	9,356	8,362	1,114	15,852
2018-19	8,343	8,580	1,353	15,858
2019-20	8,479	9,275	1,006	16,000
2020-21	8,365	8,365	1,277	16,110

Source: North Star.

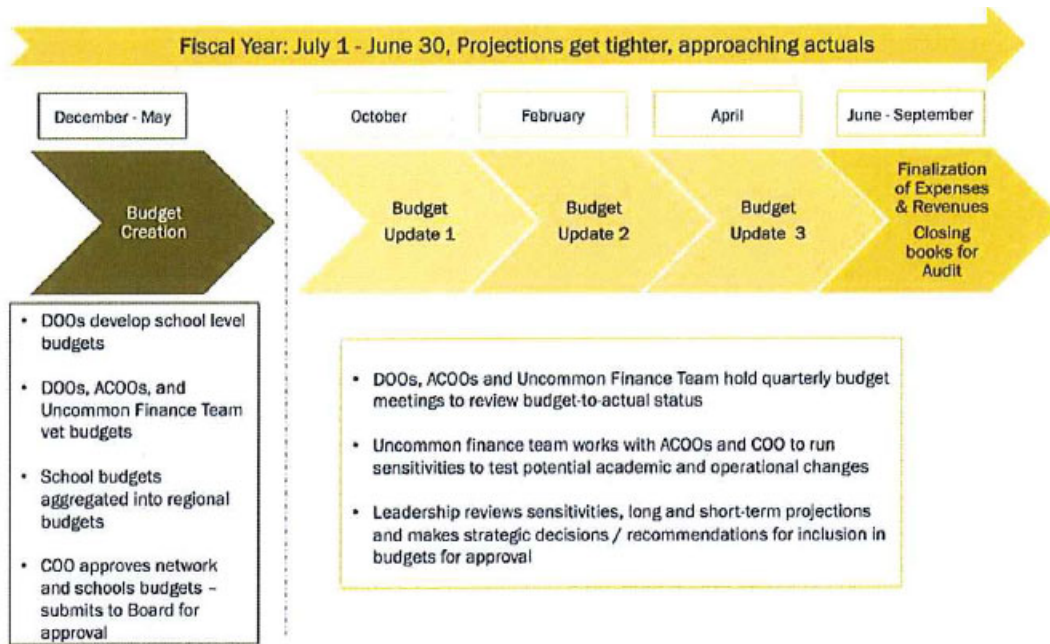
Financial Oversight

North Star has been operating for over 20 years and has never operated at a deficit. In addition, North Star has maintained at least a 1.2x lease service coverage ratio while managing its operations.

With the guidance and support of the Uncommon finance team, North Star conducts a thorough budget process each fiscal year. The process begins in December with discussions with school leaders regarding specific academic or operational needs for upcoming years. Uncommon employs a full-time analyst dedicated to modeling and stress testing the North Star budget. This analyst is supported by three senior finance team members, including the Chief Financial Officer of Uncommon. The analyst works directly with each school DOO, and with the ACOOs and the MDO. DOOs, ACOOs and MDOs review monthly budget reports. Budget-to-actuals are reviewed quarterly with the Board and the final budget is approved by the North Star board between May-June of each year. The following figure presents a graphical depiction of the budget process.

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FIGURE 20
BUDGETING PROCESS
North Star



Source: North Star.

Summary of Audited Financial Data

Financial information for North Star is provided below for the fiscal years indicated. The most recently prepared audited financial reports for North Star and Uncommon for the fiscal year ended June 30, 2019 are attached to this Limited Offering Memorandum as Appendices B-1 and B-2, respectively.

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TABLE 17
STATEMENT OF NET POSITION
North Star
2014-15 through 2018-19

	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
ASSETS					
Cash and cash equivalents	\$6,093,493	\$8,784,826	\$8,551,885	\$9,881,466	\$6,161,295
Receivables, net	2,295,552	1,583,952	2,890,157	4,712,553	14,887,134
Prepaid Expenses	--	--	130,000	8,701,199	871,431
Capital assets, net	10,813,389	14,973,681	22,280,746	25,977,565	35,061,942
Pension deferred outflows	2,691,107	6,238,734	15,700,747	18,710,580	20,417,226
TOTAL ASSETS & DEFERRED OUTFLOWS	\$21,893,541	\$31,581,193	\$49,553,535	\$67,983,363	\$77,399,028
LIABILITIES					
Accounts payable	\$759,526	\$640,495	\$824,909	\$2,452,390	\$4,930,819
Due to school districts	138,874	346,615	230,187	223,481	19,884
Deferred revenue	49,722	9,478	50,540	3,985	3,985
Net pension liability	11,142,652	16,168,356	29,231,819	29,744,482	30,945,164
Pension deferred inflows	664,042	259,956	--	5,970,519 ⁽¹⁾	10,344,448
TOTAL LIABILITIES & DEFERRED INFLOWS	\$12,754,816	\$17,424,900	\$30,337,455	\$38,394,857	\$46,244,300
NET POSITION					
Invested in capital assets, net of related debt	10,813,389	14,973,681	22,280,746	25,977,565	35,933,373
Restricted	--	--	--	287,101	15,000
Unrestricted	(1,674,664)	(817,388)	(3,064,666)	3,323,840	(4,793,645)
TOTAL NET POSITION	\$9,138,725	\$14,156,293	\$19,216,080	\$29,588,506	\$31,154,728
TOTAL LIABILITIES AND NET POSITION	\$21,893,541	\$31,581,193	\$49,553,535	\$67,983,363	\$77,399,028

⁽¹⁾ Subsequent to the issuance of the financial statements for the fiscal year ending June 30, 2018, the financial statements for such year were restated to reflect the addition of a deferred inflow of resources related to North Star's PERS Pension Plan in the amount of \$5,970,519.

Source: Audited Financial Statements of North Star for the fiscal years ending June 30, 2015 through June 30, 2019.

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TABLE 18
CHANGES IN NET POSITION
North Star
2014-15 through 2018-19

	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
General revenues					
Local Share	\$6,187,952	\$8,488,451	\$9,138,790	\$10,773,649	\$11,156,040
State Share	46,354,725	51,175,930	59,255,291	64,592,509	69,248,977
State Aid	6,308,916	7,492,940	8,247,071	9,815,120	12,131,879
Federal Aid	1,329,176	1,597,074	1,847,412	2,024,775	2,349,597
E-Rate Funding	315,008	529,613	61,684	855,677	494,936
Private Grant	338,600	807,495	5,296,011	313,973	837,721
Board Contribution	389,267	--	32,138	75,084	107,568
Miscellaneous Income	266,436	306,649	327,463	378,084	165,316
Total Revenue	61,490,080	70,398,152	84,205,860	88,828,871	96,492,034
Expenses					
Governmental activities:					
Instruction					
Regular	24,897,873	26,222,762	29,489,918	30,884,182	32,247,269
Support Services					
General administration	17,114,203	19,718,372	23,502,016	26,209,468	27,171,587
School administrative services/ operations plant serv.	10,743,497	11,858,508	14,569,991	16,422,669	22,146,255
On-behalf TPAF Social Security	3,333,100	4,010,899	5,262,743	6,543,138	7,162,063
Capital Grants	--	--	--	(8,700,000)	(1,169,020)
Capital Outlay	1,847,881	4,729,541	8,053,995	4,835,316	10,378,083
Total governmental activities	57,936,554	66,540,082	80,878,663	76,194,773	97,936,237
Business-type activities:					
Food Service and Enrichment	2,005,639	1,926,803	2,232,981	2,485,142	2,205,987
Total business-type activities	2,005,639	1,926,803	2,232,981	2,485,142	2,205,987
Total Expenses	59,942,193	68,466,885	83,111,644	78,679,915	100,142,224
Net Increase (Decrease) in Fund Balance	1,547,887	1,931,267	1,094,216	10,148,956	(3,650,190)
Increase in net Capital Outlay, net of related debt	1,340,928	4,160,308	7,307,065	3,696,819	9,084,377
Change in Net Position	2,888,815	6,091,575	8,401,281	13,845,775	5,434,187
Decrease (Increase) in Pension Deficit	--	(1,074,007)	(3,341,494)	(3,473,349)	(3,867,965)
Net position, beginning of year	6,249,910 ⁽¹⁾	9,138,725	14,147,826	19,216,080	29,588,506
Net position, end of year	\$9,138,725	\$14,156,293	\$19,216,080	\$29,588,506⁽²⁾	\$31,154,728

⁽¹⁾ In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position was adjusted to reflect the beginning balance of the net pension liability.

⁽²⁾ Subsequent to the issuance of the financial statements for the fiscal year ending June 30, 2018, the financial statements for such year were restated to reflect the addition of a deferred inflow of resources related to North Star's PERS Pension Plan in the amount of \$5,970,519.

Source: Audited Financial Statements of North Star for the fiscal years ending June 30, 2015 through June 30, 2019.

Outstanding Indebtedness

North Star entered into a Loan and Security Agreement, dated as of May 6, 2016, by and between North Star and Santander Bank, N.A. ("Santander"), which has been subsequently amended (as amended, the "Santander Security Agreement"), pursuant to which Santander has extended a line of credit to North Star in the amount of \$7,700,000 (the "Line of Credit"). The Line of Credit currently has a maturity date of January 31, 2021, and the Line of Credit is currently undrawn. North Star has previously renewed the Line of Credit on several occasions, and the Lease Agreement (as defined in the forepart of this Limited Offering Memorandum) permits North Star to extend or renew such Line of Credit.

Pursuant to the Santander Security Agreement, North Star has granted Santander a security interest in all property, assets, accounts receivable, intangibles, inventory, equipment, furniture or fixtures of North Star as security for the payment of any monies owing under the Line of Credit. See “RISK FACTORS – Additional Indebtedness of North Star; Senior Obligations” in the forepart of this Limited Offering Memorandum.

Financial Projections

Notwithstanding North Star’s history of performance with respect to its existing schools, future financial performance of North Star 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 North Star may not diminish in the future. The projections of revenue and expenses for North Star contained in this Appendix A are based upon the number of students projected to be enrolled at North Star’s schools and were prepared by North Star for the Borrower and have not been independently verified by any party other than North Star.

No feasibility studies have been conducted with respect to operations of the Project 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 North Star’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.

UNCOMMON ON BEHALF OF NORTH STAR PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE PROJECT 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.

Certain lease agreements under which North Star is the tenant, including the Lease Agreement, provide for increased lease payments by North Star in respect of the applicable landlord’s additional carrying costs and other charges and expenses in certain circumstances relating to such landlord’s indebtedness, including loss or reduction of direct subsidy payments or tax credits on qualified tax credit bonds, and refinancing of such indebtedness. The projections set forth below do not include any potential increased lease costs associated with a loss of direct subsidy payments or tax credits on any qualified tax credit bonds. See “RISK FACTORS – Acceleration of Outstanding Debt and Increase of Rent Under North Star Leases” and “– IRS Audits of Previous Transactions” in the forepart of this Limited Offering Memorandum. In such an event, budgetary measures may need to be taken to allow for the increased rent payments; however, neither the management of Uncommon Schools nor management of North Star expects such potential increase to adversely affect compliance by North Star with covenants requiring it to maintain a Lease Coverage Ratio of

1.05 and the Days Cash on Hand required pursuant to the Lease Agreement. The following table sets forth the actual and projected financial results, including lease service coverage ratio, debt service coverage and days cash on hand for fiscal years 2019-20 through 2024-25.

TABLE 19
ACTUAL AND PROJECTED LEASE SERVICE COVERAGE RATIO
& DEBT SERVICE COVERAGE RATIO
North Star
2019-20 through 2024-25

		Forecast ⁽¹⁾ 2019-20	Budgeted ⁽¹⁾ 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
	Enrollment	5,918	6,200	6,353	6,508	6,580	6,635
	Revenues						
	Core Aid ⁽²⁾	94,657,491	93,377,405	95,783,678	101,140,016	104,466,998	106,519,839
	Federal Aid ⁽³⁾	7,535,716	14,159,430	9,601,530	9,855,900	10,000,242	10,119,529
	Philanthropic Contributions	2,545,129	3,899,083	4,807,750	3,816,550	3,124,029	3,031,122
	Miscellaneous Income ⁽⁴⁾	1,648,780	1,825,594	2,075,508	2,127,433	2,156,884	2,195,159
A	Total Revenues	\$106,387,115	\$113,261,512	\$112,268,466	\$116,939,900	\$119,748,153	\$121,865,649
	Expenses						
	Instructional Expenses ⁽⁵⁾	\$38,011,645	\$40,511,781	\$41,586,587	\$43,466,033	\$44,165,870	\$45,036,986
	Administrative Expenses ⁽⁶⁾	\$35,246,933	\$36,926,119	\$38,215,470	\$40,217,734	\$41,118,474	\$42,064,387
	Support Expenses ⁽⁷⁾	\$24,821,540	\$27,151,745	\$27,930,156	\$28,705,177	\$29,969,967	\$30,418,705
	COVID Contingency ⁽⁸⁾	\$0	\$836,000	\$0	\$0	\$0	\$0
B	Total Expenses	\$98,080,117	\$105,425,645	\$107,732,212	\$112,388,945	\$115,254,311	\$117,520,078
A-B	C Net Income	\$8,306,998	\$7,835,867	\$4,536,254	\$4,550,955	\$4,493,842	\$4,345,571
		Forecast 2019-20	Budgeted 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
A	Total Revenues	\$106,387,115	\$113,261,512	\$112,268,466	\$116,939,900	\$119,748,153	\$121,865,649
B	Total Expenses	\$98,080,117	\$105,425,645	\$107,732,212	\$112,388,945	\$115,254,311	\$117,520,078
A-B	C Net Income	\$8,306,998	\$7,835,867	\$4,536,254	\$4,550,955	\$4,493,842	\$4,345,571
D	Add Back: Rent ⁽⁹⁾	\$10,984,113	\$10,617,330	\$10,724,904	\$10,736,404	\$11,367,587	\$11,380,941
E	Add Back: Subordinated Management Fees ⁽¹⁰⁾	\$11,149,006	\$11,763,010	\$11,510,272	\$12,245,384	\$12,611,943	\$12,911,848
F	Net Operating Income	\$30,216,206	\$26,771,430	\$27,532,742	\$28,473,372	\$28,638,360	\$30,216,206
F/D	G Lease Coverage Ratio ⁽¹¹⁾	2.77x	2.85x	2.50x	2.56x	2.50x	2.52x
(F-D)/E	H All-in Lease Coverage Ratio ⁽¹²⁾	1.77x	1.85x	1.50x	1.56x	1.50x	1.52x

- ⁽¹⁾ 2019-20 numbers represent unaudited year-end results. 2020-21 numbers reflect the Board-approved budget adjusted for additional one-time COVID-19-related funding awarded after the approval of the budget.
- ⁽²⁾ Core Pupil Aid in 2020-21 reflects a 5% decline in average per pupil general education core aid compared to 2019-20, and then annual increases of 0%, 3%, 2%, and 1% for the following four years. The 5% decline in 2020-21 is more conservative than the ~0% decline recently adopted by the State of New Jersey.
- ⁽³⁾ Federal Aid in 2020-21 includes \$4.76 million of one-time COVID-19-related funding, including funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Bridging the Digital Divide grant, and the New Jersey Coronavirus Relief Fund grant.
- ⁽⁴⁾ Miscellaneous Income includes school activity fees, uniforms, and investment income.
- ⁽⁵⁾ Instructional Expenses includes instructional salaries, professional/technical services, general supplies, textbooks, scholarships, field trips, and instructional support. Salaries are projected to increase 1% per year.
- ⁽⁶⁾ Administrative Expenses includes administrative salaries, clerical salaries, benefits (for all employees), professional development, consultants, communications services, and the Management Fees paid to Uncommon. Salaries are projected to increase 1% per year.
- ⁽⁷⁾ Support Expenses includes support salaries (nurses, social workers, speech therapists, custodians, etc.), special education services, lease expenses, contracted facility services (maintenance, cleaning, and security), utility costs, transportation, and food services. Salaries are projected to increase 1% per year.
- ⁽⁸⁾ North Star has budgeted \$836,000 of expenses in 2020-21 for costs associated with the COVID-19 pandemic, to address potential declines in enrollment and to purchase personal protective equipment.
- ⁽⁹⁾ Rent on most facilities (including the Project Facilities), is 115% of the direct debt associated with that facility.
- ⁽¹⁰⁾ Management Fees are included in Administrative Expenses and are calculated as 13.5% of Core Pupil Aid plus certain Federal Aid less Facilities Expenses. Increased in 2019-20 from 8% in previous years.
- ⁽¹¹⁾ Lease Coverage Ratio is calculated for the purposes of this table as Net Operating Income divided by Rent.
- ⁽¹²⁾ All-in Lease Coverage Ratio is calculated for the purposes of this table as (Net Operating Income less Management Fees) divided by Rent.

[TABLE AND FOOTNOTES CONTINUED ON NEXT PAGE]

TABLE 19 (continued)
ACTUAL AND PROJECTED LEASE SERVICE COVERAGE RATIO
& DEBT SERVICE COVERAGE RATIO
North Star
2019-20 through 2024-25

		Forecast 2019-20	Budgeted 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
A	Beginning Cash Balance ⁽¹³⁾	\$12,656,407	\$29,532,902	\$33,812,720	\$36,099,177	\$38,310,687	\$40,481,591
B	North Star Net Income	\$8,306,998	\$7,835,867	\$4,536,254	\$4,550,955	\$4,493,842	\$4,345,571
C	Less: Capital Expenditures ⁽¹⁴⁾	(\$11,557)	(\$2,735,784)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)
D	Change in Working Capital ⁽¹⁵⁾	\$9,812,078	(\$20,265)	\$50,203	(\$39,444)	(\$22,938)	(\$16,060)
E	Foundation Change in Cash Balance (projected) ⁽¹⁶⁾	(\$1,231,024)	(\$800,000)	\$700,000	\$700,000	\$700,000	\$700,000
A+B+C+D+E	F Ending Cash Balance	\$29,532,902	\$33,812,720	\$36,099,177	\$38,310,687	\$40,481,591	\$42,511,102
G	Total Expenses	\$98,080,117	\$105,425,645	\$107,732,212	\$112,388,945	\$115,254,311	\$117,520,078
F/G*365	H Days Cash on Hand ⁽¹⁷⁾	110 days	117 days	122 days	124 days	128 days	132 days

⁽¹³⁾ Includes the projected cash balance for North Star (\$6,161,295) and the Foundation (\$6,495,112). The Foundation's cash balance is expected to increase based on the annual coverage ratio on most leases.

⁽¹⁴⁾ Capital Expenditures include improvements to facilities, furniture, equipment and technology purchases that have useful lives longer than one year and are capitalized on North Star's balance sheet. In 2020-21, capital expenditures represents \$2.74 million of COVID-19-related expenditures, primarily for technology equipment.

⁽¹⁵⁾ Change in Working Capital represents changes in Accounts Receivable, Prepaid Expenses, Accounts Payable, and Accrued Expenses. The increase of \$9.8 million of working capital in 2019-20 was due primarily to the acceleration of the receipt of philanthropy from Uncommon. Such philanthropy has historically been transferred to North Star in August of each year, but will be transferred in June of each year on a going-forward basis.

⁽¹⁶⁾ Represents expected annual change in cash balance at the Foundation primarily from coverage ratio funds collected on most leases, including on the Project Facilities for the 2020 Bonds. Also includes the use of Foundation resources for real estate and financing activities, including the contribution of equity to the Series 2020 Bonds.

⁽¹⁷⁾ Days Cash on Hand calculated as Ending Cash Balance multiplied by 365 divided by Operating Expenses.

Source: North Star.

NORTH STAR FACILITIES AND RELATED FINANCING

Overview

North Star operates 14 schools across eight campuses. The table below shows the relationships among the various campuses, schools and facilities in the North Star network.

All of North Star's schools are currently in facilities that were either newly constructed or significantly improved to meet the needs of the full North Star system. Other than smaller, currently planned or already in progress larger projects, North Star does not anticipate significant capital needs for any existing facility beyond normal routine maintenance.

All of the facilities are compliant with all local zoning, building and land use regulations. All facilities are either exempt from property taxes or were recently completed and are expected to be granted exemptions within the next 12-18 months.

TABLE 20
CAMPUSES AND FACILITY ENROLLMENT
North Star

				<i>SPE</i>			
<i>Campus</i>	<i>Schools at Campus</i>	<i>Facility</i>	<i>Associated SPE</i>	<i>Ownership Structure</i>	<i>North Star Lease Term</i>	<i>Enrollment (2020-21)</i>	<i>Approximate Capacity</i>
Downtown	Washington Park HS	13 Central Avenue	NSA Central Avenue, LLC	SPE Owns	2025	725	870
	Downtown MS / Offices	559 Broad Street	NSA 559 Broad Street, LLC	SPE Owns	2033		
	Downtown MS	10 Washington Place	10 Washington, LLC	SPE Owns	2041		
	Downtown MS	18 Washington Place	NSA 18 Washington Place, LLC	SPE Owns	2044	370	370
Clinton Hill	Clinton Hill MS	600 Clinton Avenue	NSA Clinton Avenue, LLC	SPE leases from landlord ⁽¹⁾	2041	370	370
Vailsburg	Vailsburg ES	24 Hazelwood Avenue	NSA Hazelwood Avenue, LLC	SPE Owns	2033	463	463
	Vailsburg MS					371	370
Alexander	Alexander ES	43 Alexander Street	N/A	N/A	2046 ⁽²⁾	463	463
Fairmount	Fairmount ES	108 S. 9 th Street	N/A	N/A	2046 ⁽²⁾	468	463
	Liberty ES					463	463
Central Avenue	Central Avenue MS	72 Central Avenue	NSA 72 Central Avenue, LLC	SPE leases from Diocese ⁽³⁾	2041	371	370
Lincoln Park	Lincoln Park ES	377 Washington Street	NSA 377 Washington Street, LLC	SPE Owns	2045	464	463
	Lincoln Park MS					185	370
	Lincoln Park HS					651	870
West Side Park	West Side Park ES	571 18 th Avenue	NSA 18 th Avenue, LLC	SPE Owns	2048	464	463
	West Side Park MS					371	370
Totals						6,200	6,736

⁽¹⁾ NSA Clinton Avenue, LLC leases from Blessed Sacrament/Saint Charles Borromeo Church, pursuant to Agreement of Lease (Building), dated as of December 12, 2008, for a term ending on August 30, 2058.

⁽²⁾ North Star leases facility from NPS.

⁽³⁾ NSA 72 Central Avenue, LLC leases from Saint Patrick's Church, pursuant to Lease Agreement, dated June 17, 2015, for a term ending July 31, 2090.

Source: The Foundation.

Projected Lease Obligations

North Star has no direct debt obligations related to any of its facilities and does not own any of its facilities, but all of its facilities are secured with long-term leases. Two properties are leased directly from NPS in which rent is fixed with small CPI increases for the first 15 years (adjustment occurs in 2029 in the first lease and in 2032 in the second lease). In addition to the Project (as defined in the forepart of this Limited Offering Memorandum), two other refinancings are expected to occur, one in December 2020 and the other in 2024, which are incorporated into the pro forma estimates set forth below. Other than those such refinancing events, North Star rent is fixed for a period of between 12 and 30-years. The table on the following page sets forth the lease payments for each entity.

North Star assesses rent and other facilities costs to the budget of each individual school according to the number of students enrolled at the school rather than allocating to any single school the actual cost of its facility. This ensures that facility costs are distributed equitably among all schools.

North Star's rent on most of its facilities (those owned or controlled by special purpose entities owned by the Foundation), is in an amount that is approximately 15% more than the direct debt associated with that facility. Collection of these additional funds only began in 2016, but the Foundation's cash balance is expected to grow considerably in the future. Consistent with the Foundation's mission, these funds will support North Star capital projects and other North Star needs.

TABLE 21
PROJECTED LEASE PAYMENTS
North Star

Fiscal Year Ending June 30,	2												Alexander Annex (NPS - TEMP)
	MLK / South 9th (NPS)	Alexander Avenue (NPS)	13 Central Avenue	Washington Place (559 Broad) [†]	24 Hazelwood Avenue [†]	10 Washington Place	600 Clinton Avenue	72 Central Avenue	18 Washington Place [†]	377 Washington Avenue [†]	18th Avenue [†]		
2021	\$10,617,330	\$386,111	\$243,070	\$1,600,000	\$210,536	\$1,204,358	\$345,384	\$528,890	\$ 777,108	\$603,696	\$2,527,962	\$2,112,000	\$78,214
2022	10,724,904	392,289	246,959	1,600,000	224,980	1,288,132	345,384	528,890	777,108	603,696	2,526,000	2,112,000	79,466
2023	10,736,404	398,566	250,911	1,600,000	224,980	1,288,132	345,384	528,890	777,108	603,696	2,526,000	2,112,000	80,737
2024	11,367,587	404,943	254,925	1,600,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	82,029
2025	11,380,941	412,232	259,514	1,600,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	83,505
2026	11,209,536	419,652	264,185	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	85,008
2027	11,136,836	427,206	268,940	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2028	11,149,367	434,896	273,781	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2029	11,162,123	442,724	278,709	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2030	11,175,109	450,693	283,726	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2031	11,188,328	458,805	288,833	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2032	11,201,786	467,064	294,032	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2033	11,215,486	475,471	299,325	1,415,000	224,980	1,288,132	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2034	11,308,704	484,029	304,713	1,415,000	236,786	1,355,598	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2035	11,481,449	492,742	310,198	1,415,000	260,400	1,490,532	345,384	528,890	777,108	603,696	3,145,500	2,112,000	--
2036	11,439,218	501,611	315,781	1,415,000	260,400	1,490,532	345,384	528,890	720,424	603,696	3,145,500	2,112,000	--
2037	11,170,511	510,640	321,465	1,415,000	260,400	1,490,532	345,384	528,890	437,004	603,696	3,145,500	2,112,000	--
2038	11,185,489	519,832	327,252	1,415,000	260,400	1,490,532	345,384	528,890	437,004	603,696	3,145,500	2,112,000	--
2039	11,200,737	529,189	333,142	1,415,000	260,400	1,490,532	345,384	528,890	437,004	603,696	3,145,500	2,112,000	--
2040	11,444,783	538,714	339,139	1,415,000	260,400	1,490,532	345,384	528,890	437,004	832,220	3,145,500	2,112,000	--
2041	11,460,584	548,411	345,243	1,415,000	260,400	1,490,532	345,384	528,890	437,004	832,220	3,145,500	2,112,000	--
2042	11,246,392	558,282	351,458	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2043	11,262,767	568,331	357,784	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2044	11,279,437	578,561	364,224	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2045	11,296,407	588,975	370,780	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2046	11,313,683	599,577	377,454	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2047	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2048	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2049	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2050	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2051	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2052	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2053	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2054	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2055	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2056	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2057	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2058	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2059	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--
2060	11,331,269	610,369	384,248	1,415,000	260,400	1,490,532	276,000	460,000	345,000	832,220	3,145,500	2,112,000	--

[†] Lease provides for increased lease payments by North Star in respect of the applicable landlord's additional carrying costs and other charges and expenses in certain circumstances relating to such landlord's indebtedness, including loss or reduction of direct subsidy payments or tax credits on qualified tax credit bonds, and refinancing of such indebtedness. See "RISK FACTORS – Acceleration of Outstanding Debt and Increase of Rent Under North Star Leases" and " – IRS Audits of Previous Transactions" in the forepart of this Limited Offering Memorandum.

Source: The Foundation.

North Star Facilities Plans

Capital projects for North Star are planned annually by the Uncommon real estate team in consultation, review and approval by the North Star operations team and board. Each current facility is reviewed annually, which informs a rolling 20-year building management, maintenance and repair plan. Additionally, school growth and location plans are reviewed to inform new facility needs over a longer-term. All planning work is done in conjunction with the Uncommon finance team and incorporated into budget sensitivities and stress tests. This process has been in operation for the past nine years and informed all of the facility projects undertaken at North Star for summer maintenance and repair work, and by Uncommon affiliates for all acquisition, new construction or renovation work, save the first two earliest acquisitions.

Where feasible, North Star pays for capital expenditures out of its operating budget. In total, North Star spent more than \$37 million on capital projects over the last twelve years, ranging from \$400,000 to \$10

million, as needed. In addition, North Star spends approximately \$2 million annually in furniture, fixtures, equipment, and general facility operating needs. Beginning in fiscal year 2020-21, as the Foundation is operating and collecting rent in excess of direct debt obligations (as described above), the Foundation is expected to cover a portion of the cost of North Star's capital projects.

In addition to planning and financial modeling work, as part of the management agreement between Uncommon and North Star, Uncommon provides more extensive finance and real estate services. Uncommon has a proven record of managing both complex financings and complex construction projects. Financings have included nine tax-advantaged bond products, short-term, mid-term, and long-term commercial bank loans, tax-credit financings and construction loans. Construction management and development has ranged from minor repairs over the summer of between \$500,000 and \$15 million to multi-year new construction or major renovations of between \$23 million and \$70 million. Every Uncommon managed project was managed on-time and on-or-under-budget. All in, Uncommon has managed more than 20 capital projects over the last 10-years; including all of North Star's projects.

ADDITIONAL NORTH STAR INFORMATION

Insurance

North Star maintains insurance coverage related to property, casualty and liability claims that is comparable to insurance coverage maintained by other New Jersey public schools. Insurance is provided via the New Jersey School Insurance Group. During construction on facilities not presently occupied by North Star, builders risk and liability are held by the landlord.

Transportation

Elementary school students are primarily dropped off at school by families. Typically, North Star has seen approximately half of middle school students dropped off by parents and North Star distributes bus tickets from the Newark Board of Education to the remainder of students. The majority of high school students receive bus tickets; the remainder walk.

Employee Data

North Star employees are not unionized. In New Jersey, all charter school teachers are required by law to be part of the New Jersey State Teachers' Pension and Annuity Fund (as described below). North Star starting salaries for teachers is slightly above the local public schools.

For the 2020-21 school year, North Star employs 659 staff members and has a student-teacher ratio of approximately 13:1. The following tables provide information regarding North Star's faculty and staff for the years indicated. The teacher retention data below do not account for life transitions or North Star staff who were promoted to other positions within the organization.

TABLE 22
TEACHER STAFFING LEVELS AND RETENTION
North Star

<i>Year</i>	<i># of Teachers</i>	<i>% Teacher Retention⁽¹⁾</i>
2016-17	370	71%
2017-18	402	76
2018-19	437	73
2019-20	474	70
2020-21	477	80

⁽¹⁾ Teacher retention reflects the percent of teachers who were active at the start of the prior year and still employed at North Star in the school year shown.

Source: North Star.

TABLE 23
FACULTY AND STAFF
North Star
2020-21

<i>Position</i>	<i># of Staff</i>
Teachers	481
School Leaders (Principals, Deans, DOOs)	47
Staff Development Directors	16
College Counselors and Alumni Liaisons	11
Office Managers	16
Custodians	13
Coordinators, Social Workers, Therapists	40
Nurses	10
Other Support	17
Ops/Principal Fellows	8
Total	659

Source: North Star.

Pension and Benefits

Eligible North Star employees participate in either the Public Employees' Retirement System ("PERS"), or the Teachers' Pension and Annuity Fund ("TPAF") which operate by statute and are administered by the New Jersey Division of Pension and Benefits (the "Division"). According to the State of New Jersey Administrative Code, all obligations of both PERS and TAPF will be assumed by the State of New Jersey should the systems terminate. The Division issues a publicly available annual financial report that includes the financial statements and required supplementary information for both PERS and TPAF.

Accounting Matters

The accounting records for Uncommon and North Star reflect generally accepted accounting principles, as promulgated by the Financial Accounting Standard Board (FASB) and the Government Accounting Standards Board (GASB), respectively.

Uncommon and North Star are each required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,"

and the State Treasury Circular Letter 15-08 OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments.”

In the opinion of Uncommon and North Star there has been no material adverse change in the financial condition of either Uncommon or North Star since June 30, 2019, the most recent date for which audited financial statements are available for each entity.

Potential purchasers of the Bonds should carefully examine the audited financial statements for both Uncommon and North Star that are included as Appendix B to this Limited Offering Memorandum, in their entirety for more information regarding the financial position of both entities.

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 Uncommon, the Foundation or North Star, threatened, affecting the validity of the Lease or the Bonds or contesting the corporate existence of the Borrower, North Star or Foundation, or North Star’s authority to operate pursuant to its charter.

North Star and the Foundation are subject to lawsuits and claims in the ordinary course of their operations. In the opinion of the management of the Foundation, North Star and Uncommon, who manages all litigation related issues for the Foundation, North Star and the Borrower, the aggregate amount of the uninsured liabilities for such lawsuits and claims will not materially affect the finances of the Foundation, the Borrower or North Star, or North Star’s operation of its charter schools.

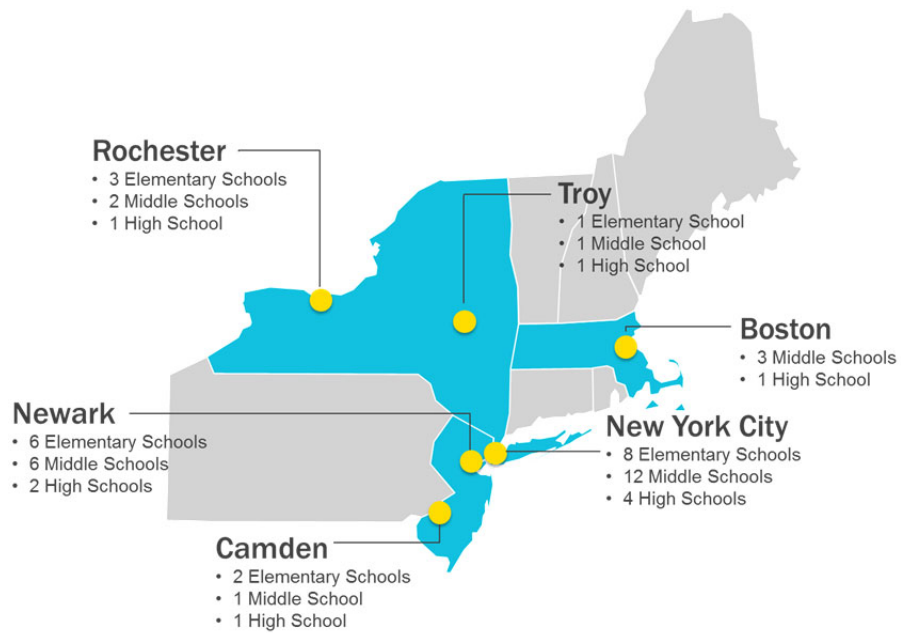
UNCOMMON SCHOOLS, INC.

Uncommon provides various services to North Star pursuant to the Management Agreement. See “NORTH STAR MANAGEMENT AND LEADERSHIP – Management Agreement” herein. Pursuant to the Foundation’s bylaws, Uncommon appoints two-thirds of the board of directors of the Foundation. However, North Star is not affiliated with Uncommon, and Uncommon is not a source of payment of North Star’s obligations under the Lease, the Borrower’s obligations under the Loan Agreement or the debt service on the Series 2020 Bonds.

As of the 2020-21 school year, Uncommon operates 55 schools in six cities and three states, serving approximately 20,650 students. For the 2019-20 school year, which is representative of prior years, 82% of Uncommon students were economically disadvantaged, and 93% were students of color (Black or Latino). The following figure is a graphical depiction of the Uncommon network of schools.

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FIGURE 21
NETWORK OF SCHOOLS
 Uncommon
 2020-21

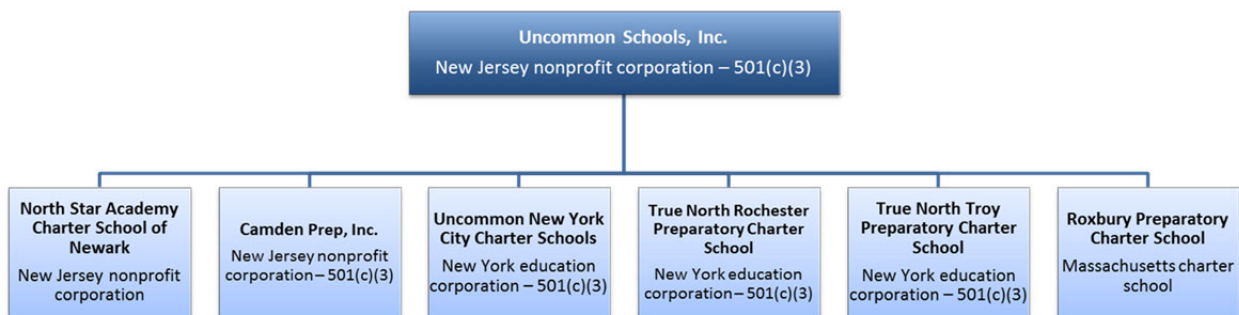


Source: Uncommon.

Ninety-nine percent of Uncommon seniors have been accepted into 4-year colleges and 97% have gone on to matriculate to 2- or 4-year colleges. Overall, five times as many Uncommon alumni graduate from college compared to their low-income peers.

The following figure shows an overview of each charter school network managed by Uncommon.

FIGURE 22
CHARTER SCHOOL NETWORK
 Uncommon
 2020-21



Source: Uncommon.

Mission

College is crucial. Uncommon believes a Bachelor’s degree should be within reach for every young person in this nation. Uncommon’s mission is to start and manage outstanding urban charter public schools that close the achievement gap and prepare low-income students to graduate from college.

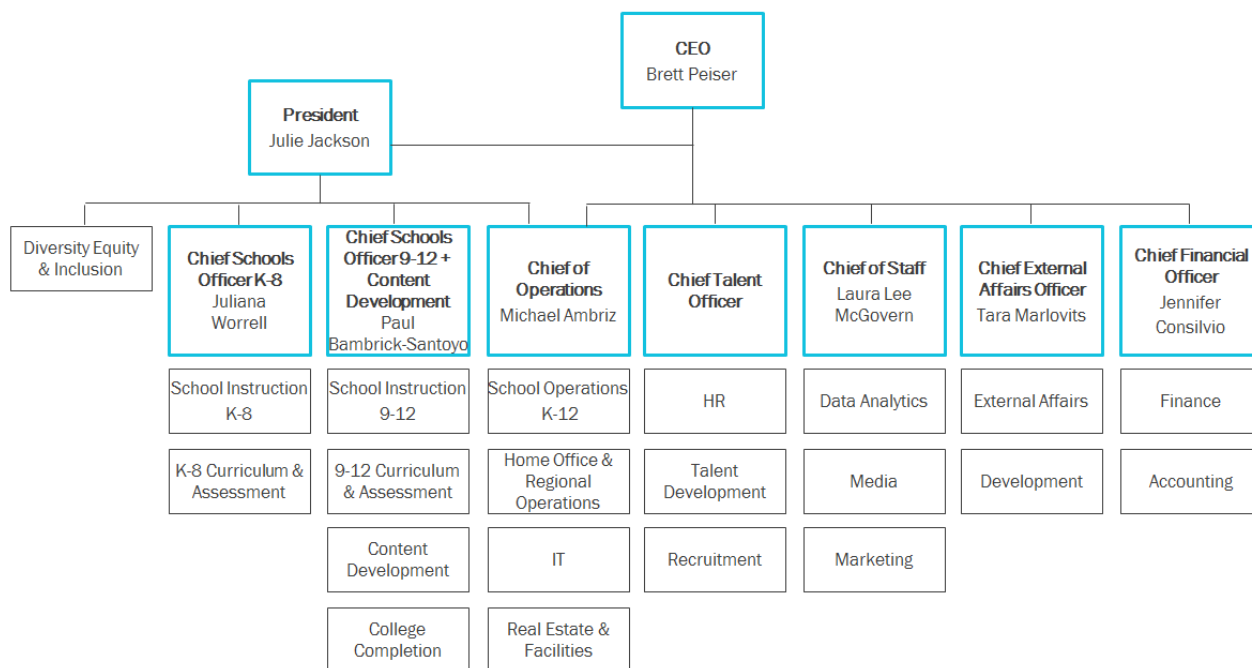
Horace Mann, one of the founders of American public education, believed that building “*common schools*” for the nation’s young people was the single most powerful way to bring about a society of equals. Still today, too many students in low-income school districts struggle to get to and through college because they do not have the same opportunities as students in wealthier neighborhoods. Uncommon recognizes that today, it takes “*uncommon schools*” to truly achieve equality.

Every morning, the doors of the Uncommon schools open to defy this injustice and to celebrate the achievement that is possible. Since the opening of North Star in 1997, Uncommon has been demonstrating that the most revolutionary teaching practices are not happening in the suburbs or elite private schools. Instead, they are happening in urban districts like those in which Uncommon operates. Every day, Uncommon challenges the ingenuity and mettle of its scholars. Along the way, Uncommon celebrates the tenacious effort that leads to true achievement – and ultimately, to a college diploma.

Uncommon Management & Board

Uncommon board members are selected based on a clear dedication to education and the Uncommon mission. The school boards also include 1-2 parent representatives and where possible board members who are also engaged members of the local community. Uncommon Board members serve for two-year terms and may serve for an unlimited number of terms. Board members may be removed for cause upon an affirmative vote by the majority of the full membership of the Board.

FIGURE 23
LEADERSHIP ORGANIZATIONAL CHART
Uncommon



Source: Uncommon.

Listed below are the members of the Board of Trustees of Uncommon, followed by biographical information on key members of the Uncommon administrative team. Uncommon and each of the regional entities has a formal conflicts of interest policy and board members sign annual disclosure statements.

TABLE 24
BOARD OF TRUSTEES
Uncommon

<i>Name</i>	<i>Company</i>	<i>Title</i>	<i>Years of Membership</i>
Norman Atkins, <i>Chair</i>	Together Education	Co-Founder; President	14
Laura Blankfein, <i>Development Committee Chair</i>	Association to Benefit Children	Development Specialist	3
Allison Blitzer	Blitzer Family Foundation	Founder	2
Cecily Carson	The Carson Family Charitable Trust	President	5
David Cooper, <i>Governance and Nominating Committee Chair</i>	Bain & Company Consulting	Vice President; Director of Bain's Consumer Products Practice	11
C.C. Melvin Ike	Blackstone	Principal, Tactical Opportunities Group	0
Gaurav Kapadia	Xn	Founder	7
Robert Karr	Joho Capital, LLC	Principal	13
Donald R. Katz	Audible, Inc.	Chief Executive Officer; Chairman	14
William M. Lewis, Jr.	Lazard Ltd.	Managing Director and Co-Chairman of Investment Banking	2
Robert Marcus, <i>Finance Committee Chair</i>	Time Warner Cable	Former Chief Executive Officer; Former Chairman	3
Rondo Moses	Stratex Management Consulting	Managing Partner, Strategy Execution and Performance Management	10
Brett Peiser	Uncommon Schools	Chief Executive Officer	7
Brooke Reid, <i>Audit Committee Chair</i>	Macy's	Treasurer	6

Source: Uncommon.

Brett Peiser; Chief Executive Officer, Uncommon Schools. See a brief biography for Brett Peiser under the heading “NORTH STAR ACADEMY FOUNDATION, INC.” herein.

Julie Jackson, President, Uncommon Schools. See a brief biography for Julie Jackson under the heading “NORTH STAR MANAGEMENT AND LEADERSHIP – Current Leadership” herein.

Michael Ambriz, Chief of Operations, Uncommon Schools. See a brief biography for Michael Ambriz under the heading “NORTH STAR MANAGEMENT AND LEADERSHIP – Current Leadership” herein.

Jennifer Consilvio, Chief Financial Officer, Uncommon Schools. Jennifer Consilvio joined Uncommon as Chief Financial Officer in January 2019. Prior to Uncommon, Ms. Consilvio spent 18 years at the American Civil Liberties Union (“ACLU”), most recently as their Chief Financial Officer. As the ACLU’s CFO, Ms. Consilvio oversaw an operating budget of \$275 million and an investment portfolio of \$500 million. Ms. Consilvio also led the organization’s financial planning during its rapid expansion after the 2016 presidential election, where the organization saw its membership quadruple in size and its operating budget double. During her tenure, Ms. Consilvio also implemented new accounting and budgeting systems to ensure more timely and accurate reporting of financial information to both senior management and the Board of Directors; managed the financial relationships between the national office of the ACLU and its 50 affiliates; ensuring that the organization had a strong Nationwide presence; and developed a multi-year budgeting process, allowing the organization to plan for both the near and long term. Ms. Consilvio served in the Peace Corps in Niger, West Africa after graduating from college, where she worked on resource conservation and micro-loan projects. Ms. Consilvio received her Master of Science degree in Financial Statement Analysis

from the City University of New York, Baruch College, and her Bachelor of Arts degree in International Studies from Johns Hopkins University.

Laura Lee McGovern, Chief of Staff, Uncommon Schools. Ms. McGovern serves as a member of the Executive Team at Uncommon, where she oversees data analytics, marketing and media, and focuses on strategy, and organizational effectiveness and leadership. Prior to becoming Chief of Staff, Ms. McGovern served as founding Chief Operating Officer of Uncommon’s middle and high schools in New York City and founding Co-Director of Operations at Kings Collegiate Charter School. Before joining Uncommon, Ms. McGovern was the founding Director of Analytics in student enrollment at the New York City Department of Education and was an Engagement Manager at Katzenbach Partners LLC, a management consulting firm. Ms. McGovern is a Pahara-Aspen Fellow and a former Education Pioneer. She received her MBA from Harvard Business School, where she was a Baker Scholar and co-leader of the Education Leadership Group. Ms. McGovern earned her B.A. in Social Studies at Harvard College and was elected to Phi Beta Kappa.

Tara Marlovits, Chief External Affairs Officer, Uncommon Schools. Ms. Marlovits joined Uncommon in 2006 when she co-founded Leadership Prep Bedford-Stuyvesant as Director of Operations and then served as the Chief Operating Officer of the New York City region for nine years. Prior to joining Uncommon, Ms. Marlovits worked in fundraising and development, and helped to start a high school for low income students. Ms. Marlovits has a B.A. from the College of Holy Cross and an M.A. from Harvard Divinity School.

Teacher Recruitment and Retention

Uncommon employs a 23-person recruiting team. Like all Uncommon divisions, the recruitment team drives its work with data. For example, when the team found that some of the best candidates came from staff referrals, it started a program to incentivize referrals. The team also implemented a new recruitment system, that allows them to assess which sources result in the highest number of qualified candidates, allowing the team to focus their efforts on strategies that result in the highest return on investment.

Teacher retention rates for the four most recent school years are shown in the table below.

TABLE 25
TEACHER RETENTION
Uncommon

<i>Years</i>	<i>Boston</i>	<i>Camden</i>	<i>Newark</i>	<i>NYC</i>	<i>Rochester</i>	<i>Troy</i>	<i>Uncommon</i>
2016-17 to 2017-18	69%	62%	76%	66%	76%	70%	73%
2017-18 to 2018-19	59	79	73	69	78	73	73
2018-19 to 2019-20	68	60	70	65	74	77	68
2019-20 to 2020-21 ⁽¹⁾	69	68	80	77	86	81	78

⁽¹⁾ Preliminary.

Source: Uncommon.

Education Innovations

Uncommon’s influence on teaching and the charter sector extends well beyond its schools. Uncommon has a track-record of both innovating and disseminating best practices. Uncommon staff authored 12 widely-circulated books that have sold over three million copies worldwide on teaching pedagogy and classroom management best practices. Uncommon provides leadership and teacher training across the country in stand-alone partnerships with districts, and as part of Teach Like a Champion™ and the Relay Graduate School of Education, as described in detail below. In addition, Uncommon has made its extensive online learning platform, which includes videotaped lessons from master teachers across all subjects and grades, open to all during the school closures due to COVID-19.

Relay Graduate School of Education. In 2007, Uncommon founded, along with Achievement First and KIPP NYC, Relay Graduate School of Education (“Relay”), which revolutionized how teachers are trained nationwide. In its start-up years, Relay was associated with Hunter College, for purposes of degree granting authority. In 2011, Relay became an independent graduate school and was granted a charter by the New York State Board of Regents, making it the first new stand-alone graduate school of education in over 80 years in New York State. Relay is the first graduate school of education in the country to require students to achieve clear student progress benchmarks in order to graduate. Relay, now led by Uncommon founder and board chair, Norman Atkins, is currently training 2,000 teachers and 400 school leaders across the US. Relay’s current locations (cities / state) are Baton Rouge and New Orleans, Louisiana; Chicago, Illinois; Connecticut; Dallas/Ft. Worth, Houston and San Antonio, Texas; Delaware; Denver, Colorado; Memphis and Nashville, Tennessee; New York City, New York; Camden and Newark, New Jersey; Philadelphia, Pennsylvania.

Teach Like a Champion™. Teach Like a Champion™, an Uncommon program for disseminating teaching methods, shares teaching methods through workshops, video training modules, and 6 publications. Combined, these efforts have reached over 30,000 school leaders, principals and teachers across 45 states and 14 countries.

District Partnerships. Uncommon works hard to develop partnerships with its local districts. In the partnership with Newark Public Schools, Uncommon and North Star leaders provided observation and feedback professional development workshops and additional ongoing support to principals and vice principals. Uncommon is also in its fifth year of a partnership with the New York City Department of Education. Uncommon believes the growth of the New York City program is attributable to its success and positive feedback received from teachers and school leaders. In the 2017-18 school year, Uncommon and the Camden City School District launched a partnership utilizing the Great Habits Great Readers™ model.

Camp Uncommon. Uncommon started Camp Uncommon, which is now a separate organization called Change Summer, as a way to increase students’ social, emotional, and non-cognitive skills (e.g., self-confidence, responsibility, independence, and curiosity) and create an additional pipeline for strong, diverse teacher candidates for the schools by providing exposure to Uncommon for counselors new to the organization. In Summer 2019, 1,017 Uncommon middle school students from Boston, Camden, Newark, New York City, Troy, and Rochester attended along with staff members.

Awards and Recognition. Uncommon was the 2013 Winner, and a 2018 Finalist, for the Broad Prize, which honors the public charter management organization that has demonstrated the best academic outcomes, particularly for students from low-income backgrounds and students of color.

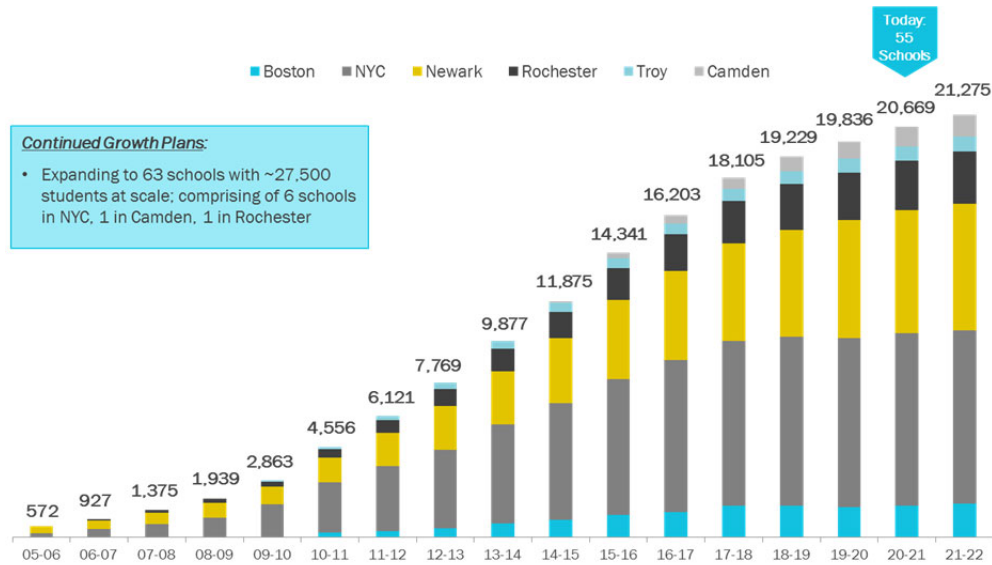
Center for Research on Education Outcomes at Stanford University published a report on January 30, 2013, entitled *Charter School Growth and Replication*, which found that “attending an Uncommon School had significant positive effects in both math and reading for students in poverty,” and that such effects “are large enough that they completely cancel out the negative effect associated with being a student in poverty.”

Student Demand Data

In each region, enrollment efforts look slightly different. In Newark, and in Camden, city-wide enrollment programs operate. Other regions operate more typical charter school enrollment lotteries, as described above. All regions have met their enrollment goals in the past, and Uncommon expects them to continue doing so in the future.

The following figure shows the growth in Uncommon enrollment over time, in each region.

FIGURE 24
HISTORICAL AND PROJECTED ENROLLMENT GROWTH
 2005-06 through 2021-22
 Uncommon



Source: Uncommon.

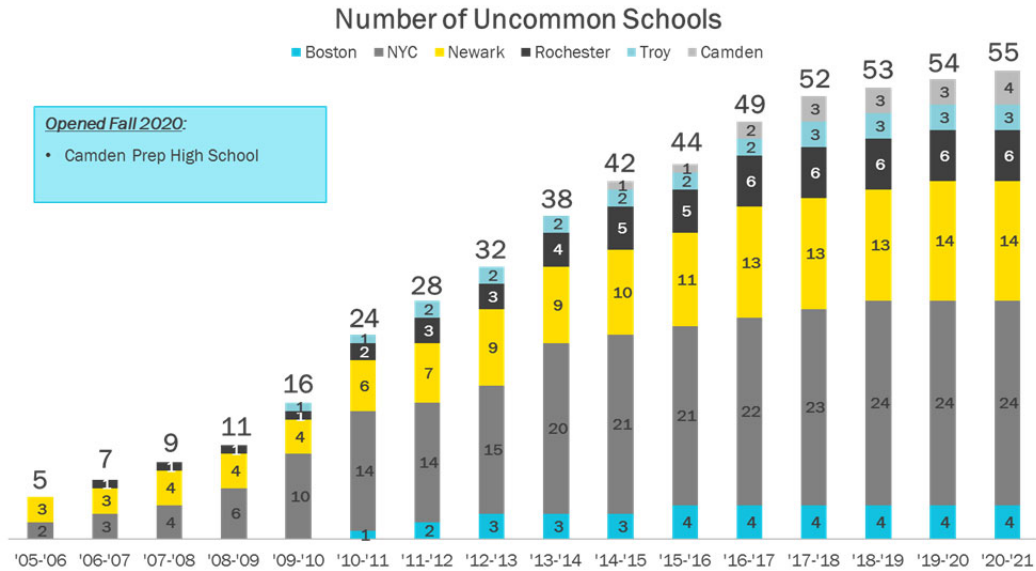
Uncommon Network Growth

The following figures show the total number of schools and students in the Uncommon network, and the students by grade level. Uncommon’s philosophy on opening schools is to open them “as fast as we can, but as slow as we must”. This philosophy honors two principles: one, Uncommon’s mission to serve as many students as possible in its current regions, and two, that identifying leaders dictates the timing of a school opening.

Over the next several years, Uncommon expects to open three more schools in NYC, one more in Camden and one more in Rochester as part of existing approved growth plans. The additional plans in Newark are for 5-7 additional schools to be opened at the point that Uncommon and North Star have leadership and facilities secured beginning in the next 3-6 years.

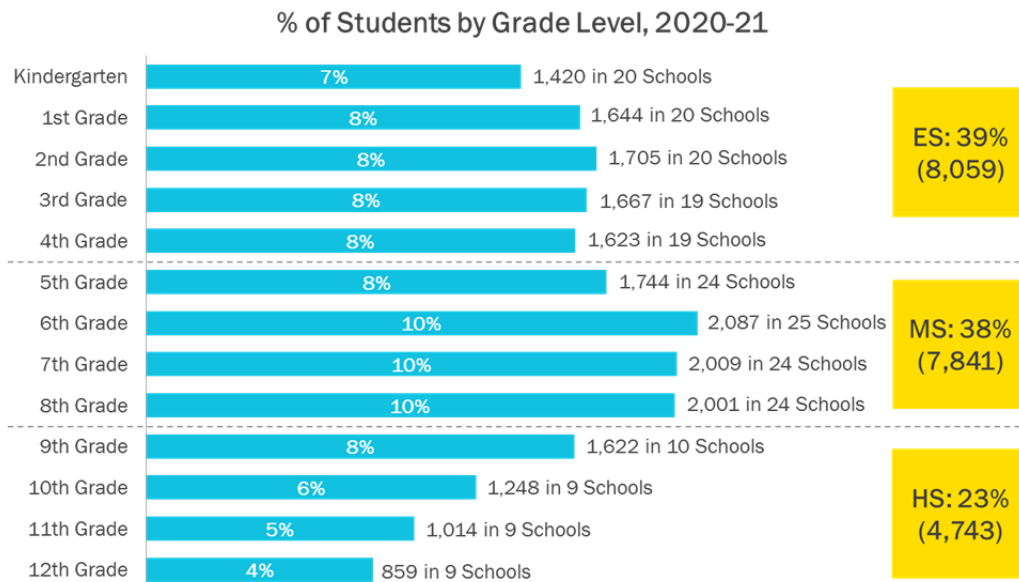
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FIGURE 25
SCHOOLS IN UNCOMMON NETWORK
 Uncommon
 2005-06 through 2020-21



Source: Uncommon.

FIGURE 26
STUDENT ENROLLMENT BY GRADE LEVEL
 Uncommon
 2020-21



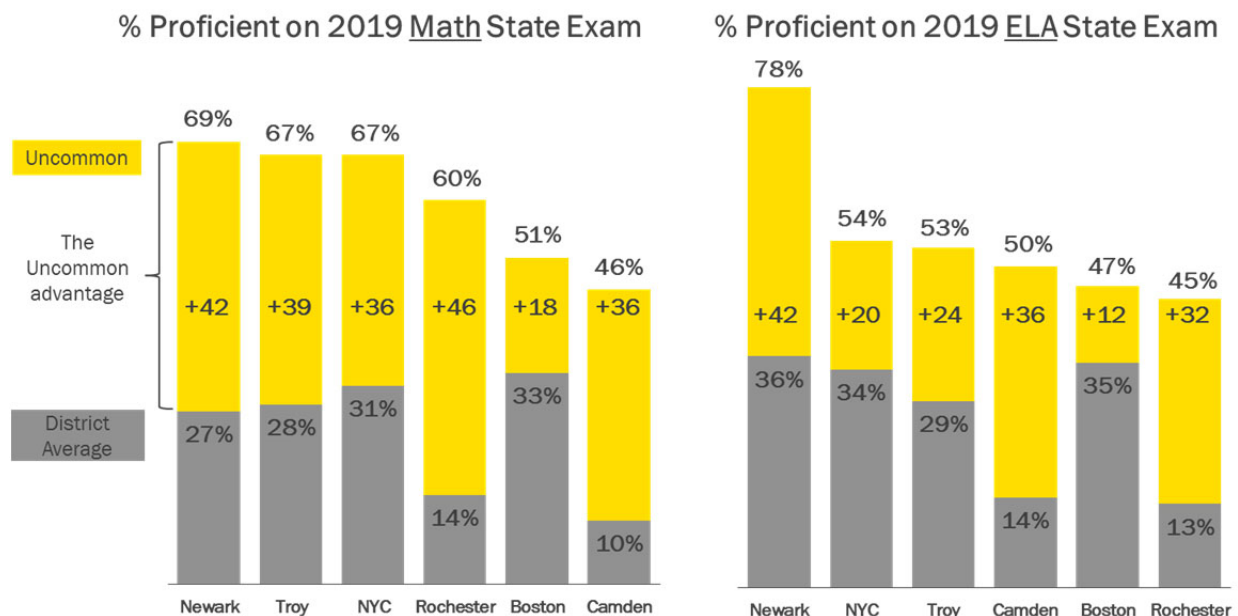
Source: Uncommon.

Consistent Academic and Operational Performance

As described above in reference to North Star’s management and operations, Uncommon supports all of its schools to result in the highest levels of student achievement. The operating model described for North Star is the model followed in all Uncommon regions. Cohorts of leaders from each region meet regularly (depending on the topic and need, the frequency ranges from monthly to quarterly) to share best practices, identify areas of collaboration, jointly assess operational or academic pain points and create solutions, and create systems for interacting to support each other. Network-wide, approximately 20,000 Uncommon students attend schools that outperform their local districts, 99% of Uncommon seniors have been accepted to 4-year colleges and 97% have gone on to matriculate to 2- or 4-year colleges. Approximately five times as many Uncommon alumni graduate from college, compared to their low-income peers.

The following graphic shows the performance of Uncommon students in each region on state assessments, compared against the local district performance, in mathematics and ELA in 2019.

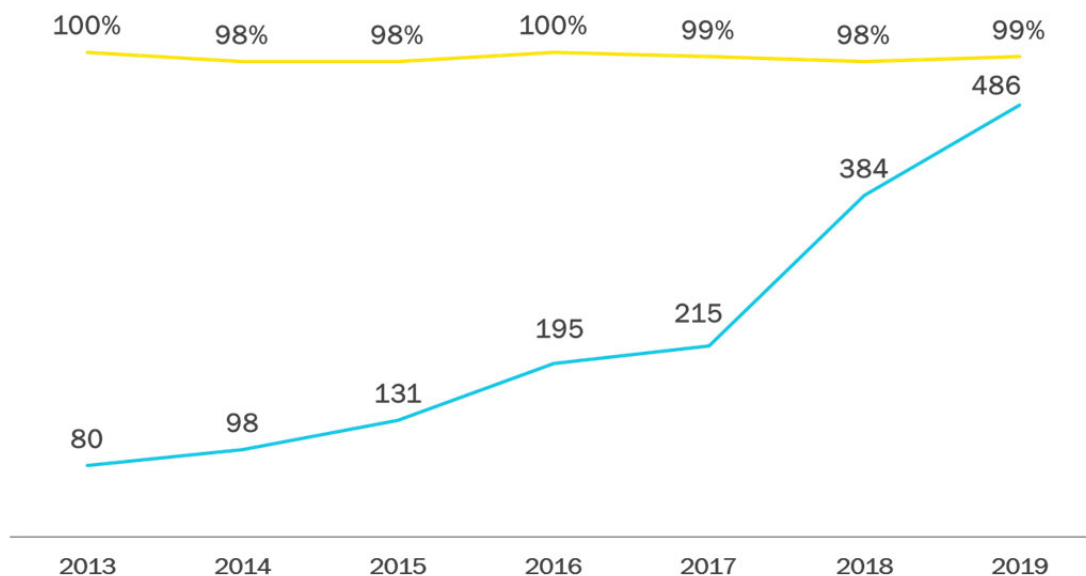
FIGURE 27
PERCENT OF STUDENTS PROFICIENT ON MATH AND ELA STATE EXAMS
 Uncommon and Local Districts
 2019



Source: Uncommon.

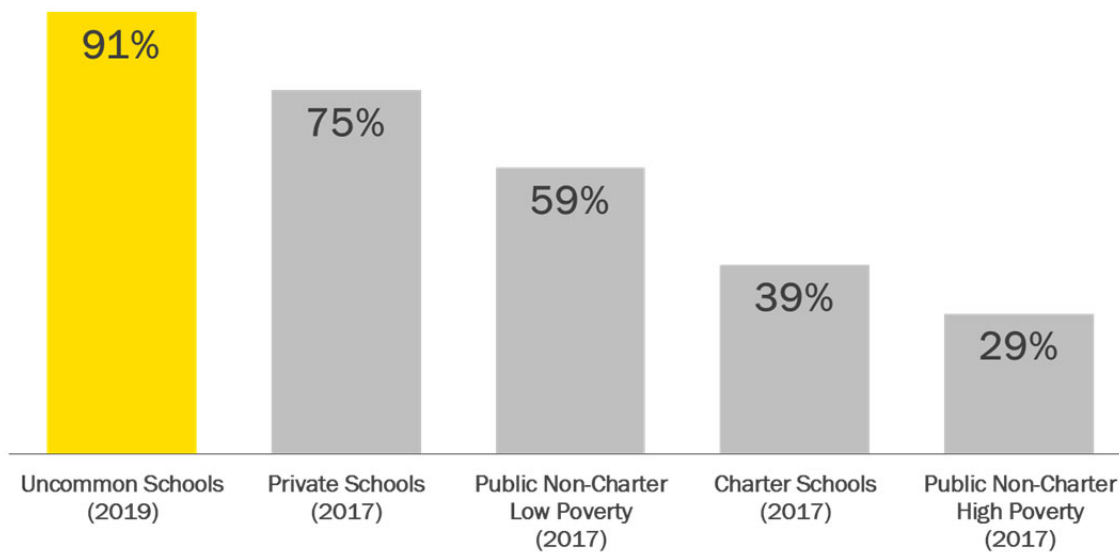
The following graphics highlight the growth of Uncommon graduates being accepted to 2- and 4-year colleges, the comparison in percentage of students attending college against other public, charter and private schools, and the comparative percentage of students graduating from college.

FIGURE 28
NUMBER AND PERCENTAGE OF STUDENTS ADMITTED TO 2- and 4-YEAR COLLEGES
 All Uncommon Schools
 2012-13 through 2018-19



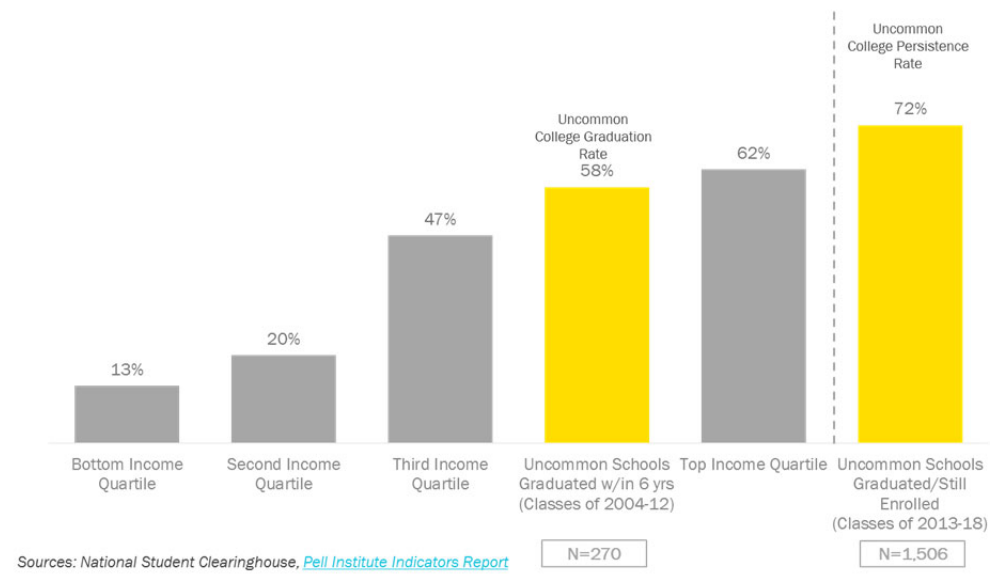
Source: Uncommon.

FIGURE 29
PERCENTAGE OF STUDENTS ENROLLING IN 4-YEAR COLLEGES
WITHIN 6 MONTHS OF GRADUATION
 Uncommon and National



Source: Uncommon.

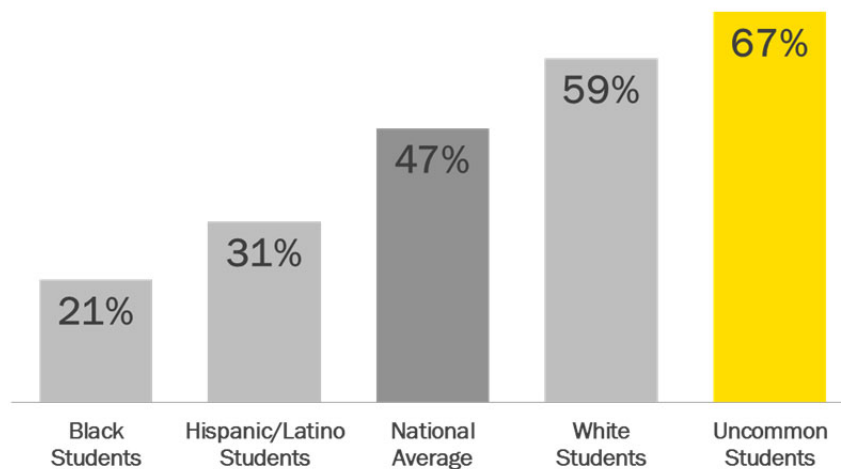
FIGURE 30
PERCENT OF STUDENTS GRADUATING FROM FOUR-YEAR COLLEGE
 Uncommon and National



Source: Uncommon.

The following graphic highlights the performance by Uncommon students on the SAT, compared to students nationally.

FIGURE 31
STUDENTS SCORING 1010 OR HIGHER ON THE SAT
 Uncommon and National
 Class of 2019



Source: Uncommon.

Summary of Financial Results

Financial information for Uncommon is provided in the figure below for the years indicated. The Foundation's financial results are consolidated with those of Uncommon, and therefore included in the figures below. The most recently prepared audited financial reports for Uncommon for the fiscal year ended June 30, 2019 are attached to this Limited Offering Memorandum as Appendix B-2. The financial statements attached hereto as Appendix B-2, including related notes, should be reviewed in their entirety.

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Uncommon is not a source of payment of the Borrower's obligations under the Loan Agreement, or of the debt service on the Series 2020 Bonds. Further, although Uncommon provides certain services to North Star pursuant to the Management Agreement, North Star is not affiliated with Uncommon or included in the figures below, and Uncommon is not a source of payment of North Star's obligations under the Lease.

TABLE 26
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Uncommon
2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
ASSETS					
Current Assets					
Cash and cash equivalents	\$27,391,019	\$25,856,776	\$34,773,027	\$37,098,704	\$36,203,717
Current portion of grants and pledges receivable	2,171,896	4,665,494	2,103,531	3,903,531	4,181,351
Accounts and other receivables	4,088,193	6,233,194	7,579,381	7,210,549	12,621,179
Interest receivable	1,922,969	1,026,822	1,389,590	1,575,390	1,591,158
Current portion of restricted deposits	--	--	3,212,682	6,985,447	14,233,149
Prepaid expenses and other	226,994	651,240	947,413	1,094,309	1,010,051
Total Current Assets	35,801,071	38,433,526	50,005,624	57,867,930	69,840,605
Other Assets					
Restricted deposits, net	18,711,042	50,025,736	43,976,953	55,579,509	13,114,089
Escrow reserve accounts	--	--	--	--	--
Grants and pledges receivable, net	881,057	739,426	983,333	350,000	2,234,000
Bonds receivable, net	36,706,817	64,732,384	94,146,508	124,873,215	125,797,077
Loans receivable	8,453,113	20,259,717	20,929,250	14,929,250	14,929,250
Investment in debt instrument	--	--	--	--	--
Property and equipment, net	107,361,641	108,759,777	113,810,732	135,785,537	242,828,458
Construction in progress	745,160	25,352,324	79,206,414	109,401,368	40,195,512
Assets held for sale	--	--	--	--	--
Pledge receivable - property	25,122,496	23,944,310	22,766,127	21,587,943	20,409,760
Other	--	--	--	--	--
Financing fees, net	1,766,476	3,803,657	--	--	--
TOTAL ASSETS	\$235,548,873	\$336,050,857	\$425,824,941	\$520,374,752	\$529,348,751
LIABILITIES					
Current Liabilities					
Current portion of notes and bonds payable	\$6,767,195	\$7,969,316	\$38,834,119	\$90,248,411	\$98,280,530
Current portion of capital lease obligation	--	67,883	71,435	75,172	79,105
Accounts payable and accrued expenses	2,762,615	2,286,922	2,832,635	3,494,898	3,697,764
Current portion of accounts payable - construction	233,066	6,091,593	1,312,755	565,975	14,062,125
Grant payable	--	--	--	1,128,045	3,640,251
Accrued interest	1,112,477	1,940,573	2,533,670	3,728,209	3,682,041
Other payables	--	--	--	--	--
Deferred revenue	250,000	19,804	--	464,068	397,051
Total Current Liabilities	11,125,353	18,376,091	45,584,614	99,704,778	123,838,867
Other Liabilities					
Construction advances	--	--	1,505,029	5,393,293	946,471
Notes and Bonds Payable, net	119,305,543	199,755,740	241,044,607	287,151,718	283,034,963
Accounts payable - construction, net	--	--	15,534,603	13,042,283	--
Capital Lease Obligation, net	--	2,972,218	2,900,783	2,825,611	2,746,507
Financing Obligation	25,122,496	23,944,310	22,766,127	21,587,943	20,409,760
TOTAL LIABILITIES	\$155,553,392	\$245,048,359	\$329,335,763	\$429,705,626	\$430,976,568
NET ASSETS					
Without donor restrictions ⁽¹⁾	\$70,643,365	\$78,968,582	\$82,972,417	\$77,118,327	85,369,652
With donor restrictions ⁽²⁾	9,352,116	12,033,916	13,516,761	13,550,799	13,002,531
TOTAL NET ASSETS	\$79,995,481	\$91,002,498	\$96,489,178	\$90,669,126	\$98,372,183
TOTAL LIABILITIES AND NET ASSETS	\$235,548,873	\$336,050,857	\$425,824,941	\$520,374,752	\$529,348,751

⁽¹⁾ Prior to 2017-18, identified as "Unrestricted."

⁽²⁾ Prior to 2017-18, broken out as "Temporarily restricted" or "Permanently restricted."

Source: Audited Financial Statements of Uncommon for the fiscal years ending June 30, 2015 through June 30, 2019.

TABLE 27
CONSOLIDATED STATEMENTS OF ACTIVITIES
Uncommon
2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Management fees	\$16,313,915	\$19,472,549	\$22,290,823	\$24,877,667	\$27,825,621
Contributions	6,333,085	11,305,507	5,746,526	7,111,164	8,070,780
Rental income	3,896,230	4,870,884	6,373,687	7,167,099	12,748,944
Real estate reimbursement	2,226,858	4,634,935	1,985,922	1,917,398	2,010,331
Interest and other	3,823,186	3,863,934	7,276,958	8,508,662	9,775,674
Training and program fees	2,704,479	3,775,592	3,323,396	3,897,306	4,309,154
Subsidy income	2,076,324	2,482,421	5,020,257	6,272,260	6,781,492
Grants	1,325,129	575,499	2,233,695	5,159,678	3,351,765
Real estate development income	--	--	310,500	159,500	191,500
Net assets released from time restrictions	--	--	300,000	762,151	179,515
Net assets released from purpose restrictions	2,033,857	360,200	3,153,491	1,642,257	5,259,851
TOTAL OPERATING REVENUES	40,733,063	51,341,521	58,015,255	67,475,142	80,504,627
OPERATING EXPENSES					
Personnel and related	13,488,945	15,848,769	19,276,783	22,542,499	25,841,392
Program and grant expenses	12,269,653	11,536,061	14,739,914	22,010,966	12,194,716
Interest	7,186,706	7,857,227	13,545,717	17,160,206	21,438,030
Depreciation and amortization	3,079,934	3,503,185	3,791,532	4,398,844	6,089,144
Occupancy	3,007,884	2,510,300	3,175,659	3,197,545	3,300,246
Administrative	2,052,312	2,046,276	2,381,307	2,752,404	3,699,834
System and technology	--	--	--	1,387,301	2,238,690
TOTAL OPERATING EXPENSES	41,085,445	43,301,818	56,910,912	73,449,765	74,802,052
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	(352,382)	8,039,703	1,104,343	(5,974,623)	5,702,575
OTHER REVENUE (EXPENSE)					
Net gain on extinguishment of debt	--	567,409	1,803,897	--	1,329,260
Change in discount on loans receivable	194,619	462,354	669,533	--	--
Forgiveness of debt	--	--	11,4286	114,286	114,286
Capital grant	25,920,032	--	--	--	--
Write-off of financing fees	(99,877)	--	--	(131,285)	--
Loss on fair value adjustment to notes payable	(456,450)	--	--	--	--
Construction impairment	(1,399,932)	(185,070)	--	--	--
Loss from disposal of property and equipment	--	(759,179)	--	--	(536,675)
Net unrealized gain (loss) on long-terms debt at fair value	--	--	--	--	--
Net assets released from capital restrictions	--	200,000	311,776	137,532	2,266,167
Loan extension fees	--	--	--	--	(624,288)
TOTAL OTHER REVENUE (EXPENSE)	24,158,392	285,514	2,899,492	120,533	2,548,750
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	23,806,010	8,325,217	4,003,835	(5,854,090)	8,251,325
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	5,100,893	2,681,800	1,302,845	34,038	(548,268)
PERMANENTLY RESTRICTED NET ASSETS					
Grants and contributions	--	--	180,000	--	--
NET ASSETS, BEGINNING	51,088,578	79,995,481	91,002,498	96,489,178	90,669,126
NET ASSETS, ENDING	\$79,995,481	\$91,002,498	\$96,489,178	\$90,669,126	\$98,372,183

Source: Audited Financial Statements of Uncommon for the fiscal years ending June 30, 2015 through June 30, 2019.

Fundraising

Uncommon fundraises approximately \$10 million annually. The amount fluctuates by year and need, but the average is consistent over its 14-year history of formal fundraising for multiple regions.

Uncommon fundraises in order to start new schools, support strategic initiatives, such as its efforts to ensure Uncommon alumni complete college, pay for capital expenditures at the home office and provide support for certain capital projects in each region as needed.

In North Star's case, this philosophy translates to fundraising more than \$15.5 million in operating funds and more than \$31 million in capital funds over the past 25 years. Operating philanthropy is used to support new schools for their first few years of operations, 1-2 years for elementary schools, 2-3 years for middle schools, and for high schools until enrollment reaches a scale of 400-500 students.

North Star also has and will continue to have in to the future, regardless of scale, an annual operating philanthropic need of between \$200,000-\$400,000, to cover the costs of certain expenses not permitted to be funded from public revenue (i.e., non-instructional culture events for staff and the cost of Camp Uncommon).

Future Debt

Neither the Borrower nor North Star have any current plans to issue any new debt to fund additional capital projects. Historically, North Star allocates about \$2-3 million for capital expenditures for ongoing capital expenditures. As noted previously, the Foundation has two upcoming refinancings in December 2020 and in 2024, with the 2020 refinancing expected to include up to \$5 million of additional funds for interim renovations at two facilities. Additional debt may be incurred for future expansions.

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EXHIBIT A
NORTH STAR CHARTER



State of New Jersey

DEPARTMENT OF EDUCATION
CN 500

TRENTON NJ 08625-0500

September 3, 1997

CHRISTINE TODD WHITMAN
Governor

LEO KLAGHOLZ
Commissioner

Mr. Norman Atkins
Mr. James Verrilli
Co-Directors
North Star Academy Charter School of Newark
10 Washington Place
Newark, NJ 07102

Dear Mr. Atkins and Mr. Verrilli:

On Wednesday, February 5, 1997, Governor Christine Todd Whitman and I approved the application for the North Star Academy Charter School of Newark. This approval was contingent upon receipt of documentation not available when your application was approved. It is now my pleasure to advise you that you have met all the requirements necessary and I am hereby granting a charter to the North Star Academy Charter School of Newark. The charter will cover the period from July 1, 1997 to June 30, 2001.

The grant of this charter permits your school to open and function as a public school in accordance with your approved application and N.J.A.C. 6A:11. As the charter school is operating with a temporary certificate of occupancy and a temporary fire inspection certificate, please forward the two permanent certificates upon receipt at the end of September 1997.

I wish you a successful academic year as you begin to serve students in New Jersey.

Sincerely,

A handwritten signature in black ink, appearing to read "Leo Klagholz".

Leo Klagholz
Commissioner

LK.DFG.hem.CS.app.

c: Governor Christine Todd Whitman
David Hespe
Ellen M. Schechter
Michael Azzara
Beverly Hall
Mary Louise Malyska
Patricia Austin
Dalia Flores Georgedes



The State of New Jersey



Department of Education

This certifies that the

*North Star Academy Charter School
of Newark*

has been approved* for charter
from July 1, 1997 to June 30, 2001.

Christine Todd Whitman
Governor

Leo Klagholz
Commissioner of Education

February 5, 1997

* Approval is contingent upon receipt of the necessary documentation listed in section 19 of the New Jersey Charter Schools Application.



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

DAVID C. HESPE
Commissioner

February 29, 2016

Mr. Rick Rieder, Chairman
Board of Trustees
North Star Academy Charter School of Newark
10 Washington Place
Newark, NJ 07102

Dear Mr. Rieder:

North Star Academy Charter School of Newark opened in 1997 and is currently in its 19th year of operation. The school submitted its renewal application on October 15, 2015, and has been evaluated by the New Jersey Department of Education (Department) on its academic performance, fiscal viability, and operational stability. Pursuant to N.J.S.A. 18A:36A-17 and N.J.A.C. 6A:11-2.3(b), the New Jersey Department of Education has completed a comprehensive review of North Star Academy Charter School of Newark including the evaluation of the school's renewal application, annual reports, student performance on state assessments, site visit results, public comments, and other information in order to make a renewal decision. Based on this review, it is my pleasure to inform you that I am renewing North Star Academy Charter School of Newark for a period of five years through June 30, 2021, pending receipt of a signed Charter Agreement.

North Star Academy Charter School of Newark has a history of providing a high-quality education to its students. From 2011-12 to 2013-14, the school received a Tier Rank of 1, the highest rank possible based on the standards within the Performance Framework. In the 2014-15 school year, based on PARCC results, the school outperformed both the state and its home district of Newark in English language arts and in mathematics in elementary, middle and high school. Through the renewal process, it has been determined that the school is performing well academically and is organizationally and fiscally sound. I confirm that the school's maximum approved enrollment is in accordance with the following configuration:

Grade Level	2016-17	2017-18	2018-19	2019-20	2020-21
K	540	540	540	540	540
1	450	540	540	540	540
2	450	450	540	540	540
3	426	450	450	540	540
4	425	426	450	450	540
5	540	540	540	540	540
6	450	540	540	540	540
7	360	450	540	540	540
8	340	360	450	540	540
9	312	340	360	450	540
10	193	312	340	360	450
11	140	193	312	340	360
12	86	140	193	312	340
Total	4712	5281	5795	6232	6550

Mr. Rick Rieder, Chairman

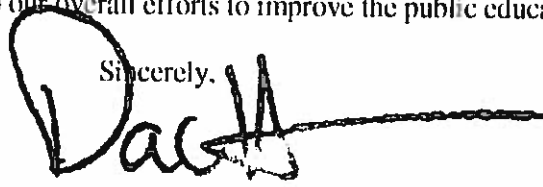
Page 2

February 29, 2016

As part of the renewal process, there is a requirement that the board of trustees for each charter school sign a Charter Agreement with the Department. The Charter Agreement is a contract between the Department and all charter schools which lays out the terms and conditions for operating a charter school in New Jersey. It is imperative that the Board signs the Charter Agreement and approves a board resolution accepting the Agreement. The Department will need the board approved resolution and signed Charter Agreement returned by May 15, 2016.

I congratulate you on the school's accomplishments and support the efforts you have undertaken to strengthen North Star Academy Charter School of Newark's academic program in order to improve student learning and outcomes. My best wishes are extended to you as you continue to serve the students of New Jersey and contribute to our overall efforts to improve the public education system.

Sincerely,

A handwritten signature in black ink, appearing to read "D Hespe", with a long horizontal line extending to the right.

David C. Hespe
Commissioner

DCH/EP/HL/S:2015-16 Renewals/ Renewal Letters/ North Star Academy Renewal

c: Evo Popoff

Yut'se Thomas

Harold Lee

Joseph Zarra

Christopher Cerf



State of New Jersey
DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

DAVID C. HESPE
Commissioner

CHARTER AGREEMENT

This agreement is executed on this 13th day of June by and between the New Jersey Commissioner of Education and the New Jersey Department of Education (the "Department"), as the Commissioner's designees, (collectively, the "Authorizer"), and North Star Academy Charter School of Newark (the "Applicant(s)") (collectively, the "Parties") to operate the **NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK** (the "School"), an independent and autonomous public school under the New Jersey Charter School Program Act, N.J.S.A. 18A:36A-1 *et seq.*

WITNESSETH:

WHEREAS the State of New Jersey (the "State") enacted the Charter School Program Act, (as amended, the "Act") codified as N.J.S.A. 18A:36A-1 *et seq.*; and

WHEREAS pursuant to sections 18A:36A-3 and 18A:36A-4 of the Act, the Commissioner of Education (the "Commissioner") has the authority to approve applications to establish charter schools in the State and thereafter to enter into agreements with applicants setting forth the terms and conditions under which a charter school is to operate; and

WHEREAS the applicant(s) ("Applicant(s)") submitted to the Authorizer an application for establishment of the School pursuant to section 18A:36A-5 of the Act (together than any addenda, the "Application"); and

WHEREAS the original application was approved by the Commissioner of Education on January 15, 1997; and

WHEREAS the School's charter has been renewed on February 29, 2016; and

WHEREAS the "Application" shall herein be defined as the initial School application, all renewal applications, and all subsequent modifications; and

WHEREAS the Commissioner granted final Charter approval on or before September 30, 1997;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, the parties hereby agree as follows:

SECTION 1. ESTABLISHMENT OF SCHOOL

1.1 Charter. This agreement (the “Charter”), which explicitly incorporates the terms of, and content set forth in, the Application, attached hereto as Exhibit A, shall be binding on the School and the Commissioner and shall be construed in accordance with all laws, rules and regulations applicable to New Jersey charter schools.

1.2 Effective Date; Term. This Charter shall take effect upon, and only upon, its execution by the Commissioner (the “Effective Date”) pursuant to section 6A:11-2.1 of the New Jersey Administrative Code (the “Regulations”), and subject to any limitations imposed herein and any provision to delay the effective date set forth in this Charter. The Charter shall expire on June 30, 2021, unless earlier revoked, surrendered or renewed. The Commissioner may grant a five year renewal following the initial four year charter.

1.3 Planning Years and Prior Actions. The School shall continue to provide instruction in conformity with the schedule set forth in the Application. Such an extension shall be identified in an Amendment to this Charter and any conditions under which an extension is offered shall be set forth there.

SECTION 2. OPERATION OF SCHOOL

2.1 Mission Statement. The School shall operate under the mission statement set forth in the Application: *The mission of North Star Academy is to prepare each student to enter, succeed in and ultimately graduate from a four year college. Our education model consists of two core components: a highly rigorous academic curriculum paired with a focus on strong character development.*

2.2 Age; Grade Range; Number of Students. The School shall provide instruction to pupils up to such ages, grades and numbers in each year of operation under the Charter as is set forth in the Application (the “Projected Enrollment Structure”) until Renewal, and shall obtain the prior written permission of the Authorizer for variances from those terms in grade range and total maximum approved enrollment.

2.3 Admissions; Enrollment; Attendance. The School shall have in place and implement comprehensive policies for admissions, enrollment and attendance, which such policies shall be approved by the School’s governing board (the “Board of Trustees”) and shall be consistent with applicable law. Such policies shall provide in detail the procedures and practices utilized by the School in regards to admission, enrollment, attendance and withdrawal, including, *inter alia*, the period in which applications for admission shall be timely, how to obtain an application for admission, the practices in operating the random selection process, the maintenance of a wait list, the implementation of the preferences required by law. Such changes must be consistent with applicable law and regulations, and the School must report such changes to the Authorizer, upon the Authorizer’s request, and as part of its annual report as required by

section 18A:36A-16 of the Act, section 6A:11-2.2 of the Regulations, and further defined in paragraph 6.1 of this Charter. The School shall utilize reasonable outreach and marketing measures to make potential applicants aware of opportunities for enrollment at the School, including, but not limited to, seeking the enrollment of a cross section of the school-age population, consistent with the requirements of section 18A:36A-8e. The Authorizer, upon a finding that the outreach and marketing measures taken by the School are inconsistent with applicable law or the representations made by the School in the Application and/or other submissions to the Authorizer, may require the School to take further action, including but not limited to, requiring the School to extend its enrollment period, delay or void its random selection process, and/or conduct further specified outreach and marketing steps.

2.4 Educational Program. The School shall implement and provide educational programs that meet or exceed the performance standards of the Authorizer and the goals, and measures of progress towards those goals, of the School as set forth in the Application and in other submissions to the Authorizer.

2.5 Evaluation of Students. The School shall implement student assessment requirements applicable to other public schools and administer State examinations to the same extent such examinations are required of other public school students. In addition, the School shall supplement those assessment tools with any other assessment tools required by the terms of its program design, as set forth in the Application.

2.6 Performance Framework.

2.6.1 The Performance Framework shall be incorporated into the Charter as Exhibit B. The Performance Framework shall supersede and replace any and all assessment measures, educational goals and objectives, financial operations metrics, and organizational performance metrics set forth in the Application and not explicitly incorporated into the Performance Framework. The specific terms, form and requirements of the Performance Framework, including any required indicators, measures, metrics, and targets, are maintained and disseminated by the Authorizer and will be binding on the School. Material amendments to the Performance Framework shall require approval by the Authorizer.

2.6.2 The Authorizer shall monitor and periodically report on the School's progress in relation to the indicators, measures, metrics and targets set out in the Performance Framework. Such reporting shall take place at least annually.

2.6.3 The School's performance in relation to the indicators, measures, metrics and targets set forth in the Performance Framework shall provide the basis upon which the Authorizer will decide whether to renew the School's Charter at the end of the Charter term.

2.6.4 The parties intend that, where this Charter references or is contingent upon state or federal laws, that they be bound by any applicable modifications or amendments to such laws upon the effective date of said modifications or amendments. In the event that such modifications or amendments are required, the Department will use best efforts to apply

expectations for school performance in a manner as consistent as possible with those set forth in the Performance Framework.

2.7 School Calendar; Days and Hours of Operation. The days and hours of operation of the School shall be determined by the School at its discretion subject to the following restrictions:

- (a) The School shall implement the calendar and days and hours of operation as set forth in the Application. In no event shall the School provide less instructional time during a school year than is required of other public schools with instructional time to be divided in generally equal amounts over no less than one hundred and eighty (180) days.
- (b) To allow parents to determine whether the School's program is appropriate for their child(ren), the School shall, in each year of the Charter, determine the days and hours of operation of the School for the next school year by May 15 of the then current school year and shall make such information readily available to parents seeking to enroll their child(ren) in or return their child(ren) to the School and provide a copy of such material to the Authorizer. The School shall not thereafter for the next school year make any material changes to the days and hours of operation of the School from those determined on each May 15 date that have the effect of shortening the number of days of instruction or hours in which such instruction is provided without obtaining the prior written permission of the Authorizer, it being understood that such permission shall not be forthcoming except for good cause shown.

2.8 Student Disciplinary Code. The School shall maintain written rules and procedures for student discipline, including guidelines for suspension and expulsion, and shall disseminate those procedures to students and parents. Such guidelines and procedures must be consistent with applicable law including, but not limited to, requirements for due process, provision of alternative instruction and federal laws and regulations governing the discipline and placement of students with disabilities. In the first year of operation, the discipline policy must be consistent with the discipline policy outlined in the Application and adopted by the Board of Trustees following initial approval of the Application. Thereafter, if the School seeks modifications to the student disciplinary code, it will be required to notify the Authorizer of such change.

2.9 Code of Ethics. The School, its trustees, officers and employees shall abide by a code of ethics for the School, which must be consistent with the requirements of the School Ethics Act and include standards with respect to disclosure of conflicts of interest regarding any matter brought before the Board of Trustees regardless of whether the matter may involve for-profit or not-for-profit entity or transaction. The School shall disseminate the code in written form to each of its trustees, officers and employees.

2.10 Governance; Board of Trustees; By-Laws. The School shall be governed by the Board of Trustees. The Board of Trustees of a charter school shall have the authority to

decide matters related to the operations of the school including budgeting, curriculum, and operating procedures, subject to the school's charter, and shall have final authority for the academic performance of the School. Nothing herein shall prevent the Board of Trustees from delegating decision-making authority for policy and operational decisions to officers, employees and agents of the School but ultimate responsibility for and oversight of any such delegated authority shall remain at all times with the Board of Trustees. The Board of Trustees shall be established and operate pursuant to the following requirements and restrictions:

- (a) The Board of Trustees shall operate pursuant to the by-laws of the School whether such by-laws be those initially submitted to the Authorizer or as amended pursuant to subparagraph (b) of this paragraph 2.10 (initially or as amended, the "By-laws"), as well as the governance provisions of the Act, the Regulations and other applicable law.
- (b) The Board of Trustees shall have as its members such total number of Trustees and shall reserve seats on the Board of Trustees for such specified members or constituent groups in such numbers as is set forth in the Application and By-laws, as may be amended. Board of Trustees members ("Trustees") shall comply with the relevant provisions of the School Ethics Act, 18A:12-23, and related regulations, 6A:28.

2.11 Complaint Policy. The School shall maintain a complaint policy to receive and handle complaints brought pursuant to section 18A:36A-15 of the Act. . The School shall have the power to amend the complaint policy in any way it deems necessary and appropriate, so long as, such amendments are approved by the Board of Trustees and are consistent with applicable law and due process, and reported as part of the School's Annual Report as required by paragraph 6.1 of this Charter. A copy of the School's complaint policy shall be distributed to the parents and/or guardians of students enrolled in the School and made readily available to all others requesting a copy. Upon resolution of a complaint, the School shall provide to the complainant:

- (a) its written determination and any remedial action thereto; and
- (b) for complaints relating to the provisions of the Act, a written notice to the complainant that he or she may appeal the determination of the Board of Trustees to the Commissioner, who shall investigate and respond to the complainant; and
- (c) a copy of the School's grievance policies.

2.12 Health Services. The School shall provide such health services as are set forth in the Application or their equivalent, so long as the services provided meet applicable law.

2.13 Food Services. The School shall provide appropriate food services consistent with or equal to those outlined in the Application.

2.14 Facility; Location. The building(s) in which the School is to be located shall be known as the school facility (the "School Facility"). The School shall be located at six locations: 10 Washington Place, Newark, NJ 07102; 13 Central Avenue, Newark, NJ 07102; 600 Clinton Avenue, Newark, NJ 07108; 557 15th Avenue, Newark, NJ 07103; 24 Hazelwood Avenue, Newark, NJ 07106; and 108 South 9th Street, Newark, NJ 07107. The School shall take such actions as are necessary to ensure that the Facility Agreement, licenses and certificates are valid and in force at all times that the Charter is in effect.

2.15 Change in Location. To change the physical location of the School Facility or obtain additional buildings for the School Facility within the same school district or obtain additional space in a building it already occupies, the School must follow the Amendment process as described in section 6A:11-2.6 of the New Jersey Administrative Code.

2.16 Monitoring and Oversight. The School and the Board of Trustees acknowledge that the Authorizer, or its authorized agents, have the right to visit, announced or unannounced, examine into and inspect the School and its records. To permit the Authorizer to fulfill this oversight function under the Act and ensure that the School is in compliance with all applicable laws and regulations and the terms and conditions of this Charter, the School agrees to abide by the requirements and activities that the Authorizer will utilize to exercise its monitoring responsibility.

2.17 Establishment of an Escrow Account. The School and the Board of Trustees agree to establish an escrow account or post a surety bond of no less than \$75,000 to pay for legal and audit expenses and any outstanding pension benefits that would be associated with a dissolution should it occur. The School may accrue the full amount of the escrow account over a five year period. The School's failure to provide for the \$75,000 through an escrow account or surety bond by the end of the five year period shall be deemed a material violation of the charter agreement.

SECTION 3. SPECIAL EDUCATION

3.1 Provision of Services. The School shall provide services and accommodations to students with disabilities as set forth in the Application and in accordance with the any relevant polices thereafter adopted, as well as with all applicable provisions of the Individuals with Disabilities Education Act (20 U.S.C. § 1401 *et seq.*) (the "IDEA"), the Americans with Disabilities Act (42 U.S.C. § 12101 *et seq.*) (the "ADA") and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794) ("Section 504") and all applicable regulations promulgated pursuant to such federal laws. This includes providing services to attending students with disabilities in accordance with the individualized education program ("IEP") recommended by a student's IEP team. The School shall comply with all applicable provisions

of section 18A:46-1 *et seq.* and section 6A:11-4.8 of the Regulations concerning the provision of services to students with disabilities.

3.2 Funding and Placement Outside the School. The School is authorized to receive from a local school district direct payment of any federal or state aid attributable to a student with a disability attending the School. Consistent with section 18A:36A of the Act, the fiscal responsibility for any student currently enrolled in or determined to require a private day or residential school shall remain with the district of residence. Within fifteen (15) days of the signing of an IEP, the School shall provide notice to the district of residence of any IEP which results in a private day or residential placement. The district of residence may challenge the placement within thirty (30) days in accordance with the procedures established by law.

SECTION 4. PERSONNEL

4.1 Personnel Policies; Staff Responsibilities. The School shall make available to the Authorizer in written form its hiring and personnel policies and procedures, including the qualifications required by the School in the hiring of teachers, school administrators and other school employees as well as a description of staff responsibilities.

4.2 Instructional Providers. The School shall employ, or otherwise utilize in, instructional positions only those individuals who are certified in accordance with the requirements applicable to other charter schools, or who are otherwise qualified to teach under section 6A:9 *et seq.* of the Regulations, and applicable federal law including the federal No Child Left Behind Act of 2001. For purposes of this section, "instructional positions" means classroom teachers and professional support staff.

4.3 Paraprofessionals. Paraprofessionals employed by the School for instructional purposes must meet all credentialing requirements imposed under section 6A:9 *et al.* and by applicable federal law.

4.4 Background Checks: Fingerprinting. The School shall maintain and implement procedures for conducting background checks (including a fingerprint check for a criminal record) of, and appointing on an emergency conditional basis (if applicable), all school employees and prospective employees (whether part or full time) of the School, as well as any individual who has regular access to the students enrolled in the school (including, but not limited to, employees and agents of any company or organization which is a party to a contract to provide services to the School) to the extent required by applicable law, including sections 18A:6-7.1, *et seq.*, and 18A:30-19.1. Consistent with section 6A:11-2.1 of the Regulations, the School shall provide to the Authorizer in advance of final charter approval and on a rolling basis thereafter, an Authorization for Emergent Hiring Pending Completion of Criminal History Check form or Criminal History Approval letter for each employee of the School. The School may, but is not required to, conduct any and all other background checks permitted by law.

4.5 Collective Bargaining. In all cases when the School is a party to a collective bargaining agreement, the School must provide a copy thereof to the Authorizer including any extensions and side letters. In addition, the School will comply with the requirements of section 18A:36A-14 of the Act and other applicable law with regard to participation in collective bargaining units and agreements.

4.6 Leave and Pension Payments. Consistent with section 18A:36A-14(d), public school employees may request a leave of absence of up to three (3) years from the local board of education or State district superintendent in order to work in the School. Employees on a leave of absence shall remain in and continue to make contributions to, their retirement plan during the time of leave and shall be enrolled in health benefits plan of the district in which the School is located. The School shall make any required employer's contribution to the district's health benefits plan.

SECTION 5. FINANCIAL OPERATIONS OF SCHOOL

5.1 Management and Financial Controls. The School shall at all times maintain appropriate governance and managerial procedures and financial controls; including but not limited to the identification of a School Business Administrator, the resources and professional assistance needed to conduct an annual audit, and carry out the relevant requirements of section 6A:11-2.1(h) by June 30 in advance of opening, as part of the preparedness measures for new schools.

5.2 Funding and Timing of Payments. The School will receive payments as set forth in section 18A:36A-12 of the Act. Consistent with section 6A:23A of the Finance and Business Service Code, the district of residence and non-resident district(s) shall initiate payments to the School based on projected enrollment, as set forth in section 6A:23-9.4(a). Those districts shall pay directly to the School the local share per pupil for the specific grade level at the school rate pursuant to section 6A:23-9.1 and 9.4 in twelve (12) equal installments starting on July 15 and thereafter on the 15th of each month. The district of residence and non-resident district(s) shall also pay directly to the School additional categories of funds identified at section 6A:23-9.5(k)(3) on the schedule set forth there.

5.3 Financial Statements; Interim Reports. All financial statements that the School is required to prepare shall be in accordance with generally accepted accounting principles. During each year of operation, the School shall prepare and submit to the County Offices of Education within thirty (30) days of the end of each quarter (except June 30th) of its fiscal year the Board Secretary's report for that preceding quarter.

5.4 Audits. The School shall retain an independent certified public accountant or certified public accounting firm licensed in the State to perform annually an audit of the School's annual financial statements. The independent audit of the School's financial statements must be performed in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, as well as any additional requirements and guidelines provided by the Authorizer. The audited financial statements must be submitted to the Authorizer by December 5 of each year. In addition, and pursuant to the same timetable, the School must require its independent certified public

accountant to issue a report on compliance with laws, regulations, contracts and grants and on internal controls over financial reporting, based on its audit of the financial statements. The School must submit this report to the Authorizer together with a corrective plan addressing any weaknesses or problems identified in the planning and performance of the audit. The corrective plan must address each suggestion for consideration of management contained in the compliance report and include a timetable that identifies the date by which each corrective step will have been completed.

5.5 Fiscal Year. The fiscal year of the School shall begin on July 1 of each calendar year of the term of this Charter and shall end on June 30 of the subsequent calendar year.

5.6 Annual Budget and Cash Flow Projections. The School shall prepare and provide to the Authorizer a copy of its annual budget and cash flow projection for each fiscal year by no later than March 30 of the immediately preceding fiscal year. In the event that the October 15 enrollment count or other budgetary changes differs in any material respect from the budget provided, the School shall provide a revised annual budget and cash flow projection for each fiscal year in which it provides instruction. The annual budget and cash flow projection shall be in such form and electronic format as prescribed and disseminated by the Authorizer.

SECTION 6. REPORTS

6.1 Annual Reports. No later than August 1 following a school year in which the school is in operation, the School, pursuant to section 6A:11-2.2 of the Regulations, shall submit to the Authorizer, the respective county superintendent of schools, and the district board(s) of education or State district superintendent of the district of residence of a charter school, an Annual Report setting forth the academic program and performance of the School for the preceding school year. The School shall also make the Annual Report available to parents or guardians of the students enrolled in the School. The Annual Report shall be in such form as shall be prescribed by the Commissioner and shall, at a minimum, address the mission, goals and objectives of its charter as measured against the Performance Frameworks and provide evidence of the school's compliance with applicable statutes and regulations

6.2 Additional Documentation. The district board(s) of education or Executive County Superintendent(s) of the district of residence of the School may submit comments regarding the Annual Report to the Commissioner by October 1.

6.3 Financial Reports. The School shall provide the financial reports required by this Charter pursuant to the terms and dates specified therein.

SECTION 7. OTHER COVENANTS AND WARRANTIES

7.1 Compliance with Laws and Regulations. The School shall operate at all times in accordance with the Act and other applicable laws, rules and regulations and shall meet the same health and safety, civil rights, and student assessment requirements as are applicable to other public schools, except as otherwise set forth in the Act.

7.2 Nonsectarian Status. The School shall be nonsectarian in its programs, admissions policies, employment practices and all other operations. The School shall not be wholly or in part under the control or direction of any religious denomination.

7.3 Open Public Records Act and Open Public Meetings Act. The School shall maintain and implement policies in order to ensure that it is in compliance with the Open Public Records Act and the Open Public Meetings Act and any corresponding regulations.

7.4 Non-discrimination. The School shall not discriminate against any student, employee or any other person on the basis of ethnicity, national origin, gender (except with respect to single-sex schools), or disability or any other ground that would be unlawful if done by any other public school. It shall take all steps necessary to ensure that discrimination does not occur, as required by federal civil rights law.

7.5 Transactions with Affiliates. The School shall not, directly or indirectly, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any affiliate of the School, any member past or present of the Board of Trustees or any employee past or present of the School, or any immediate family member of the foregoing individuals, unless:

- (a) the terms of such transaction (considering all the facts and circumstances) are no less favorable to the School than those that could be obtained at the time from a person that is not such an affiliate, member or employee or an individual related thereto; *and*
- (b) the involved Trustee, officer or employee must recuse him/herself from voting on or deciding any matters related to such transaction.

SECTION 8. RENEWAL; REMEDIAL PLANS; TERMINATION

8.1 Renewal Notice. No later than October 15 in the calendar year prior to expiration of the Charter, the School may provide to the Commissioner, the respective county superintendent of schools, and the district board(s) of education or State district superintendent(s) of the district of residence of the charter school, an application to renew the Charter in accordance with section 18A:36A-17 (the "Renewal Application"). The Renewal Application shall conform to the Authorizer's requirements, including those set forth at 6A:11-2.3 of the Regulations.

8.2 Denial of Renewal. In the event that the Renewal Application is not approved, then the parties to the Charter shall fulfill their respective obligations hereunder to the end of the term of this Charter, and the School shall follow the procedures for dissolution

established by the Authorizer. Nothing in this paragraph shall be construed as modifying the School's rights to appeal any non-renewal decision by the Commissioner, pursuant to law, or to pursue injunctive relief upon a non-renewal decision.

8.3 Grounds for Termination or Revocation. The Commissioner may revoke the Charter pursuant to any and all statutory and regulatory authority conferred upon the Commissioner, upon appropriate due process being afforded the School.

8.4 Appeal Process. Consistent with section 6A:11-2.5 of the Regulations, the School may file an appeal according to section 6A:4-2.5 of the Regulations.

8.5 Dissolution. In the event of termination of the Charter, whether prematurely or otherwise, the School shall establish and follow procedures consistent with those articulated by the Authorizer as set forth in the New Jersey Charter School Dissolution Plan attached as Exhibit C, subject to the School's rights to pursue injunctive relief in the event of a charter termination.

SECTION 9. MISCELLANEOUS

9.1 Disclaimer of Liability. The Parties acknowledge that the School is not operating as the agent, or under the direction and control, of, the Authorizer except as required by law or this Charter, and that the Authorizer does not assume any liability for any loss or injury resulting from:

- (a) the acts and omissions of the School, its directors, trustees, agents or employees; or
- (b) the use and occupancy of the building or buildings, occupied by the School, or any matter in connection with the condition of such building or buildings; or
- (c) any debt or contractual obligation incurred by the School.

The School acknowledges that it is without authority to extend the faith and credit of the Authorizer to any third party.

9.2 Governing Law. This Charter shall be governed by, subject to and construed under the laws of the State of New Jersey without regard to its conflicts of laws provisions.

9.3 Waiver. No waiver of any breach of this Charter shall be held as a waiver of any other or subsequent breach.

9.4 Counterparts; Signature by Facsimile. This Charter may be signed in counterparts, which shall together constitute the original Charter. Signatures received by facsimile by either of the parties shall have the same effect as original signatures.

9.5 Revision. This Charter may be revised only by written consent of the parties hereto and, in the case of material revisions, only pursuant to section 6A:11-2.6 of the Regulations.

9.6 Assignment. This Charter may not be assigned or delegated by the Applicant(s) without the Authorizer's express written approval.

9.7 Notices. Any notice, demand, request or submission from one party to any other party or parties hereunder shall be deemed to have been sufficiently given or served for all purposes if and as of the date, it is delivered by hand, overnight courier, facsimile (with confirmation), by electronic mail as an attachment thereto with an valid electronic signature or an electronic image of a physical signature (.pdf format) or within three (3) business days of being sent by registered or certified mail, postage prepaid, to the relevant parties.

9.8 Severability. In the event that any provision of this Charter or the Application shall be determined to be invalid, unlawful, or unenforceable to any extent, the remainder of this Charter and the application of such provision to persons or circumstances other than those as to which it is determined to be invalid, unlawful or unenforceable, shall not be affected thereby, and each remaining provision of this Charter shall continue to be valid and may be enforced to the fullest extent permitted by law.

9.9 Entire Charter. The Charter supersedes and replaces any and all prior agreements and understandings between the Authorizer and the Applicant(s). To the extent that any conflict or incompatibility exists between the Application and the other terms of this Charter, such other terms of this Charter shall control.

9.10 Construction. This Charter shall be construed fairly as to both parties and not in favor of or against either party, regardless of which party prepared the Charter.

9.11 Ratification. The Board of Trustees of the School shall pass a board resolution acknowledging the terms and conditions of this charter as agreed to by the signature of the Board President.

BOARD RESOLUTION

CHARTER AGREEMENT APPROVAL

In compliance with directive of the New Jersey Department of Education, North Star Academy Charter School of Newark motions to approve the Charter Agreement, in accordance with the terms therein.

It is hereby resolved that on this date of June 13, 2016 the Board of Trustees of the North Star Academy Charter School of Newark approves the Charter Agreement.

Motion made by: Ravi Bellur

Seconded by: James Verrilli

Tally of Votes: 6 yes, 4 absent

Vote Ballot:

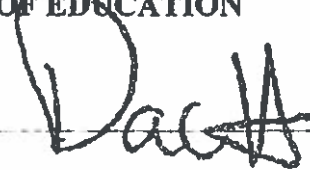
Nicole Bearce Albano:	<u>Yes</u>	No	Abstain	Absent
Paul Bambrick-Santoyo:	Yes	No	Abstain	<u>Absent</u>
Ravi Bellur:	<u>Yes</u>	No	Abstain	Absent
Lawrence Evans	<u>Yes</u>	No	Abstain	Absent
Bob Howitt:	Yes	No	Abstain	<u>Absent</u>
Rick Rieder (Chairman):	<u>Yes</u>	No	Abstain	Absent
Scott Sleyster:	Yes	No	Abstain	<u>Absent</u>
Tricia Scipio-Derrick:	<u>Yes</u>	No	Abstain	Absent
Jamey Verrilli	<u>Yes</u>	No	Abstain	Absent
Jana Williams	Yes	No	Abstain	<u>Absent</u>

I certify that the above resolution was passed by a majority of a quorum of this Board of Trustees, as indicated above.



Paul Bambrick-Santoyo
Board Secretary

**NEW JERSEY DEPARTMENT
OF EDUCATION**

 7/15/16
Date

By: David C. Hespe

Title: Commissioner

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

 6/13/16
Date

By:

President, Board of Trustees:

Date of Board resolution:



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

KIMBERLEY HARRINGTON
Acting Commissioner

February 28, 2017

Mr. Rick Rieder, President
Board of Trustees
North Star Academy Charter School of Newark
10 Washington Place
Newark, NJ 07102

Dear Mr. Rieder:

On December 12, 2016 North Star Academy Charter School of Newark submitted an amendment request to notify the New Jersey Department of Education of its facilities plans, including additional satellite campuses in the coming school years. The additional facilities are as follows:

Administration offices: 15 Boylan Street, Newark, NJ 07106
Grades 5-8 and regional offices: 18 Washington Place, Newark, NJ 07102
Grades K-12 starting school year 2018-19: 377 Washington Street, Newark NJ 07102
Grades 9-12 starting school year 2017-18: 559 Broad Street, Newark, NJ 07102
Grades K-8 starting school year 2018-19: 571 18th Avenue Newark, NJ 07103

The charter amendment was sought pursuant to N.J.A.C. 6A:11-2.6, which allows a charter school to submit an amendment request to the Commissioner at any time after having been granted a charter. Please be advised that I have approved your amendment request for additional and alternate locations. This letter also serves to update the section 2.14 of the charter agreement.

Upon receipt of this letter, please provide all facilities-related documents to the Office of Charter and Renaissance Schools and Essex County Education Office.

If you have any questions, please contact Katherine Czehut, director, Office of Charter and Renaissance Schools at 609-292-5850.

Sincerely,
Kimberley Harrington

Kimberley Harrington
Acting Commissioner

KH/CSE/KC/JB/s:\amendments\amendment letters -by school\North Star_Facility Approval

c: Colleen Schulz-Eskow
Katherine Czehut
Yut'se Thomas
Joseph Zarra
Christopher Cerf



State of New Jersey

DEPARTMENT OF EDUCATION

PO Box 500

TRENTON, NJ 08625-0500

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

KIMBERLEY HARRINGTON
Commissioner

January 11, 2018

Mr. Rick Reider, President
Board of Trustees
North Star Academy Charter School
43 Alexander Street
Newark, NJ 07106

Dear Mr. Reider:

On November 9, 2017, the New Jersey Department of Education (Department) received an amendment request from North Star Academy Charter School (North Star) to increase the approved maximum enrollment from 6,550 to 7,300 seats. This charter amendment was sought pursuant to *N.J.A.C. 6A:11-2.6*, which allows a charter school to submit to the Commissioner a request to amend its charter during the charter term.

The Department has evaluated this request by reviewing North Star's academic, operational, and fiscal standing based on the criteria outlined in the Office of Charter and Renaissance Schools' Performance Framework. The Department's evaluation also included a review of any public comment received in accordance with *N.J.A.C. 6A:11-2.6(c)*, demand for seats in North Star, and the fiscal impact of the expansion on the district of residence. Based on the review outlined below, I am granting North Star's amendment request.

Academic Performance

The Department utilizes the Academic section of the Performance Framework, which consists of three academic performance frameworks, to evaluate the relative success of the elementary, middle and high school programs offered by charter schools. Academic performance is assessed by tested grade span, with grades 3-5 representing the elementary program, grades 6-8 the middle school program and grades 9-12 the high school program. Each academic performance framework consists of four categories of metrics: Student Growth (or Graduation Rate for high school programs), Achievement, Leading Indicators and Closing Gaps. Each metric is worth a number of points, and the percent of total points earned determines the Tier Rank for each program. Tier Rank 1 programs are considered high performing, Tier Rank 2 middle performing, and Tier Rank 3 low performing. Below are the results for North Star:

Tier Rank									
2013-2014		2014-2015				2015-2016			
Grades K8	Grades HS	Grades 3-5	Grades 6-8	Grades 9-12	Sum*	Grades 3-5	Grades 6-8	Grades 9-12	Sum*
1	1	1	1	1	1	1	1	1	1

*Note: "Sum" is short for "Summative Tier Rank" which is determined by calculating the percent of total points earned in each grade span, weighted by the percent of students enrolled in each tested grade span.

Preliminary PARCC results for school year 2016-2017 suggest that North Star continues to be a high-performing charter school. It appears that all grade spans outperformed Newark City School District and state averages in English language arts (ELA) and mathematics.

Fiscal Performance

The Department relies on the financial section of the Performance Framework to assess financial viability based on measures of near-term financial health, longer term financial sustainability and fiscal-related compliance. The Department also considers the fiscal impact of the expansion on sending districts. Review of the fiscal standing of North Star indicates that it is fiscally sound and there are no foreseen financial issues with the granting of this amendment request.

Organizational Performance

The Department uses the Organizational section of the Performance Framework to review whether North Star has demonstrated the organizational capacity to sustain the amendment request. The amendment request describes the administrative capacity, performance management, and strategic plans for the expansion. After review of North Star's request and annual report submissions, the Department has determined that North Star has the capacity to support the requested amendment to the charter.

Public Comment and Demand

There appears to be demand for seats in North Star. North Star reported an enrollment waitlist of 2,395 students in the 2017 Annual Report. The demand provides additional support for the decision to grant an expansion as the number of seats requested in the amendment is greatly exceeded by the number of students on the waitlist.

The following chart confirms the school's approved maximum K-12 enrollment for the district of residence of Newark.

Mr. Rick Reider, President

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January 11, 2018

Grade Level	2017-2018 (Current maximum)	2018-2019	2019-2020	2020-2021
K	540	665	760	855
1	540	540	665	760
2	450	540	540	665
3	450	450	540	540
4	426	450	450	540
5	540	570	570	570
6	540	540	570	570
7	450	540	540	570
8	360	450	540	540
9	340	360	450	540
10	312	340	360	450
11	193	312	340	360
12	140	193	312	340
TOTAL	5281	5950	6637	7300

Be advised that if this expansion requires an additional facility, then the Board of Trustees must submit to the Commissioner an amendment request to add the new facility. Additionally, prior to occupying the new facility, a certificate of occupancy with an "E" use, a fire inspection report and a sanitary inspection certificate must be obtained, and representatives from the County Office of Education must complete a health and safety inspection of the facility.

If you have any additional questions, please contact the Office of Charter and Renaissance Schools, at 609-376-9083.

Sincerely,



Kimberley Harrington
Commissioner

KH/CSE/KC/LC/O: Amendments\Amendment Requests for 2017-18 SY\2018_Expansion_Decision_Letters

c: Colleen Schulz-Eskow

Katherine Czehut

Kevin Dehmer

Nicole Kane

Joseph Zarra

Christopher Cerf

EXHIBIT B
MANAGEMENT AGREEMENT

MASTER SERVICES AGREEMENT

By and Between

UNCOMMON SCHOOLS, INC. and

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC.

This Master Services Agreement (the “Agreement”) is made and entered into as of July 1, 2019 (the “Effective Date”) by and between Uncommon Schools, Inc., a New Jersey nonprofit corporation (“USI”), and North Star Academy Charter School of Newark, Inc. (the “School Partner”, together with USI, each a “Party” and collectively the “Parties”).

WHEREAS, USI is a nonprofit charter management organization;

WHEREAS, the School Partner has legal authority under the laws of the Applicable State and Applicable Locality to operate the charter schools listed in the Services and Fee Addendum;

WHEREAS, it is the Parties’ intention to create a relationship based on trust, common educational objectives, and clear accountability, through which they will work together to bring educational excellence to the School Partner;

WHEREAS, the Parties desire to enter into a written agreement to set forth the terms and conditions of their agreement;

NOW, THEREFORE, in consideration of the recitals and the mutual covenants, representations, warranties, conditions and agreements hereinafter expressed, the Parties agree as follows:

1. DEFINITIONS

“Agreement” has the meaning set forth in the recitals.

“Applicable State” means the state where the School Partner operates charter schools.

“Applicable Locality” means the locality where the School Partner operates charter schools.

“Arbitration Rules” has the meaning set forth in Section 11.2.

“Assigned Supervisor” has the meaning set forth in Section 6.

“Assigned USI Representative” has the meaning set forth in Section 3.5.

“Authorizer” means the governmental or other regulatory body of the Applicable State or Applicable Locality that authorizes the School Partner to operate charter schools.

“Charter Contract” means the School Partner’s contract with the Authorizer, which authorizes the School Partner to organize and operate charter schools.

“Charter Schools Law” means the laws permitting the creation of charter schools, and governing the development and operation of charter schools, in the Applicable State or Applicable Locality.

“Claims” has the meaning set forth in Section 9.2.

“Confidential Information” means (i) any business or technical information of a Party that is not generally known or publicly available; (ii) any information that a Party maintains as confidential, proprietary, restricted, or otherwise as not to be disclosed generally; (iii) any information disclosed to or known by a Party that is not generally known or publicly available and that in any way relates to either Party’s products; services; techniques or know-how; trade secrets; ideas; processes; computer programs; documents; materials; business information; marketing materials (including costs, pricing, and customer lists); and (iv) the Marks and Proprietary Information. Notwithstanding any other provision of this Agreement to the contrary, Confidential Information shall not include any information that is required to be disclosed by a final order from a court or governmental agency (provided that the Party making such disclosure provides prior notice to the other Party if allowed by the court or agency).

“Deductible” has the meaning set forth in Section 9.4.

“Director(s) of Operations” in the singular means the senior-most School Partner employee who manages non-instructional operations of each School Campus, and in the plural means all directors of operations employed by the School Partner.

“Dispute” has the meaning set forth in Section 11.2.

“Effective Date” means, with reference to this Agreement, the date set forth in the recitals of this Agreement and, with reference to the Services and Fee Addendum, the date set forth in the recitals of the Services and Fee Addendum.

“Facilities Expense” includes building expense (leases, taxes), utilities, maintenance and furniture and fixtures, and excludes building related expenditures which are capitalized and amortized/depreciated.

“Facility” means a building or other structure, of sufficient size to house the number of students agreed upon by USI and the School Partner to be housed in each such building or other structure, and suitable for use by the School Partner and meeting all applicable building codes, zoning ordinances and laws, environmental laws and regulations, and all other laws and regulations applicable to the operation of the School Partner.

“Facility Contract” means the lease or other contract for the use of a Facility, including any such agreement with the local Department of Education.

“FERPA” has the meaning set forth in Section 6.6.

“Final Recurring Public Revenue” means the Recurring Public Revenue as calculated and verified at the end of each fiscal year.

“Governing Board” means the governing board or other body with decision-making authority to direct or cause the direction of the management and policies of the School Partner.

“Indemnified Claims” has the meaning set forth in Section 9.2.

“Indemnified Party” has the meaning set forth in Section 9.6(a).

“Indemnifying Party” has the meaning set forth in Section 9.6(a).

“Initial Term” has the meaning set forth in Section 10.1.

“Marks” means all trademarks, service marks, design marks, trade names, domain names, registrations and applications for registration thereof, and any common law rights pertaining thereto, belonging to either Party.

“Minimum Enrollment Levels” has the meaning set forth in Section 6.4.

“Party” and “Parties” has the meaning set forth in the recitals.

“Principal(s)” in the singular means the senior-most School Partner employee responsible for all instructional aspects of each School Campus, and in the plural means all Principals employed by the School Partner.

“Proprietary Information” means all copyright and other proprietary rights to all instructional materials, training materials, curriculum and lesson plans, and any other materials developed by USI, the School Partner, or the employees, agents or subcontractors of either.

“Recurring Public Revenue” means the sum of annual public entitlement aid, including Core Aid tuition which includes General, SPED and State Special Funding and all ESSA funding which includes Title I, Title II A, IID, III, IV, V and IDEA funding.

“Regulatory Authority” means any United States federal, State or local government, or political subdivision thereof, any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof), any arbitrator or arbitral body, or any similar body with jurisdiction over the activities and operations of the School Partner.

“Renewal Term” has the meaning set forth in Section 10.1.

“School Campus” means any of the charter schools operated by the School Partner, and as identified in the Services and Fee Addendum.

“School Partner Indemnified Persons” has the meaning set forth in Section 9.2.

“School Partner License” has the meaning set forth in Section 8.1(a).

“School Partner Marks” shall mean all Marks owned by or belonging to the School Partner, as set forth in Exhibit B. For the avoidance of doubt, School Partner Marks shall include all current and future Marks owned or belonging to the School Partner during the Term of this Agreement.

“Service Fee” means the amount equal to 13.5 percent multiplied by the sum of Recurring Public Revenue less Facilities Expense.

“Services” has the meaning set forth in Section 4.

“Services and Fee Addendum” have the meaning set forth in Section 4.1.

“USI License” has the meaning set forth in Section 8.1(b).

“USI Marks” shall mean all Marks owned by or belonging to USI, as set forth in Exhibit A. Notwithstanding the foregoing or Exhibit A, the words “Charter” or “School” shall be deemed to be USI Marks only when used in connection with any other USI Mark or when used in the exact combination of words listed herein. For the avoidance of doubt, USI Marks shall include all current and future Marks owned or belonging to USI during the Term of this Agreement.

“Term” has the meaning set forth in Section 10.1.

“Termination Assistance Period” has the meaning set forth in Section 10.7.

“Termination Notice” has the meaning set forth in Section 10.2(b).

“Third Party Claim” has the meaning set forth in Section 9.6.

“USI” has the meaning set forth in the recitals.

2. REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of USI.

USI represents and warrants as follows:

- (a) Organization. USI is a nonprofit corporation duly organized under the laws of the state of New Jersey, with the purpose and legal ability to contract to provide educational management services. USI shall notify the School Partner of any change in its corporate status. USI shall not change its corporate status such that this Agreement is materially affected. USI shall also notify the School Partner when it is aware that it has become insolvent, has entered into receivership, is the subject of a voluntary or involuntary bankruptcy proceeding, knowingly makes an assignment for the benefit of creditors, or is aware that it does not have sufficient financial resources to perform its obligations under this Agreement in the ordinary course.

- (b) Authority. USI is authorized to do business in the Applicable State and Applicable Locality, each to the extent required by law. USI has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder (including the Services and Fee Addendum), and to otherwise consummate the transactions contemplated hereby. This Agreement constitutes a valid and binding obligation of USI, enforceable against USI in accordance with its terms.
- (c) Full Disclosure. No representation or warranty of USI herein and no statement, information or certificate furnished or to be furnished by USI pursuant hereto or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading.
- (d) Litigation. There is no suit, claim, action or proceeding now pending or, to the knowledge of USI, threatened before any Regulatory Authority to which USI is a Party and which may result in any judgment, order, decree, liability, award or other determination which will or may reasonably be expected to have a material adverse effect upon USI or upon the right or ability of USI to enter into and perform this Agreement. No such judgment, order, decree or award has been entered against USI which has, or may reasonably be expected to have, such effect. There is no claim, action or proceeding now pending or, to the knowledge of USI, threatened before any Regulatory Authority involving USI which will or may reasonably be expected to prevent or hamper the performance of the agreements of USI contemplated by this Agreement.
- (e) Conduct of USI. USI has complied, and at all times during the Term will comply, in all material respects with all local, state and federal laws and regulations that are applicable to USI, or the School Partner when USI is acting on its behalf, which include, but are not limited to the Internal Revenue Code, the non-profit corporation law of New Jersey and the Charter Schools Law. USI has maintained and will maintain adequate records of the activities and decisions of USI to ensure and document compliance with all such laws and regulations. The School Partner agrees to provide USI with copies of all records that are in its possession or under its control (other than those prepared by USI), and to allow USI to, at USI's discretion, assist with the preparation and retention of such records, subject to applicable laws and regulations concerning the privacy of such records.
- (f) Insurance. USI has commercial general liability or other, similar insurance at its own expense at levels approximately equal to those maintained by the School Partner, or as required by law, to cover USI's actions and those of its agents. USI need not have a separate insurance contract for the School Partner.
- (g) Third Party IT. Notwithstanding anything to the contrary in this Agreement, USI makes no representations or warranties with respect to third party information technology, software or equipment obtained by USI on behalf of School Partner.

USI does not provide indemnification obligations for any intellectual property infringement caused by School Partner's use of the third party information technology, software or equipment.

2.2 Representations and Warranties of the School Partner.

The School Partner represents and warrants as follows:

- (a) Organization and Tax Exempt Status. The School Partner is, and at all times during the Term will be, an education corporation duly organized under the laws of the Applicable State and Applicable Locality, with the purpose and legal ability to contract to operate charter schools and to contract for educational management services. Should the Internal Revenue Service require changes to this Agreement in conjunction with the School Partner's application for or continuation of tax exempt status, both Parties will take all reasonable steps and agree to all reasonable modifications to effectuate the necessary changes.
- (b) Authority. The School Partner has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder (including the Services and Fee Addendum), and to otherwise consummate the agreements contemplated hereby and thereby. This Agreement constitutes a valid and binding obligation of the School Partner, enforceable against the School Partner in accordance with its respective terms.
- (c) Litigation. There is no suit, claim, action or proceeding now pending or, to the knowledge of the School Partner, threatened before any Regulatory Authority to which the School Partner is a Party or which may result in any judgment, order, decree, liability, award or other determination which will or may reasonably be expected to have a material adverse effect upon the School Partner. No such judgment, order, decree or award has been entered against the School Partner which has, or may reasonably be expected to have, such effect. There is no claim, action or proceeding now pending or, to the knowledge of the School Partner, threatened before any Regulatory Authority involving the School Partner which will or may reasonably be expected to prevent or hamper the consummation of the agreements contemplated by this Agreement.
- (d) Full Disclosure. No representation or warranty of the School Partner herein and no statement, information or certificate furnished or to be furnished by the School Partner pursuant hereto or in connection with the agreement contemplated hereby contains any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading.
- (e) Conduct of the School Partner and its Governing Board. The School Partner has complied, and at all times during the Term will comply, in all material respects with all local, State and federal laws and regulations that are applicable to the School Partner, which include, but are not limited to the Internal Revenue Code,

the not-for-profit corporation law of the Applicable State, the open records and meetings laws of the Applicable State, the Applicable Locality and the Charter Schools Law. The School Partner has maintained and will maintain adequate records of the activities and decisions of the School Partner to ensure and document compliance with all such laws and regulations. The School Partner agrees to provide USI with copies of all such records (except such non-public records that may reflect the Governing Board's discussions or evaluations of USI or its relationship with USI), and to allow USI to, at USI's discretion, assist with the preparation and retention of such records, subject to applicable laws and regulations concerning the privacy of such records.

- (f) Due Authorization. The School Partner is authorized to organize and operate the School Campuses and is vested by the Authorizer with all powers necessary to carry out the educational program outlined in the Charter Contract. Regardless of the delegation of any duties to USI, the School Partner shall at all times retain all rights and responsibilities under the Charter Contract.

3. AUTHORITY

3.1 Delegation of Authority to USI.

The School Partner hereby authorizes USI to undertake the functions specified in this Agreement in regards to business and academic services of the School Partner on behalf of the School Partner, it being understood that, at all times, USI remains accountable and subject to the oversight of the School Partner, the Authorizer, and authorities of the Applicable State and Applicable Locality, each as provided for in this Agreement and by law. The School Partner also authorizes USI to take such other actions that may not be expressly set forth in this Agreement, but which are necessary in USI's good faith and reasonable judgment to properly and efficiently perform its responsibilities pursuant to this Agreement, provided such actions are consistent with the Charter Contract, applicable laws and the annual School Partner budget approved by the Governing Board, and that USI provides reasonable prior notice to the Governing Board of the School Partner if any such other material action is to be taken by USI.

3.2 USI Authority to Subcontract.

Except to the extent prohibited by law or this Agreement, USI may subcontract any function or service it is obligated to provide hereunder, provided that no such subcontract permitted hereunder shall relieve or discharge USI from any obligation or liability under this Agreement. USI shall, upon the request of the Governing Board, provide an annual list indicating the functions or services it expects to subcontract the following fiscal year that it is obligated to provide hereunder. Notwithstanding the immediately foregoing, USI shall not subcontract the majority of its core academic functions.

3.3 State and Local Authorities.

Nothing in this Agreement shall be construed in any way to limit the authority of the Authorizer or other regulatory authorities of the Applicable State or Applicable Locality,

including, but not limited to, the authority to take and enforce action pursuant to the Charter Schools Law.

3.4 Conflict with Charter.

To the extent there are any conflicts between the terms of the Charter Contract or the School Partner's provisional charter, and the terms of this Agreement, the terms of the Charter Contract or the School Partner's provisional charter, as applicable, shall control.

3.5 Assigned USI Representative

At all times at least one representative designated by USI ("Assigned USI Representative") shall be elected as a member of the Governing Board, and the Governing Board shall take all necessary actions to amend and restate its applicable certificates, bylaws and other governance documents to provide for such election, unless otherwise prohibited by law. Notwithstanding the foregoing, at no time may USI employees comprise more than 35% of the voting members of Governing Board. The Assigned USI Representative serving on the Governing Board shall be entitled to participate in all discussions and to vote, except in those instances in which his/her employment or affiliation with USI may pose a conflict of interest with his/her obligations as a trustee of the School Partner, subject to the Bylaws of the School Partner and the Charter Contract.

4. SERVICES

USI shall provide to the School Partner the services referenced in this section, whether identified in the Services and Fee Addendum or any Amended Services and Fee Addendum (the "Services"), all of which are incorporated herein by reference and made part of this Agreement.

USI may perform functions off-site, except as prohibited by applicable law. USI may utilize web-based systems to provide support and counsel to the School Partner.

USI shall be responsible for any and all travel, travel-related and incidental expenditures incurred by USI employees in the delivery of the Services. The School Partner shall be responsible for all travel, travel-related and incidental expenditures incurred by its employees.

4.1 Services and Fee Addendum.

The scope of Services to be provided by USI to the School Partner pursuant to this Agreement shall be described in an addendum incorporated into this Agreement (the "Services and Fee Addendum"). The Services and Fee Addendum shall contain the following information, as may be applicable: (a) the School Campuses for which Services shall be performed by USI; (b) the details of the scope and type of Services to be performed by USI; (c) fees and payment terms related to such Services; and (d) any other additional terms required for the performance of Services. No Services and Fee Addendum shall be effective until executed in writing by authorized representatives of both Parties. The Services and Fee Addendum shall be deemed incorporated into this Agreement as a schedule hereto and shall be treated as Services under the applicable terms of this Agreement. If any terms or conditions set forth in this Agreement

conflict with or contradict in any manner any terms or conditions of the Services and Fee Addendum, the terms and conditions of this Agreement shall prevail, except to the extent that the Services and Fee Addendum expressly states that specific provisions override conflicting provisions of this Agreement for purposes of a specific engagement.

4.2 Changes to Services and Fee Addendum

If either Party desires to modify the list of School Campuses, the scope of Services, or other matters set forth in the Services and Fee Addendum, either Party shall submit a change request to the other Party. Upon receipt of a request, the Parties shall negotiate in good faith the details of such changes, if any, and once agreed shall execute a written amendment (each, an “Amended Services and Fee Addendum”) detailing: (a) the changes to the scope of Services; (b) the impact on fees; and (c) any other additional terms required to effectuate the change. No Amended Services and Fee Addendum shall be effective until executed in writing by authorized representatives of both Parties.

5. DUTIES AND OBLIGATIONS OF THE SCHOOL PARTNER

In addition to the duties and obligations expressly set forth in the Services and Fee Addendum, the School Partner shall have the following duties and obligations:

5.1 Provision of Suitable Facilities of the School Partner

(a) As of the date of this Agreement, the locations of the School Campuses shall be as set forth in the Services and Fee Addendum.

(b) The School Partner shall procure and maintain insurance for damage or loss to the Facilities and to the personal property of the School Partner located at the Facilities or elsewhere. USI shall have no liability for damage to or loss of the Facilities or the said personal property except as provided in Section 11.5 and shall have no liability under any lease or other document pertaining to the said Facilities or personal property. The School Partner shall indemnify and hold harmless USI against any loss or damage which USI may incur as a result of loss of or damage to the Facilities or the said personal property or any claims of third parties arising on, or from the operation of, the Facilities or said personal-property except as provided in Section 11.5.

(c) Should any School Campus need to be moved in any subsequent year because of a need for more space, a dispute with the operators of the Facility or other reason, the School Partner shall use its best efforts to secure such School Campus with a suitable Facility. USI, if requested by the School Partner, will use commercially reasonable efforts to assist the School Partner in the identification of a Facility. USI and the School Partner shall also work together to provide Facilities needed to expand the School Partner in the future.

(d) The School Partner shall provide reasonable office space without charge for USI employees directly engaged in providing the Services and other work required by this Agreement. Such space will be provided in School Partner Facilities, where practicable. In the event that such space is not available in School Partner Facilities, the Parties shall seek

alternative space at reasonable cost to be paid for by the School Partner, subject to the availability of funds and the School Partner's budgetary approval process.

5.2 Annual Financial Audit.

The School Partner shall pay for an annual financial audit of the School Partner to be conducted in compliance with applicable law and regulations, and showing the manner in which funds are spent at the School Partner. The annual financial audit shall be performed by a certified public accountant approved by the Governing Board of the School Partner.

5.3 Charter Renewal and Additional Required Filings to Authorizer

The School Partner shall be responsible for filing and completing charter renewal applications for each School Campus, as well as any reports or other documents required to be submitted to the Authorizer. USI will support the School Partner in the completion and filing of such charter applications, renewal applications and other documents, as applicable.

5.4 Legal Services.

The School Partner shall arrange and, if necessary, pay for its own legal services.

5.5 Accounting, Bookkeeping, Procurement, and other Financial Functions.

The School Partner shall be responsible and accountable for the following financial functions:

- (a) payment of School Partner expenditures with School Partner funds;
- (b) payroll, in accordance with Section 5.6;
- (c) transfer to USI of all relevant financial information;
- (d) review financial reports;
- (e) coding of all vendor invoices and processing deposits in accordance with USI's fiscal policies and procedures before sending the information to USI;
- (f) process all vendor invoices and contract and grant information to USI in accordance with USI's fiscal policies and procedures; and
- (g) availability of the Governing Board, Principals, Directors of Operations, or other School personnel, as applicable, for consultation with USI staff during normal business hours.

5.6 Payroll, Employee Salaries and Benefits.

The School Partner shall be responsible and accountable for the funding of the salaries, fringe benefits, and state and federal payroll taxes for all individuals employed by the School

Partner, and all independent contractors delivering services to the School Partner. All such payments shall be made by USI with School Partner funds on a timely basis, in accordance with all State and federal laws and regulations, including all tax requirements. The School Partner shall also be responsible for maintaining performance management and development related human resource files.

5.7 Power and Authority.

The School Partner shall take reasonable actions to assist USI in securing such approvals and authorizations as may be necessary to carry out the duties of USI under this Agreement.

5.8 State and Federal Waivers.

Subject to prior notice to the Governing Board, the School Partner shall, with USI's assistance, timely apply for and support the waiver of any federal or State rules or regulations that conflict with recommendations of USI when, in the reasonable judgment of the School Partner, such rules or regulations also conflict with the Parties' objective of providing an exemplary education.

5.9 Evaluation of USI

At its discretion, the Governing Board will provide an annual written evaluation of USI's performance after the conclusion of each school year.

6. OPERATION OF THE SCHOOL CAMPUSES

6.1 Principals and Directors of Operations

USI shall assign one or more employees of USI who shall be responsible for supervising and managing the Principals and Directors of Operations, or leaders with similar responsibilities, and for managing and implementing the academic and non-academic operations of the School Partner (the "Assigned Supervisor").

Because the accountability of USI to the School Partner is an essential foundation of this Agreement, and because the responsibility of Principals and Directors of Operations are critical to the School Partner's success, the School Partner delegates to USI the authority and responsibility, consistent with State law, to recruit, supervise, and recommend for hiring and firing, Principals and Directors of Operations, and to hold such persons accountable for the success of the School Partner. In order to make hiring recommendations, USI shall have the right to determine selection criteria, select and interview final round candidates, and establish compensation parameters. USI shall present hiring recommendations to the School Partner on an as needed basis. USI shall, as may be necessary from time to time, also make firing recommendations to the School Partner.

The Governing Board will promptly consider and act on any USI recommendation regarding the employment and termination of any Principal or Director of Operations. It is the expectation of the Parties that the Governing Board will follow USI's recommendation, unless

two thirds of the Governing Board members unaffiliated with USI vote against the recommendation.

6.2 Teachers and Other School Personnel-Related Support

Excluding the Director of Operations, each Principal shall have the final authority to hire instructional staff and the Director of Operations shall have the final authority to hire operational staff, although USI may recommend termination of a School Partner employee.

During the term of this Agreement, the School Partner will be the employer of the School Partner's teachers, administrators and other professionals and staff, and USI will become a co-employer of such personnel solely to facilitate their access to specified medical, dental and similar benefits and as may otherwise be mandated by applicable law. The School Partner acknowledges and agrees that except as set forth in the preceding sentence and in Section 1(g) of the Services and Fee Addendum, USI shall not have, nor shall it be deemed to have, any of the duties, obligations or responsibilities as an employer of any of the School Partner's personnel. The School Partner is not financially responsible for paying for specified medical, dental and similar benefits for USI employees. Similarly, USI is not financially responsible for paying for specified medical, dental and similar benefits for the School Partner's personnel.

USI shall assist each Principal and Director of Operations in performing the following personnel functions:

- determining staff responsibilities;
- providing counsel as to evaluation and discipline of personnel;
- training in USI methods, curriculum, program, and technology to all teaching personnel; and
- training to all non-teaching personnel as USI determines is necessary.

USI will assist the School Partner (specifically the Principals) to develop the internal capacity to deliver teacher training, especially the initial teacher training covering the basics of the USI methodology. USI will work closely with the Principals to jointly plan and deliver ongoing teacher training.

Each Principal and Director of Operations shall be an employee of the School Partner, but each shall report to the Assigned Supervisor and shall coordinate the management of the School Partner with such Assigned Supervisor.

6.3 Recruitment and Admission.

USI and the School Partner shall be jointly responsible for the recruitment and admission of students in accordance with the Charter Schools Law, Charter Contract and applicable law, but, unless USI acts in bad faith or engages in gross negligence or willful misconduct, USI's involvement in supporting School Partner's recruitment and admission of students shall not give

rise to any liability of USI, including, without limitation, liability for the failure of enrollment to support School Partner's budget, and shall not limit USI's right to terminate this Agreement pursuant to Section 10.3.

6.4 Minimum Enrollment Levels.

If School Partner fails to maintain 75% of the prior school year's actual enrollment (the "Minimum Enrollment Levels"), this Agreement may be terminated by USI upon six (6) months written notice to the School Partner, subject to Section 10.5, if such failure is not cured within such six month notice period. If this six month cure period extends past the end of the school year, the termination shall not be effective until the end of the next school year. The Minimum Enrollment Levels shall be calculated based on the actual student enrollment of the School Partner during each regular academic year of the contract.

6.5 School Partner Day and Year for Students.

The School Partner's calendar shall be developed annually by USI, in conformity with the minimum standards for time and learning required by the Authorizer.

6.6 School Partner Policies

The School Partner and USI are committed to the educational success of all School Partner students as set forth in the educational program outlined in the Charter Contract. Consequently, USI shall develop the School Partner's policies, rules, regulations, and procedures as set forth in the Services and Fee Addendum, and make recommendations concerning personnel and budget, and the School Partner shall exercise good faith in considering USI's recommendations.

6.7 Family Educational Rights and Privacy Act.

The School Partner hereby designates employees of USI as agents of the School Partner having a legitimate educational interest such that they are entitled to access education records under 20 U.S.C. § 1232g, the Family Educational Rights and Privacy Act ("FERPA"). USI, its officers and employees shall comply with FERPA at all times.

7. FINANCIAL ARRANGEMENTS

7.1 Funding Eligibility.

The Director of Operations and Principal of each School Campus shall be responsible for complying with applicable requirements for the purpose of receiving or maintaining the School Partner's eligibility to receive from state and local agencies in the Applicable State and Applicable Locality the per pupil allowance and other funds to which the School Partner is entitled under applicable law. The School Partner shall apply for all Applicable State and Applicable Locality aid and other monies it is eligible to receive. USI shall provide such assistance to the School Partner in the preparation or review of Applicable State or Applicable Locality aid applications and reports as the School Partner may request. The School Partner

shall permit USI to review any such applications and reports prior to their submission, and USI shall have the right to assume control of the application and report process if and to the extent it reasonably deems it appropriate to do so.

7.2 Fundraising, Donations and Grants.

USI shall provide fundraising assistance to the School Partner as specified in the Services and Fee Addendum. Each member of the Governing Board is expected to make an annual financial contribution; it can be any amount whatsoever. Periodically, the Governing Board and USI will discuss how to fundraise based upon a School Partner's specific and unique needs. Monies raised by USI fundraising activities specifically for the School Partner shall be used and retained for the benefit of the School Partner; including use by USI for third party costs outlined in Section 3.2. All other funds raised by USI for its own benefit or the benefit of other schools managed by USI, shall be the exclusive property of USI and the School Partner shall have no claim on such funds. Nothing contained herein shall limit USI from making grants to the School Partner of funds raised by USI for purposes other than the School Partner, as USI determines in its sole and absolute discretion.

The Governing Board, the School Partner and USI will work together to procure grants and donations on behalf of the School Partner, as specified in the Services and Fee Addendum.

7.3 Service Fees

The Service Fees to be paid by School Partner to USI shall be as set forth in the Services and Fee Addendum.

7.4 USI Not Required to Make Loans or Advances.

USI shall have no obligation to advance or loan any funds to the School Partner.

8. PROPRIETARY INFORMATION AND CONFIDENTIAL INFORMATION

8.1 Marks and Proprietary Information.

- (a) The School Partner agrees that to the extent permitted by law, USI shall own all USI Marks and all USI Proprietary Information, provided that, except as otherwise provided in Section 10.9 hereof, the School Partner shall have the non-exclusive, perpetual, and royalty-free license to use the Proprietary Information and the USI Marks for the purpose of operating the School Partner (the "School Partner License"). USI shall have the sole and exclusive right to license such materials for use by other school districts or customers or to modify and/or sell such material to other school districts and customers. During the Term, USI may disclose such Proprietary Information, including that which is currently in existence as well as that which may be created in the future. The School Partner shall not disclose, publish, copy, transmit, modify, alter or utilize such Proprietary Information during the Term or at any time after the expiration of this Agreement other than to the extent necessary for implementation of this Agreement or the

operation of any School Campus. The School Partner shall use such efforts as may be reasonably requested by USI to assure that no School Partner personnel or agents disclose, publish, copy, transmit, modify, alter or utilize USI's Proprietary Information without USI's prior written consent, except as required for the operation of each School Campus.

- (b) USI agrees that to the extent permitted by law, the School Partner shall own all School Partner Marks and all proprietary information that the School Partner develops, provided that, except as otherwise provided in Section 10.9 hereof, USI shall have the non-exclusive, perpetual, and royalty-free license to use the Proprietary Information and School Partner Marks for the purpose of operating USI (the "USI License"). The School Partner shall have the sole and exclusive right to license such materials for use by other school districts or customers or to modify and/or sell such material to other school districts and customers. During the Term, the School Partner may disclose such Proprietary Information, including that which is currently in existence as well as that which may be created in the future. USI shall not intentionally disclose, publish, copy, transmit, modify, alter or utilize Proprietary Information of the School Partner during the Term or at any time after the expiration of this Agreement other than to the extent necessary for implementation of this Agreement or the operation of USI. USI shall use such efforts as may be reasonably requested by the School Partner to assure that no USI personnel or agents disclose, publish, copy, transmit, modify, alter or utilize Proprietary Information of the School Partner without the prior written consent of the School Partner, except as required for the operation of USI.
- (c) Both parties acknowledge the importance to the other party of its reputation and goodwill in the Marks. Accordingly, each party will use the other party's Marks in a manner that is consistent with any Mark usage and quality control guidelines established by such party and shall, upon the Mark owner's request, provide samples of all uses of the Marks for review. In the event that the Mark owner identifies any issues with the other party's usage, the party using the Mark shall promptly address and correct such issues. Each party acknowledges that USI is the owner of the USI Marks and School Partner is the owner of the School Partner Marks, and that any goodwill established by the other party's use of the Marks, will inure to the exclusive benefit of the party who owns the Marks. Each party shall, at its sole cost and expense, be responsible for taking all necessary steps to maintain and defend applications and registrations of their own Marks.

8.2 Treatment of Confidential Information.

- (a) Confidential Information. The Parties acknowledge that prior to the Term, either Party may have disclosed, and during the Term either Party may disclose, Confidential Information to the other Party. The Parties agree that they will not at any time or in any manner, directly or indirectly, use or disclose any trade secrets or other Confidential Information to anyone, and that the Parties will not use

Confidential Information for any purpose other than those provided for herein or for the operation of the School Campuses.

- (b) Protection of Confidential Information. The Parties shall preserve and take all reasonable precautions to prevent the disclosure of the Confidential Information to any persons, entities, and/or firms other than those authorized by the Parties to receive such information, except in connection with the operation of the School Campuses.
- (c) Use of Confidential Information. The Parties agree that the Confidential Information: (i) shall be used solely in furtherance of this Agreement or the operation of the School Campuses, and shall not otherwise be used for the benefit of others; (ii) shall not be copied or reproduced by the Parties without the express written permission of the Parties, except for such copies as may be reasonably required for accomplishment of provisions of this Agreement or the operation of the School Campuses; and (iii) shall not be disclosed to any third party without the prior written consent of the Parties, except in connection with the operation of the School Campuses. The Parties agree that they will not knowingly infringe upon, or permit any of their respective employees or agents to infringe upon, any rights of any third party or knowingly violate the patent, copyright, trademark, trade secret, or other proprietary right of any third party in connection with the performance of this Agreement. If a Party becomes aware of any infringement or alleged instance of infringement, the Party agrees to notify the other Party promptly in writing.
- (d) Return of Confidential Information. The Parties will promptly deliver to the other Party any and all Confidential Information, including all written and electronic copies, in the Party's possession or control upon termination or expiration of this Agreement or upon request by the other Party, except in connection with the operation of the School Campuses.
- (e) Rights to Confidential Information. Except as required for the Parties' performance hereunder or the operation of the School Campuses, nothing in this Agreement shall be construed to require the Parties to provide, or to entitle the Parties to obtain, any Confidential Information or any rights of the other Party therein.
- (f) Specific Performance. In addition to all of the remedies otherwise available to the Parties, including, but not limited to, recovery of damages and reasonable attorneys' fees incurred in the enforcement of this Article 8, the Parties shall have the right to injunctive relief to restrain and enjoin any actual or threatened breach of the provisions of this Article 8. All of the Parties' remedies for breach of this Article 8 shall be cumulative and the pursuit of one remedy shall not be deemed to exclude any other remedies. The Parties acknowledge and agree that their respective rights under this Article 8 are special and unique and that any violation

of this Article 8 by the other Party would not be adequately compensated by money damages alone.

9. INDEMNIFICATION

9.1 Survival of Representations and Warranties.

All representations and warranties hereunder shall be deemed to be material and relied upon by the Parties with or to whom the same were made, notwithstanding any investigation or inspection made by or on behalf of such Party or Parties. The representations and warranties covered in this Agreement will survive the termination or expiration of this Agreement.

9.2 Indemnification of the School Partner.

USI shall hold the School Partner and its trustees, officers, successors, assigns, and agents (the "School Partner Indemnified Persons") harmless and indemnify each of them from and against any and all claims, losses, damages, liabilities, penalties, fines, expenses or costs ("Claims"), plus reasonable attorneys' fees and expenses incurred in connection with Claims and/or enforcement of this Agreement, plus interest from the date incurred through the date of payment at the prime lending rate as published in *The Wall Street Journal*, from time to time prevailing (collectively, the "Indemnified Claims"), incurred or to be incurred by any School Partner Indemnified Person resulting from or arising out of, directly or indirectly, any breach or violation of USI's representations, warranties, covenants, or agreements contained in this Agreement provided that in no event shall Indemnified Claims include consequential, punitive, or exemplary damages.

9.3 Indemnification of USI.

The School Partner shall hold USI and its affiliates, and the shareholders, directors, officers, partners, successors, assigns, and agents of each of them (the "USI Indemnified Parties"), harmless and indemnify each of them from and against any and all Indemnified Claims incurred or to be incurred by any USI Indemnified Party resulting from or arising out of, directly or indirectly, any breach or violation of the School Partner's representations, warranties, covenants or agreements contained in this Agreement provided that in no event shall Indemnified Claims include consequential, punitive, or exemplary damages.

9.4 Limitation on Claims of the School Partner

Notwithstanding anything in this Agreement to the contrary, USI shall have no liability for any Indemnified Claim and USI shall have no obligations or liabilities pursuant to Section 9.2:

- (a) until the aggregate of the Claims suffered or incurred by the School Partner exceeds Five Thousand Dollars (\$5,000) (the "Deductible"). After the Deductible has been met there shall be liability for the aggregate of all Claims. In computing the amount of the Claims incurred by the School Partner, the amount of any operational savings and the amount of any insurance proceeds received by the

School Partner for an insured event under insurance policies referenced in this Agreement as a result thereof as well as the operational cost arising out of such indemnity, if any, shall be taken into account; and

- (b) to the extent such liabilities exceed the lesser of (i) the Service Fees paid to USI during the academic year in which the action or omission giving rise to the Claim occurred and (ii) the amount of any insurance proceeds received by the School Partner for an insured event under insurance policies referenced in this Agreement; and
- (c) if the claim for indemnification is made pursuant to Section 9.2, to the extent that USI can demonstrate that the School Partner had, prior to the Effective Date of this Agreement, actual knowledge that the applicable representation or warranty was untrue or incomplete or had been breached or that the applicable covenant had been breached or was unfulfilled prior to the Effective Date of this Agreement.

9.5 Limitation on Claims of USI

Notwithstanding anything in this Agreement to the contrary, the School Partner shall have no liability for any Indemnified Claim and the School Partner shall have no obligations or liabilities pursuant to Section 9.3:

- (a) until the aggregate of the Claims suffered or incurred by USI exceeds the Deductible. After the Deductible has been met there shall be liability for the aggregate of all Claims. In computing the amount of the Claims incurred by USI, the amount of any operational savings actually realized by USI as a result thereof as well as the operational cost arising out of such indemnity, if any, shall be taken into account;
- (b) to the extent such liabilities exceed the lesser of (i) the Service Fees paid by the School Partner during the academic year in which the action or omission giving rise to the Claim occurred or (ii) the amount of any insurance proceeds received by USI for an insured event under insurance policies referenced in this Agreement; and
- (c) if the claim for indemnification is made pursuant to Section 9.3, to the extent that the School Partner can demonstrate that USI had, prior to the Effective Date of this Agreement, actual knowledge that the applicable representation or warranty was untrue or incomplete or had been breached or the applicable covenant had been breached or was unfilled prior to the Effective Date of this Agreement.

9.6 Indemnification of Third-Party Claims

The obligations and liabilities of any Party to indemnify the other under this Article 9 with respect to an Indemnified Claim relating to or arising from third parties (a "Third Party Claim") shall be subject to the following terms and conditions:

- (a) Notice and Defense. The Party to be indemnified (the “Indemnified Party”) will give the Party from whom indemnification is sought (the “Indemnifying Party”) prompt written notice of any such Claim, and the Indemnifying Party may undertake the defense thereof by representatives chosen by it. Failure to give notice shall not affect the Indemnifying Party’s duty or obligations under this Article 9, except to the extent the Indemnifying Party is prejudiced thereby. If the Indemnifying Party undertakes the defense of a Third Party Claim, then the Indemnifying Party shall be deemed to accept that it has an indemnification obligation under this Article 9 with respect to such Third Party Claim, unless it shall in writing reserve the right to contest its obligation to provide indemnity with respect to such Third Party Claim. So long as the Indemnifying Party is defending any such Third Party Claim actively and in good faith, the Indemnified Party shall not settle such Claim. The Indemnified Party shall make available to the Indemnifying Party or its representatives all records and other materials required by them and in the possession or under the control of the Indemnified Party, for the use of the Indemnifying Party and its representatives in defending any such Claim, and shall in other respects give reasonable cooperation in such defense.
- (b) Failure to Defend. If the Indemnifying Party, within thirty (30) days after notice of any such Claim, fails to dispute the obligation of the Indemnifying Party with respect to such Claim and fails to defend such Claim actively and in good faith, then the Indemnified Party will (upon written notice to the Indemnifying Party) have the right to undertake the defense, compromise or settlement of such Claim or consent to the entry of a judgment with respect to such Claim, on behalf of and for the account and risk of the Indemnifying Party, and the Indemnifying Party shall thereafter have no right to challenge the Indemnified Party’s defense, compromise, settlement or consent to judgment therein.
- (c) Indemnified Party’s Rights. Anything in this Article 9 to the contrary notwithstanding, (i) if there is a reasonable probability that a Claim may materially and adversely affect the Indemnified Party other than as a result of money damages or other money payments, the Indemnified Party shall have the right to defend, compromise or settle such Claim, and (ii) the Indemnifying Party shall not, without the written consent of the Indemnified Party, settle or compromise any Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party of a release from all liability in respect of such Claim.

9.7 Payment.

The Indemnifying Party shall promptly pay the Indemnified Party any amount due under this Article 9. Upon a final, non-appealable judgment, or upon other determination, settlement or compromise of any third party claim, the Indemnifying Party shall pay promptly on behalf of the Indemnified Party, and/or to the Indemnified Party in reimbursement of any amount theretofore required to be paid by it, the amount so determined by judgment, determination, settlement or

compromise and all other Claims of the Indemnified Party with respect thereto. If the Indemnifying Party desires to appeal from an adverse judgment, then the Indemnifying Party shall post and pay the cost of the security or bond to stay execution of the judgment pending appeal. Upon the payment in full by the Indemnifying Party of such amounts, the Indemnifying Party shall succeed to the rights of such Indemnified Party, to the extent not waived in settlement, against the third party who made such Third Party Claim.

9.8 Adjustment of Liability

In the event an Indemnifying Party is required to make any payment under this Article 9 in respect of any damages, liability, obligation, loss, claim, or other amount indemnified hereunder, such Indemnifying Party shall pay the Indemnified Party an amount which is equal to the sum of (i) the amount of such damages, liability, obligation, loss, claim or other amount, minus (ii) the amount of any insurance proceeds the Indemnified Party actually receives with respect thereto, minus (iii) any third party payments actually received by the Indemnified Party with respect to such damages, liability, obligation, loss, claim or other amount after demand or notice to such third party from the Indemnifying Party (with the consent of the Indemnified Party which will not be unreasonably withheld).

10. TERM AND TERMINATION

10.1 Term.

This Agreement shall have an initial term commencing on the Effective Date and ending on the fifth anniversary of the Effective Date (the “Initial Term”), and shall automatically be renewed for additional renewal terms ending on June 30 of each subsequent year (each a “Renewal Term” and collectively with the Initial Term the “Term”) unless written notice of intent to terminate or renegotiate is given by either Party not later than the December 31 prior to the end of the Initial Term or the December 31 prior to the end of any Renewal Term; notwithstanding the foregoing, in no event shall the Agreement or Services and Fee Addendum remain in effect beyond the effective date of any subsequent Charter Contract granted by the Authorizer. The term of the Services and Fee Addendum shall commence on the Effective Date stated on the Services and Fee Addendum and shall continue for such period of time that the Agreement is in effect, or until the Services and Fee Addendum is replaced by an Amended Services and Fee Addendum pursuant to Section 4.2.

10.2 Termination by School Partner.

The School Partner may terminate this Agreement in accordance with the following provisions:

- (a) Termination for Cause. Subject to the provisions of subparagraph (b) below, the School Partner may terminate this Agreement for cause at any time during the applicable Term. For purposes of this Section 10.2, the term “for cause” shall mean:

- (i) USI becomes insolvent, enters into receivership, is the subject of a voluntary or involuntary bankruptcy proceeding, makes an assignment for the benefit of creditors, or does not have sufficient financial resources to perform its obligations under this Agreement in the ordinary course;
 - (ii) a Regulatory Authority has revoked any license which may be required for USI to carry on its business and perform its obligations and functions under the Charter Contract;
 - (iii) USI violates any material provision of law with respect to the School Partner from which the School Partner was not specifically exempted and which results in material adverse consequences to the School Partner;
 - (iv) USI materially breaches any of the material terms and conditions of this Agreement, which results in material adverse consequences to the School Partner;
 - (v) the School Partner fails to make reasonable progress toward achievement of the goals and objectives outlined in the “Goals and Objectives” section of the Charter application, after a period of at least three years from the Effective Date of this Agreement;
 - (vi) the Authorizer notifies either Party of its intention to revoke the School Partner’s Charter Contract or declines to renew the Charter Contract;
 - (vii) the Governing Board notifies USI of its intention to relinquish the School Partner’s Charter Contract or declines to renew the Charter Contract; or
 - (viii) the enactment, repeal, promulgation or withdrawal of any federal, State or local law, regulation, or court or administrative decision or order finding that this Agreement, the operation of the School Campuses in conformity with this Agreement, or the School Partner’s Charter Contract with the Authorizer violates any Party’s responsibilities, duties or obligations under the laws, rules or regulations of the United States, the Applicable State, the Applicable Locality, or any contract or agreement.
- (b) USI Right to Cure. Prior to exercising its right to terminate this Agreement pursuant to Section 10.2(a)(i), (ii), (iii), (iv), (vi), (vii) or (viii), the School Partner shall give USI written notice of its basis for terminating the Agreement or the Services and Fee Addendum (a “Termination Notice”). Upon receipt of the Termination Notice, USI shall have 60 business days to remedy the breach, unless such breach endangers the health and safety of the students of the School Partner in which case, the School Partner may immediately terminate this Agreement. The Termination Notice shall specify the section of this Agreement or the Services and Fee Addendum upon which the School Partner is relying on for the termination and the requirements for correction of the breach. If the breach does not endanger the health and safety of the students of the School Partner and such

breach is not corrected within the cure period, the School Partner may immediately terminate the Agreement after the cure period.

- (c) Prior to exercising its right to terminate this Agreement pursuant to Section 10.2(a)(i)(v), the School Partner shall give USI a Termination Notice at least six (6) months prior to the effective date of the termination. If the School Partner provides USI with this Termination Notice less than six (6) months prior to the effective date of the termination, School Partner shall pay USI \$150,000 within 60 days of termination, provided that USI shall not have materially breached its obligations under this Agreement.
- (d) If the School Partner terminates this Agreement for any of the reasons in Sections 10.2(a)(ii), (iii) and (iv), then USI shall pay to the School Partner \$150,000 within 60 days of termination, provided that the School Partner shall not have materially breached its obligations under this Agreement.

10.3 Termination by USI.

USI may terminate this Agreement in accordance with the following provisions:

- (a) Termination For Cause. Subject to the provisions of subparagraph (b) below, USI may terminate this Agreement for cause at any time during the applicable Term. For purposes of this Section 10.3, the term “for cause” shall mean that:
 - (i) the School Partner materially breaches any of the material terms and conditions of this Agreement and which results in material adverse consequences to USI;
 - (ii) the School Partner fails to comply with its Bylaws and such failure materially and adversely affects the ability of the School Campuses to operate as contemplated by this Agreement;
 - (iii) the School Partner violates any material provision of law with respect to the School Partner from which the School Partner was not specifically exempted and which results in material adverse consequences to USI or to the School Partner;
 - (iv) the School Partner takes any action which materially interferes with the ability of USI to perform under this Agreement;
 - (v) the Board rejects USI’s recommendation to hire and/or fire the Principal (s) as described in Section 6.1;
 - (vi) the School Partner hires or fires a Principal or Director of Operations without the agreement of USI;

- (vii) the School Partner refuses or willfully fails to follow any material direction of USI related to implementation of the USI School Model;
 - (viii) the Authorizer notifies either Party of its intention to revoke the School Partner's Charter Contract or declines to renew the Charter Contract;
 - (ix) the Governing Board notifies USI of its intention to relinquish the School Partner's Charter or declines to renew the Charter Contract; or
 - (x) the enactment, repeal, promulgation or withdrawal of any federal, State or local law, regulation, or court or administrative decision or order finding that this Agreement, the operation of the School Campuses in conformity with this Agreement, or the School Partner's Charter Contract with the Authorizer violates any Party's responsibilities, duties or obligations under the laws, rules or regulations of the United States, the Applicable State, the Applicable Locality, or any contract or agreement.
- (b) School Partner Right to Cure. Prior to exercising its right to terminate this Agreement pursuant to Section 10.3(a), USI shall give the School Partner a Termination Notice specifying the section of this Agreement upon which USI is relying on for the termination and the requirements for correction of the breach. Upon receipt of the Termination Notice, the School Partner shall have 60 business days to remedy the breach, unless such breach endangers the health and safety of the students of the School Partner in which case, USI may immediately terminate this Agreement or the Services and Fee Addendum. If such other breach is not corrected within the cure period, USI may immediately terminate the Agreement.
- (c) Minimum Enrollment. USI may terminate this Agreement as stated in Section 6.4.
- (d) Inadequate Fee. USI may terminate this Agreement in the event that Final Recurring Public Revenue on a per pupil basis decreases by 5% or more of the average Final Recurring Public Revenue on a per pupil basis for the prior two fiscal years.
- (e) If USI terminates this Agreement for any of the reasons in Sections 10.3(a)(i), (ii), (iii) and (iv), then the School Partner shall pay to USI \$150,000 within 60 days of such termination.

10.4 Termination Upon Agreement of the Parties.

This Agreement or the Services and Fee Addendum may be terminated upon written agreement of the Parties.

10.5 Avoidance of Disruptions to Students.

Notwithstanding the foregoing provisions of this Article 10, each Party shall use its good faith reasonable best efforts to avoid a termination of the Agreement that becomes effective during the school year because of the disruption to the educational program and the students. Therefore, in the event this Agreement is terminated by either Party prior to the end of the Term, absent unusual and compelling circumstances, the termination will not become effective until the end of the school year.

10.6 Payment of Service Fee.

Upon termination of this Agreement, the School Partner shall pay USI any previously unpaid portion of the Service Fee for services performed by USI until the time of termination.

10.7 Assistance by USI Following Termination.

In the event of termination of this Agreement by USI, and in the event the School Partner terminates this Agreement as described in Article 10 hereof, USI shall provide reasonable assistance to the School Partner to assist in the transition to another School Partner management plan ("Termination Assistance"). Termination Assistance shall be provided by USI, (a) for the shorter of the remainder of the current school year or 90 days after the effective date of termination of the Agreement, in the case of termination of this Agreement by USI, and (b) for the 6 month period immediately following a termination by the School Partner pursuant to Article 10 (such 90 day period and 6 month period hereafter a "Termination Assistance Period"). During the Termination Assistance Period, USI will be entitled to receive and the School Partner shall reimburse USI for all reasonable expenses incurred by USI in providing such Termination Assistance.

10.8 Records upon Termination.

Upon termination or expiration of this Agreement for any reason, USI shall give to the School Partner as soon as practicably possible all student, fiscal and other School Partner records.

10.9 Marks and Proprietary Information.

(a) Upon termination or expiration of this Agreement, the School Partner will not have any right to make any use whatsoever of USI Marks and if the legal or trade name of any School Campus includes a USI Mark, the School Partner shall, unless otherwise agreed to in writing by USI, immediately take steps to change all such names to remove any USI Mark or portion of a USI Mark.

(b) Upon termination or expiration of this Agreement, USI will not have any right to make any use whatsoever of the School Partner Marks, and to the extent that USI's corporate name or logo includes any of the School Partner Marks, including but not limited to the School Campus name, and unless expressly agreed to in writing by the School Partner, USI shall

immediately seek to change the corporate name or logo so that it does not include any School Partner Marks, following termination or expiration of this Agreement.

10.10 Assistance Upon Nonrenewal or Termination by Authorizer or Regulatory Authority.

In the event of nonrenewal of the Charter Contract by the Authorizer or termination or revocation of the charter by the Authorizer or Regulatory Authority, USI shall render assistance to the School Partner with respect to following the School Partner's closure plan and terminating operations including transferring of student records and rendering final reports and audits including providing information to the School Partner's outside auditors in connection therewith.

11. MISCELLANEOUS

11.1 Governing Law.

This Agreement shall be governed by, construed, interpreted and enforced in accordance with the laws of New Jersey without giving effect to the principles of conflict of laws thereof; provided, however, that the *Federal Arbitration Act*, to the extent applicable and inconsistent, will supersede the laws of New Jersey and shall govern. If any action is brought to enforce an arbitral award rendered pursuant to Section 11.2, venue for such action shall be in the courts located in the School Partner's county or the courts of the United States serving that part of the Applicable State. The Parties hereby irrevocably waive any objection which either may now or hereafter have to the laying of venue of any actions or proceedings arising out of or in connection with this Agreement brought in the courts referred to in the preceding sentence and hereby further irrevocably waive and agree not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11.2 Alternative Dispute Resolution.

- (a) Good Faith Negotiation of Disputes. The parties agree to cooperate in good faith in all actions relating to this Agreement, to communicate openly and honestly, and generally to attempt to avoid disputes. If, nevertheless, a dispute should arise in connection with this Agreement, either Party may give notice to the other Party of intent to negotiate, and the parties agree to use their best efforts to resolve such dispute in a fair and equitable manner. In the event any dispute or claim arising out of or relating to this Agreement or the relationship resulting in or from this Agreement (a "Dispute"), except for a claim by either Party relating to its intellectual property rights (including under Article 8 or Section 10.9 of this Agreement), is unable to be resolved by the Parties (or if one of the Parties refuses to participate in such negotiations) within twenty days from the notice of intent to negotiate, either Party may give written notice to the other (in accordance with Section 11.10) that the Dispute shall be resolved in accordance with the following alternative dispute resolution procedure.
- (b) Binding Arbitration Except With Respect to Intellectual Property. Any Dispute, except for a claim by either Party relating to its intellectual property rights

(including under Article 8 or Section 10.9 of this Agreement), will be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of The American Arbitration Association (the "Arbitration Rules"), except as stated below in this clause (b). A claim by either Party relating to its intellectual property rights (including under Article 8 or Section 10.9 of this Agreement) shall not be subject to arbitration absent further agreement by the parties. Within seven calendar days following the giving by either Party of a written notice to arbitrate, (1) each Party shall designate its panel representative and (2) the Party giving notice to arbitrate shall also give notice to the Authorizer of such intent to arbitrate, and shall request that such office designate a third representative. In the event the Authorizer is unable as a matter of law to designate a panel representative, the Parties shall jointly designate a mutually-acceptable individual as the third representative. The arbitrators shall convene a hearing as soon as possible thereafter. Each Party may present witnesses, documentary, and other evidence on its behalf, but strict rules of evidence shall not apply. The arbitrators shall permit the filing of briefs upon request of either Party. The arbitrators shall issue a written opinion concerning the matters in controversy together with their award. They shall issue their award within 30 days following the close of the hearing, and judgment upon the award may be entered in any court having jurisdiction thereof.

- (c) Notices. All notices, arbitration claims, responses, requests and documents will be sufficiently given or served if mailed or delivered in the manner described in the Notice provision of this Agreement.
- (d) Award, Confirmation. Notwithstanding anything to the contrary in the Arbitration Rules or otherwise, the arbitrators are not empowered to award punitive damages. Any award rendered by the arbitrator(s) may be entered as a judgment or order and confirmed or enforced by either Party in any State or federal court having competent jurisdiction thereof. This Agreement concerns transactions involving commerce among the several states.
- (e) Expense Shifting For Arbitration Avoidance. Notwithstanding anything to the contrary in the Arbitration Rules or otherwise, and except for a claim by either Party under Article 8 or Section 10.9, which claim is not subject to arbitration, no Party may seek judicial relief. In the event any Party violates this provision and brings any action for judicial relief in the first instance without pursuing arbitration prior thereto, such Party will be liable to the other Party for, among other things, all of the other Party's costs and expenses (including, without limitation, court costs and attorneys' fees) incurred to stay or dismiss such judicial action and/or remove or remand it to arbitration. It shall not be a violation of this arbitration provision for the Party entitled to collect such costs and expenses to seek to have them included in a judicial order of dismissal, removal, or remand. In the alternative, such Party may seek an immediate and separate award of such costs and expenses at the outset of the arbitration, which the arbitrators must grant, and the Party may seek immediately to confirm such award of costs and

expenses. In addition, if either Party brings any judicial action to vacate or modify any award rendered pursuant to arbitration, or opposes a judicial action to confirm such award, and the Party bringing or opposing such action or opposing confirmation of such award does not prevail, such Party will pay all of the costs and expenses (including, without limitation, court costs, arbitrators fees and expenses and attorneys' fees) incurred by the other Party in defending against the action to vacate or modify such award or in pursuing confirmation of such award. The cost-shifting provisions of the preceding sentence shall apply equally to appeals of judicial decisions to which the preceding sentence applies. It shall not be a violation of this arbitration provision for the Party entitled to collect such costs and expenses to seek to have them included in a judicial order dealing with confirmation, vacation, or modification of an award, or any order on an appeal to which the preceding sentence applies.

- (f) Waiver of Jury Trial. The Parties knowingly and willingly waive the right to a jury trial of any Dispute, whether or not subject to this arbitration provision, and including any Dispute included within this arbitration provision but found not to be subject to arbitration for any reason.

11.3 Breach and Waiver.

No failure on the part of any Party to enforce the provisions of this Agreement shall act as a waiver of the right to enforce any provision. Further, no waiver of any breach of this Agreement shall (a) be effective unless it is in writing and executed by the Party charged with the waiver, or (b) constitute a waiver of a subsequent breach, whether or not of the same nature. All waivers shall be strictly and narrowly construed. No delay in enforcing any right or remedy as a result of a breach of this Agreement shall constitute a waiver thereof. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision. Nor shall such waiver constitute a continuing waiver unless otherwise expressly stated.

11.4 No Third Party Beneficiary Rights.

With the exception of the Authorizer, no third party, whether a constituent of the School Partner, a member of the community, a student or parent of a student of the School Partner or otherwise, may enforce or rely upon any obligation of, or the exercise of or failure to exercise any right of, the School Partner or USI in this Agreement. This Agreement is not intended to create any rights of a third party beneficiary.

11.5 Negligent, Wrongful or Unlawful Acts of a Party.

Nothing in this Agreement shall affect or alter in any way responsibility of either Party of this Agreement for the negligent, wrongful or unlawful act of that Party's employees, agents or contractors.

11.6 Delegation of Authority.

Nothing in this Agreement shall be construed as delegating to USI any of the powers or authority of the School Partner or the Governing Board, which are not subject to delegation by the School Partner or the Governing Board under the laws of the Applicable State or Applicable Locality, or under the Charter Contract.

11.7 Compliance with Laws.

Unless specifically waived by appropriate governmental authority, USI shall comply with all applicable laws, rules, regulations, ordinances, orders or other requirements of the Applicable State, the Applicable Locality, and any governmental authority relating to its delivery of the goods or services specified in this Agreement.

11.8 Incorporation of Recitals and Appendices.

The recitals to this Agreement and any appendices referred to in this Agreement are hereby incorporated herein as an integral part of this Agreement.

11.9 Inspection and Access to Records.

Upon reasonable notice, the Parties shall make available to each other and to the Authorizer for inspection and copying, all books, records, and documents relating to the Parties' obligations and performance under this Agreement.

11.10 Notices.

All notices, demands, consents or other communications ("notices") which either Party may be required or desire to give to the other Party shall be in writing and shall be deemed delivered when (a) personally delivered, (b) if mailed, five business days after deposit in the United States mail, postage prepaid, certified or registered mail, return receipt requested, (c) if delivered by a reputable overnight carrier, one business day after delivery to such carrier, or (d) if delivered by facsimile, on the date the facsimile transmission is confirmed, provided that, on such date, a separate copy is also delivered pursuant to clause (b) or (c). Delivery by mail, overnight carrier or facsimile shall be addressed to the Parties as follows:

USI:

Uncommon Schools, Inc.
Attn: Brett Peiser, Chief Executive Officer
826 Broadway, 9th Floor
New York, NY 10003

School Partner:

North Star Academy Charter School of Newark, Inc.
Attn: Rick Rieder, Chair, North Star Academy Charter School of Newark,
Inc. Governing Board
10 Washington Place

Any Party may change its address for notice by notice given in accordance with the foregoing provisions. Notwithstanding the manner of delivery, whether or not in compliance with the foregoing provisions, any notice, demand or other communication actually received by a Party shall be deemed delivered when so received.

11.11 Defined Terms and Use of Terms.

All defined terms used in this Agreement shall be deemed to refer to the masculine, feminine, neutral, singular and/or plural, in each instance as the context and/or particular facts may require. Use of the terms "hereunder," "herein," "hereby," and similar terms refer to this Agreement.

11.12 Section Headings.

The headings in this Agreement are for the convenience of the Parties only, and shall have no effect on the construction or interpretation of this Agreement and are not part of this Agreement.

11.13 Exhibits and Schedules.

Each exhibit and each schedule to this Agreement to which reference is made in this Agreement is hereby incorporated in this Agreement as an integral part thereof. In the event of a conflict between the terms and provisions of this Agreement and the terms and provisions of any exhibits or schedules, the terms and provisions of this Agreement shall control, except to the extent that the Services and Fee Addendum expressly states that specific provisions override conflicting provisions of this Agreement for purposes of a specific engagement.

11.14 Entire Agreement.

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter herein, as of the Effective Date, and there are no understandings of any kind except as expressly set forth herein. Further, any and all prior understandings and agreements between the Parties, expressed or implied, written or oral, are superseded hereby.

11.15 Modifications and Amendments; No Parol Evidence.

This Agreement (including any exhibits and schedules to this Agreement) is the entire agreement between the Parties, and may be altered, changed, added to, deleted from or modified only by agreement in writing approved by the Governing Board and by USI's Chief Executive Officer. Accordingly, no course of conduct or custom shall constitute an amendment or modification of this Agreement, and any attempt to amend or modify this Agreement orally, or in a writing not so approved, shall be void. This Agreement may not be modified, supplemented, explained, or waived by parol evidence.

11.16 Assignment.

This Agreement, including without limitation, the rights granted herein, may not be assigned, delegated, transferred, pledged, or hypothecated by either Party, whether voluntary or involuntary, without the prior written consent of the other Party. This Agreement shall inure to the benefit of and shall be binding upon the Parties and their permitted successors and assigns, and the name of a Party appearing herein shall be deemed to include the name of such Party's permitted successors and assigns to the extent necessary to carry out the intent of this Agreement.

11.17 Counterparts.

This Agreement and the Services and Fee Addendum may be executed in Counterparts, each of which shall be deemed to be an original and both together shall be deemed to be one and the same Agreement or Services and Fee Addendum.

11.18 No Partnership.

This Agreement does not constitute, and shall not be construed as constituting, a partnership or joint venture between the Parties.

11.19 Further Assurances.

The Parties agree that they will execute and deliver or cause to be executed and delivered from time to time such other documents, including but not limited to a School Partner License and USI License in customary form, and will take such other actions as the other Party reasonably may require to more fully and efficiently carry out the terms of this Agreement.

11.20 Severability.

In case any one or more of the provisions or parts of a provision contained in this Agreement shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision or part of a provision of this Agreement in such jurisdiction, but this Agreement shall be reformed and construed in any such jurisdiction as if such invalid or illegal or unenforceable provision or part of a provision had never been contained herein and such provision or part shall be reformed so that it would be valid, legal, and enforceable to the maximum extent permitted in such jurisdiction.

11.21 Survival.

The provisions of Articles 2, 8 and 9, Sections 3.3, 3.4, 10.6, 10.7, 10.8, 10.9, 11.1, 11.2, 11.4, 11.5, 11.6, 11.8, 11.10, 11.11, 11.12, 11.13, 11.14, 11.15, 11.20, this Section 11.21, and any other sections or exhibits to this Agreement that by their nature extend beyond the expiration or termination of this Agreement shall survive for five (5) years after the expiration or termination of this Agreement; provided that any provisions that is stated to extend for a specified period of time shall survive only for such specified period of time.

11.22 Negotiated Agreement.

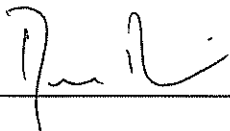
The provisions of this Agreement were negotiated by the Parties and this Agreement shall be deemed to have been drafted by the Parties, notwithstanding any presumptions at law to the contrary.

- SIGNATURES ARE ON THE FOLLOWING PAGE -

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first written above

**THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH
MAY BE ENFORCED BY THE PARTIES**

UNCOMMON SCHOOLS, INC.

By: 
Name: _____
Title: Chief Executive Officer

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC.

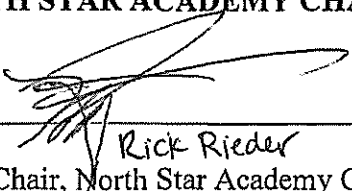
By: 
Name: Rick Rieder
Title: Chair, North Star Academy Charter School of Newark, Inc. Governing Board

EXHIBIT A

USI Marks

Trademark Registrations

Mark	Application or Registration Number	Goods and Services	Owner
UNCOMMON SCHOOLS	3,301,012	Educational services, namely, providing courses of instruction at the primary and secondary school levels in urban centers.	Uncommon Schools Inc.
UNCOMMON	88/371,563	Educational services, namely, providing courses of instruction at the primary and secondary school levels in urban centers.	Uncommon Schools Inc.

Common Law Marks

- UNCOMMON
- UNCOMMON SCHOOLS
- UNCOMMON SCHOOLS, INC.
- UNCOMMON NYC
- UNCOMMON CHARTER HIGH SCHOOL
- UNCOMMON COLLEGIATE CHARTER HIGH SCHOOL
- UNCOMMON PREPARATORY CHARTER HIGH SCHOOL
- UNCOMMON LEADERSHIP CHARTER HIGH SCHOOL
- UCHS
- UCC
- UPC
- ULC

EXHIBIT B

School Partner Marks

Trademark Registrations

Mark	Application or Registration Number	Goods and Services	Owner
NORTH STAR & Design 	3,305,855	Educational services, namely, operating charter schools at the primary and secondary level.	North Star Academy Charter School of Newark, Inc.
NORTH STAR ACADEMY	88344969	Educational services, namely, providing courses of instruction at the primary and secondary school levels in urban centers.	North Star Academy Charter School of Newark

Common Law Marks

NORTH STAR ACADEMY ALEXANDER STREET ELEMENTARY SCHOOL
NORTH STAR ACADEMY FAIRMOUNT ELEMENTARY SCHOOL
NORTH STAR ACADEMY LIBERTY ELEMENTARY SCHOOL
NORTH STAR ACADEMY VAILSBURG ELEMENTARY SCHOOL
NORTH STAR ACADEMY WEST SIDE PARK ELEMENTARY SCHOOL
NORTH STAR ACADEMY LINCOLN PARK ELEMENTARY SCHOOL
NORTH STAR ACADEMY CLINTON HILL MIDDLE SCHOOL
NORTH STAR ACADEMY DOWNTOWN MIDDLE SCHOOL
NORTH STAR ACADEMY VAILSBURG MIDDLE SCHOOL
NORTH STAR ACADEMY WEST SIDE PARK MIDDLE SCHOOL
NORTH STAR ACADEMY CENTRAL AVENUE MIDDLE SCHOOL
NORTH STAR ACADEMY WASHINGTON PARK HIGH SCHOOL
NORTH STAR ACADEMY LINCOLN PARK HIGH SCHOOL
ALEXANDER STREET ELEMENTARY SCHOOL
FAIRMOUNT ELEMENTARY SCHOOL
LIBERTY ELEMENTARY SCHOOL
VAILSBURG ELEMENTARY SCHOOL
WEST SIDE PARK ELEMENTARY SCHOOL
LINCOLN PARK ELEMENTARY SCHOOL
CLINTON HILL MIDDLE SCHOOL
DOWNTOWN MIDDLE SCHOOL

VAILSBURG MIDDLE SCHOOL
WEST SIDE PARK MIDDLE SCHOOL
CENTRAL AVENUE MIDDLE SCHOOL
WASHINGTON PARK HIGH SCHOOL
LINCOLN PARK HIGH SCHOOL
NSA AES
NSA FES
NSA LES
NSA VES
NSA WPES
NSA LPES
NSA CHMS
NSA DTMS
NSA VMS
NSA WMS
NSA CMS
NSA WPHS
NSA LPHS

Services and Fee Addendum

This Services and Fee Addendum is part of and subject to the terms and conditions of the Master Services Agreement dated July 1, 2019 (the “Agreement”) by and between Uncommon Schools, Inc., a New Jersey nonprofit corporation (“USI”), and North Star Academy Charter School of Newark, Inc. (the “School Partner”, together with USI, each a “Party” and collectively the “Parties”), as of July 1, 2019 (the “Effective Date”). This Services and Fee Addendum sets forth certain services to be performed by USI pursuant to the Agreement.

This Services and Fee Addendum shall have no effect separate and apart from the Agreement, and all capitalized terms used herein without definition will have the same meanings as specified therefore in the Agreement, and this Services and Fee Addendum is hereby incorporated by reference therein.

1. Services From USI

a. Curriculum and Assessment

USI shall provide comprehensive program design, including curriculum development and implementation, instructional oversight, instructional best practice dissemination, the development, administration, and analysis of diagnostic assessments, and the oversight, measurement, and management of school quality.

USI shall support the School Partner in implementing its program and curriculum in a manner that is consistent with all applicable laws and fulfills the program and curriculum obligations of the School Partner under the Charter Contract, including requirements regarding content and subjects of instruction, unless such requirement has been waived by the relevant authorities, and such waiver has been approved by the Governing Board. USI shall manage the lesson plan process, train the lesson planners, and distribute common lesson plans across all schools. USI will provide the School Partner with information and systems for implementing the program and curriculum. The curriculum will include scope and sequence, an assessment system, a daily schedule and a variety of curriculum materials and related documents.

USI shall engage in activities to identify, codify, and disseminate best instructional and operational practices at its discretion.

b. Student Evaluation

USI shall support the implementation of student performance evaluation systems, which permit evaluation of the educational progress of each student at the School Partner in accordance with the goals set forth in the Charter Contract and any additional guidelines or mandates set forth by the Authorizer. USI shall support assessment administration, conduct network data analysis, and support regional and school-level data analysis to improve teacher effectiveness. The School Partner shall, with USI’s assistance, ensure that the students take all State required standardized tests in accordance with State laws and regulations.

c. Data Analytics

USI shall facilitate access to data and, where applicable, create reporting, analysis, and/or predictive models in student academic performance, teacher performance, staff satisfaction, student discipline, student enrollment, student attendance, staff demographics, college admissions, and college completion. USI will perform statistical analysis on all core students' state and national test results and provide such information to school leaders on a timely basis. USI shall also facilitate data requests to complete reporting requirements to key external stakeholders (e.g., Authorizer, funders). USI and the School Partner will work together to monitor and record, to the extent reasonably possible, postsecondary progress of students completing high school, including their success in gaining college admission and monitoring their progress and graduation from college. USI will monitor and maintain postsecondary student persistence data, postsecondary student academic performance data, and postsecondary student risk assessment data, to the extent reasonably possible. Student reporting and analyses referenced herein will consider both the overall population and relevant subgroups including, but not limited to, SPED, ELL, and demographic groups, where applicable.

The School Partner, with USI's assistance, shall maintain detailed statistical information on the performance of (i) the School Partner as a whole, (ii) each individual Campus, (iii) each individual student, and (iv) each grade. USI and the School Partner shall cooperate in good faith to identify other measures of and goals for student and School Partner performance, including but not limited to student college admission rates, parent, teacher, and student satisfaction.

d. Supervision and Development of Principal and Director of Operations

USI shall supervise Principals and Director of Operations, as such titles and roles may change from time to time. For each Principal and Director of Operations, USI will (a) provide intensive up-front and ongoing formal professional development, (b) conduct evaluations at least once per year, and (c) provide ongoing support, coaching and training.

e. Professional Development

USI shall support the provision of professional development for Principals, instructional leaders, Deans of Students, teachers as well as Directors of Operations and operations staff, either through support to the School Partner or through direct provision of professional development, and, at its direction, through the facilitation of working groups.

f. USI School Partner Inspections

USI will conduct a thorough School Campus inspection and evaluation every two years to the extent mandated by and consistent with this Agreement.

g. Budget, Financial Statements, and Accounting Services

On or before June 30 of each year, USI will work closely with the School Partner in developing, and will provide the School Partner with a projected budget for the next fiscal year, for review and approval by the Governing Board. The annual budget for the School Partner shall provide for payment of all operating expenses related to the operation or opening of the School

Partner, including, but not limited to: the USI Service Fee; other reimbursable expenses covered by USI for the School Partner by agreement; compensation for School Partner employees, including salary and benefit costs; debt payments owing and owed to USI by the School Partner; marketing and public relations costs; supplies; maintenance; staff development; curriculum materials; assessment materials and consulting fees; other third party consulting expenses; transportation and travel; printing and duplicating; postage; legal fees; and accounting fees. The budget will be subject to approval by the Governing Board. With respect to these items, USI may act as the disbursement agent on behalf of the School Partner to timely pay all such agreed upon budget expenditures out of funds available therefore from the School Partner's bank accounts, from which the School Partner shall give USI authority to remit payments. The School Partner shall be the lawful owner of all real and personal property purchased with such funds, except for property covered by Article 8, which property shall be the sole and exclusive property of USI, subject to the provisions of Article 8. USI shall have no responsibility to make any purchases on behalf of the School Partner or to act as disbursement agent for the School Partner unless and until the funds for such expenditures are in the School Partner's bank accounts to which USI has access.

The budget shall grant certain levels of discretion to the Principal and Director of Operations of each Campus within parameters established by the Governing Board.

USI, working closely with each Director of Operations, shall also:

- Provide quarterly unaudited financial statements for review and approval by the Governing Board or its designee. These financial statements, including balance sheet and statement of profit and loss, shall be provided in a timely manner;
- Record and track income and expenses related to all contracts and grants;
- Record all cash receipts and accounts payable invoices;
- Prepare vendor checks and obtain the Board Chair's approval for the payment of such checks, where applicable;
- Support business operations, including processing payment requests for purchases;
- Reconcile the checking accounts each month;
- Manage all retirement related enrollment and reporting;
- Provide payroll processing, reporting and maintaining compliance with related government and regulatory filings;
- Interface with the accounting firm and prepare all schedules required for year-end audit work;
- Supervise and maintain temporary custody (for the joint benefit of the School Partner and USI) of files and records relating to the business operation of the School Partner.

USI acknowledges that all records, data, communications, and other property of the School Partner entrusted or loaned to USI during the term of this Agreement are the School Partner's property and USI agrees to return any such material to the School Partner immediately upon the termination of this Agreement; and

- Ensure accurate and timely financial reporting to pertinent state and local regulatory agencies in the Applicable State and Applicable Locality.

USI shall also provide other finance and accounting services, including the following:

- Developing and leading professional development on budget management for Director of Operations, and other School Partner-based staff, as relevant;
- Re-forecasting budgets quarterly, compiling budget updates and providing regional leadership with budgetary updates;
- Conducting ongoing training and troubleshooting in the management of School Partner budgets;
- Maintaining Fiscal Policies and Procedures that align with applicable State guidelines;
- Monitor all bank accounts for adequate operating cash to cover payroll and payment to vendors;
- Selecting and managing banking relationships for the School Partner;
- Ensuring the preparation of the IRS Form 990 is within and IRS approved deadline, as requested or otherwise necessary; and
- Providing training to the Directors of Operations in the use of the financial management software and/or systems selected by USI and support and oversight pertaining to School Partner's accounting, bookkeeping, procurement and other financial functions.

USI shall select the auditor for Board approval and serve as the liaison with the auditor. USI shall cooperate and provide to the School Partner's auditors all reasonably requested information, to the extent such information is in possession or under the control of USI, needed to complete an annual audit of the School Partner. Additionally, USI shall engage in the following audit-related activities:

- Provide auditors requested information to prepare and file required tax reporting within IRS approved deadlines;
- Provide Authorizer with annual audits and financial reports;

- Manage other audits such as Comptrollers audit, Department of Labor audit, Worker's Compensation audit and audits by the Authorizer or other governmental or regulatory bodies; and
- Oversee timely and appropriate action to resolve audit findings by the Authorizer or other governmental or regulatory bodies.

h. Grants Management

USI will provide grant management services, which includes preparing and/or writing grant applications, making recommendations to apply for certain grants, compiling grant applications, developing grant budgets, maintaining appropriate records, documenting and ensuring spending is in accordance with terms, and preparing required foundation and government reports.

Other services may include the following:

- Writing grants, responding to RFPs, and submitting proposal for grants;
- Creating and executing all compliance documentation for grants including timesheets, trackers, and project plans;
- Gathering necessary data and completing reporting requirements; and
- Creating Governing Board materials and resolutions for approval where applicable.

i. Real Estate and Facilities

USI shall assist the School Partner in any and all efforts to secure shared or sole occupancy space from the hosting district, and support the School Partner in compliance with leases for all Facilities. Other services may include the following:

- Preparing analysis of potential facility options for review and assessment;
- Assisting in the selection of vendors for various real estate related contracts, as required for occupancy;
- Managing contractual obligations under leases or facility use agreements;
- Developing budgets for facility occupancy;
- Applying for regulatory approvals, if any, as required under leases and facility licenses;
- Preparing property tax exemption applications, coordinating legal assistance for procurement of same, if necessary;
- Securing sales tax exemptions for real estate projects, if necessary; and

- Overseeing security assessments, recommendations and implementation.

j. Fundraising

USI shall provide fundraising assistance to the School Partner, including:

- Lead fundraising activities around the identification, solicitation, and stewardship of prospects to achieve fundraising goals;
- Determining philanthropic need; and
- Developing fundraising strategy based upon that need.

k. Human Resources

USI shall have the responsibility to develop, revise and administer human resources policies to ensure legal compliance with federal, state and local laws and regulations. USI shall research changes in human resource or employment law to ensure ongoing compliance. USI shall communicate recommendations and changes to regional leaders and implement changes as deemed appropriate. Other responsibilities may include:

- Selecting, managing and evaluating benefits plans for School Partner employees;
- Negotiating attractive and competitive benefits packages;
- Assessing participation and effectiveness of benefit plans, including medical, dental and vision insurance; disability and life insurance; wellness benefits and commuter and transit benefits;
- Administering and monitoring of employee leave benefits in alignment with requisite regulations;
- Providing workers' compensation coverage to employees and facilitating the processing of claims through third-party provider;
- Enrolling eligible employees in state retirement systems;
- Training Fellows, new DOOs on all HR-interfacing processes and providing tools for current DOOs to ensure compliance with policies and procedures;
- Supporting new employee onboarding orientations;
- Advising School Partner or School Campus leaders on personnel issues to facilitate resolution and minimize any risk exposure to the School Partner and USI, including monitoring for any litigation and ensure insurance broker and necessary stakeholders notified for ongoing management and resolution;

- Providing guidance and counsel to ensure compliance with required employment laws and regulations; and
- Ensuring streamlined and timely onboarding and off-boarding of employees.

l. Recruitment

USI shall have the responsibility to recruit future Principals, Directors of Operations, deans and full-time teaching, operations staff (e.g., Office Manager) and support staff (e.g., Social Worker) of each School Campus. USI shall generate applications for all school-based positions by curating job descriptions, hosting recruiting events, attending career fairs, and posting positions on job board platforms. Other responsibilities may include:

- Conducting initial candidate screening (e.g., of resumes, application materials, videos, interviews);
- Coordinating interviews;
- Handling candidate communication and outreach;
- Using data to drive recruiting strategy;
- Managing recruiting relationships with universities;
- Leveraging digital platforms to headhunt targeted candidates;
- Managing social media presence and digital campaigns to improve branding and advertising for open roles;
- Building and maintaining relationships with teacher feeder programs and other partners;
- Providing training, guidance where needed, on candidate selection and offer best practices; and
- Managing all recruitment technology systems.

Travel, travel-related and incidental expenditures incurred by prospective School Partner employees during the interview process shall be the responsibility of the School Partner once it has been established that said employees are primarily interested in employment in the region as opposed to elsewhere within the USI school network.

m. Insurance

USI will procure commercial general liability, professional liability, workers compensation, property and other customary coverages carried by organizations similar in scope, or as required by law, at its own expense, to cover USI's actions and those of its agents. USI

may procure these coverages as separate insurance programs or as part of programs jointly maintained with the School Partner.

USI will procure general liability, workers compensation, property, including buildings owned, built or co-occupied, educators liability, inclusive of directors and officers coverage, employment practices liability, fiduciary liability and other customary school insurance coverages for the School Partner at the School Partner's expense, to cover the School Partner's actions and those of its agents.

USI will procure insurance policies necessary for all the buildings it owns, co-occupies and builds.

n. Equipment and Information Technology

USI will facilitate the School Partner's purchase and procurement of information technology equipment and services integral to the operation of a school. In addition, USI will provide troubleshooting, website and network design, and completion of the E-Rate application. USI will also provide the following computer and information technology support to the School Partner:

- Maintaining access to and providing training in the use of a central file server containing electronic curricular and school administration resources;
- Providing training materials and support in the use of a student information system;
- Effectively managing help-desk and general desktop support services to the School Partner staff;
- Providing data management support to School Partner's staff;
- Recommending and ensuring the effective implementation of a data back-up protocol;
- Managing third party vendor for delivery of technology support services; and
- Supporting large-scale technology-related initiatives by providing project management resources as needed.

All technology software, and equipment, and infrastructure help desk support services will be paid for by the School Partner, unless otherwise specified by USI. USI will work with third party consultants in technology redesign as needed to support the School Partner's growth.

o. Marketing and Media

USI shall create cohesive branding (including but not limited to school logos, stationery design and visitor materials); maintain USI social media presence; maintain, renew and apply for new trademarks; monitor and respond to online or social media coverage of the School Partner; and manage both digital and outdoor media advertisements (as deemed necessary). USI shall facilitate and manage all vendor relationships for website hosting and maintenance, for formal

photography and for selected video productions. USI shall also manage and maintain the accuracy and the quality of the School Partner website, with the support of School Partner staff, as necessary.

USI shall support and oversee media-related activities. USI shall ensure a cohesive media message across all School Partners, build relationships with media influencers to promote the School Campuses, directly pursue positive media coverage, as well as support the School Partner as relevant during the process of handling positive or negative media coverage.

p. External Affairs and Community Outreach

USI shall provide strategic guidance on outreach activities, with direct execution of activities as warranted, and including but not limited to, supporting district partnerships, creating and optimizing effective campaigns, building critical relationships with external stakeholders and elected officials, supporting parent engagement at local meetings, attending community events and town hall meetings, and building partnerships with its peers to understand the political shifts that may impact the School Partner.

q. Impact

USI shall build district partnerships, coordinate the sharing of best practices with district partners, and coordinate visits of key stakeholders to its trainings, as deemed relevant, and in support of School Partner's interests.

r. Diversity

USI shall provide diversity, equity and inclusion-related services and support. USI shall engage in hiring practices that appeal to diverse applicants with the intention of strengthening faculty diversity. USI shall create and support training and opportunities for School Partner-wide engagement that foster an inclusive culture and equitable practices within the School Campuses. USI shall provide intervention and support to individual schools by way of developing specific professional development and consultation around equity and inclusion issues.

s. College Access and Completion

USI shall develop overall vision and approach for supporting high school graduates in selecting, persisting in and completing college, USI shall oversee the successful implementation and continuous improvement of this vision and approach.

USI shall oversee, support and train college counselors at School Campuses and participate in their evaluation, including in the following areas:

- Advising students on creating college lists using data to ensure lists have the right mix of far reach, reach and match schools;
- Advising students and families on the financial aid process and how to assist in completing financial aid forms;

- Compiling college applications including transcript review, the development of personal statements, teacher recommendations and counselor recommendations; and
- Using data systems to upload and submit all college application materials.

USI shall oversee, support and train alumni counselors, including in the following areas:

- Providing support to students on college campuses; and
- Assisting with academic issues and financial aid packages.

USI will develop and/or oversee development of partnerships with institutions of higher education and other outside partners to support USI's alumni in completing college.

2. Service Fee and Payment Terms

For each 12-month period during the term of this Agreement beginning on July 1st and continuing until June 30th of the following year, the School Partner shall pay USI the Service Fee.

The Service Fee shall be due and payable in four approximately equal installments throughout the year on September 30th, December 31st, March 31st, and June 30th. The Service Fee installment due to USI on September 30th, December 31st, and March 31st of each fiscal year of the School Partner shall be based on good faith estimates of each School Campus' anticipated Recurring Public Revenue. The June 30th Service Fee for each school year shall be adjusted to reflect Recurring Public Revenue at the School Partner at each School Campus for such school year (i.e., either reduced by overpayments made or increased for underpayments for prior periods).

3. Schools Campuses

The School Campuses subject to the Agreement shall mean any of the following and any additional public charter schools operated by the School Partner upon approval of Authorizer:

- North Star Academy Alexander Street Elementary School, 43 Alexander Street, Newark, NJ 07106
- North Star Academy Fairmount Elementary School, 108 South 9th Street, Newark, NJ 07107
- North Star Academy Liberty Elementary School, 108 South 9th Street, 2nd Floor, Newark, NJ 07107
- North Star Academy Vailsburg Elementary School, 24 Hazelwood Avenue, Newark, NJ 07106
- North Star Academy West Side Park Elementary School, 557 15th Avenue, Newark, NJ 07103

- North Star Academy Lincoln Park Elementary School, 377 Washington Street, Newark, NJ, 07102
- North Star Academy Lincoln Park Middle School, 377 Washington Street, Newark, NJ 07102
- North Star Academy Clinton Hill Middle School, 600 Clinton Avenue, Newark, NJ 07108
- North Star Academy Downtown Middle School, 10 Washington Place, Newark, NJ 07102
- North Star Academy Vailsburg Middle School, 24 Hazelwood Avenue, 2nd Floor, Newark, NJ 07106
- North Star Academy West Side Park Middle School, 120 Livingston Street, Newark, NJ 07103
- North Star Academy Central Avenue Middle School, 72 Central Avenue, Newark, NJ 07102
- North Star Academy Washington Park High School, 13 Central Avenue, Newark, NJ 07102
- North Star Academy Lincoln Park High School, 377 Washington Street, Newark, NJ, 07102

* * * *

IN WITNESS WHEREOF, the Parties have executed and delivered this Services and Fee Addendum as of the date first written above

UNCOMMON SCHOOLS, INC.

By: 
 Name: Brett Peiser
 Title: Chief Executive Officer

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC.

By: 
 Name: Rick Rieder
 Title: Chair, North Star Academy Charter School of Newark, Inc. Governing Board

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APPENDIX B-1

**FINANCIAL STATEMENTS OF THE SCHOOL FOR THE FISCAL YEAR
ENDED JUNE 30, 2019**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

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NORTH STAR ACADEMY **CHARTER SCHOOL OF NEWARK**

November 18, 2019

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza CN 500
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the North Star Academy Charter School of Newark (the Charter School) for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes unaudited data from the Charter School's last seven fiscal years. The Charter School is required to undergo an annual single audit in conformity with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **Reporting Entity and its Services:** North Star Academy Charter School of Newark constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

- 2) **Enrollment Outlook:** The Charter School enrolled 5,382 students, over thirteen campuses; two high schools, five middle schools and six elementary schools for the 2018-2019 school year.

The Charter School was chartered by The New Jersey Department of Education as one of the state's very first charter schools in January 1997. The Charter School opened its doors to its first 72 students – 36 fifth graders and 36 sixth graders – in September 1997. Since that time, the Charter School has grown each year increasing the number of students served, as indicated in the table below.

<u>School Year</u>	<u>Grades Served</u>	<u>Student Enrollment</u>
1998-1999	5th – 7th	108
1999-2000	5th – 8th	144
2000-2001	5th – 9th	180
2001-2002	5th – 10th	216
2002-2003	5th – 11th	240
2003-2004	5th – 12th	270
2004-2005	5th – 12th	300
2005-2006	5th – 12th	379
2006-2007	5th – 12th	445
2007-2008	K; 5th – 12th	583
2008-2009	K-1; 5th – 12th	760
2009-2010	K-2; 5th – 12th	902
2010-2011	K-3; 5th – 12th	1,255
2011-2012	K – 12th	1,677
2012-2013	K – 12th	2,203
2013-2014	K – 12th	2,733
2014-2015	K – 12th	3,441
2015-2016	K – 12th	3,970
2016-2017	K – 12th	4,492
2017-2018	K – 12th	4,958
2018-2019	K – 12th	5,382

The Charter School operates an extended school year. Students attend classes from 8:00 to 4:00, which is more than an hour longer than most public schools. In addition, programs are available from 7:30 a.m. to 5:00 p.m. There are approximately 25 students per class. Students wear uniforms. Parents are heavily involved in school activities and governance. Teachers are recruited nationally.

- 3) **Major Accomplishments:** In 2018–2019, the Charter School students maintained an attendance rate of 94%. Parents and students reported a high level of satisfaction in all areas. The 3rd - 11th grade test scores met the academic standards, in many instances exceeding them, in all areas (math, language arts and science) as outlined in the state's Academic Performance Framework. Every member of the senior class graduated and planned to attend college. The Charter School has more than 2,900 students on a waiting list, and is the most selected school by students via the Newark Enrolls application system

- 4) **Internal Accounting Controls:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and state financial assistance, the Charter School also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Charter School management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to Federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

- 5) **Budgetary Controls:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Charter School and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balances at June 30, 2019.

- 6) **Accounting System and Reports:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by GASB. The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in Note 1 of the accompanying footnotes.
- 7) **Financial Information at Fiscal Year-End:** As demonstrated by the various statements and schedules included in the financial section of report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund, Capital Fund and Enterprise Fund revenues for the fiscal year ended June 30, 2019:

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>
State Share	\$ 69,248,977	66%
State Aid	12,131,879	12
Local Revenue	11,123,916	11
Federal Aid - Special Revenue	5,621,314	5
Food Service - Federal Aid and Local	2,381,721	2
Private Funding - General Fund	2,006,741	2
Private Grants - Special Revenue	1,591,192	2
E-rate Funding	494,936	-
Interest and Dividend Income - General Fund	165,316	-
Daily Sales - Reimbursable Programs and Special Lunch Program - Enterprise Fund	141,675	-
Food Service Board Subsidy	107,568	-
Miscellaneous Revenue - Enterprise Fund	295,635	-
	<u>\$ 105,310,870</u>	<u>100%</u>

7) **Financial Information at Fiscal Year-End:** (Continued)

The following schedule presents a summary of the General Fund, Special Revenue Fund, Capital Fund and Enterprise Fund expenditures for the fiscal year ended June 30, 2019.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Current - General Fund	\$ 89,834,367	82%
Special Revenue Fund	7,197,506	7
Capital Outlay	9,285,890	9
Enterprise Fund	<u>2,643,297</u>	<u>2</u>
Total	<u>\$ 108,961,060</u>	<u>100%</u>

8) **Cash Management:** The investment policy of the Charter School is guided in large by the state Statute as detailed in Note 2 in the accompanying basic notes to financial statements. The Charter School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **Risk Management:** The Charter School carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) **Other Information:**

Independent Audit - State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Alexander, Aronson, Finning & Co., P.C. was selected by the Charter School.

In addition to meeting the requirements set forth in the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, *"Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid."* Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Respectfully submitted,



Cynthia Leger
Managing Director of Operations

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2019**

<u>Board of Directors</u>	<u>Term Expires</u>
Nicole Bearce Albano	6/2020
Paul Bambrick-Santoyo, Secretary	6/2020
Ravi Bellur	6/2020
Lawrence Evans	6/2020
Bob Howitt	6/2019
Rick Rieder, Chairman	6/2019
Scott Sleyster	6/2019
James Verrilli	6/2019
Thomas Redburn	6/2019
Ezdehar Abuhatab	11/2018
Trisha Scipio-Derrick	6/2020
<u>Other Officers</u>	
Michael Ambriz, Chief Operating Officer/Lead Person	
Juliana Worrell, Assistant Superintendent	
Serena Savarirayan, Assistant Superintendent	
Kelly Dowling, Assistant Superintendent	
Mike Mann, High School Head of School	

CONSULTANTS AND ADVISORS

AUDIT FIRM

Alexander, Aronson, Finning & Co., P.C.
50 Washington Street
Westborough, MA 01581

OFFICIAL DEPOSITORY

Santander
200 Park Avenue, Suite 100
Florham Park, NJ 07932

FINANCIAL SECTION

**Unmodified Opinion on General Purpose Financial Statements
Accompanied by Other Information - Governmental Entity**

Independent Auditor's Report

To the Board of Trustees of
North Star Academy Charter School of Newark:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Star Academy Charter School of Newark (the Charter School), County of Essex, State of New Jersey, as of and for the year ended June 30, 2019, and the related notes to the 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 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 and audit requirements as prescribed by the *Office of School Finance, Department of Education, State of New Jersey*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on page seven present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Star Academy Charter School of Newark as of June 30, 2019, and the respective changes in net position and, where applicable, cash flows, as of and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the pension and post-employment benefit schedules in Schedules L-1 through L-4 and M-1 and the *Budgetary Comparison Information* in exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining and individual fund financial statements and Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the provisions of New Jersey Department of the Treasury OMB's Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the 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.

The Introductory section and Statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the Charter School's internal control over financial reporting and compliance.



Westborough, Massachusetts
November 18, 2019

John R. Buckley, C.P.A.
Public School Accountant
PSA #20CS00271800

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

This section of North Star Academy Charter School of Newark's (the Charter School) annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-19 fiscal year include the following:

- Total Net Position was \$30,841,484, which was net of pension adjustment of \$20,872,386.
- Total Net Position increased by \$1,282,920 from July 1, 2018 to June 30, 2019.
- The General Fund balance at June 30, 2019, is \$16,636,928, a decrease of \$3,661,391 when compared with the beginning balance at July 1, 2018.
- There was no Capital Fund balance as of June 30, 2019. The Capital Projects Fund balance at June 30, 2018, is \$287,101.
- The Enterprise Fund balance at June 30, 2019, is \$313,244, an increase of \$283,302 when compared with the beginning balance at July 1, 2018.

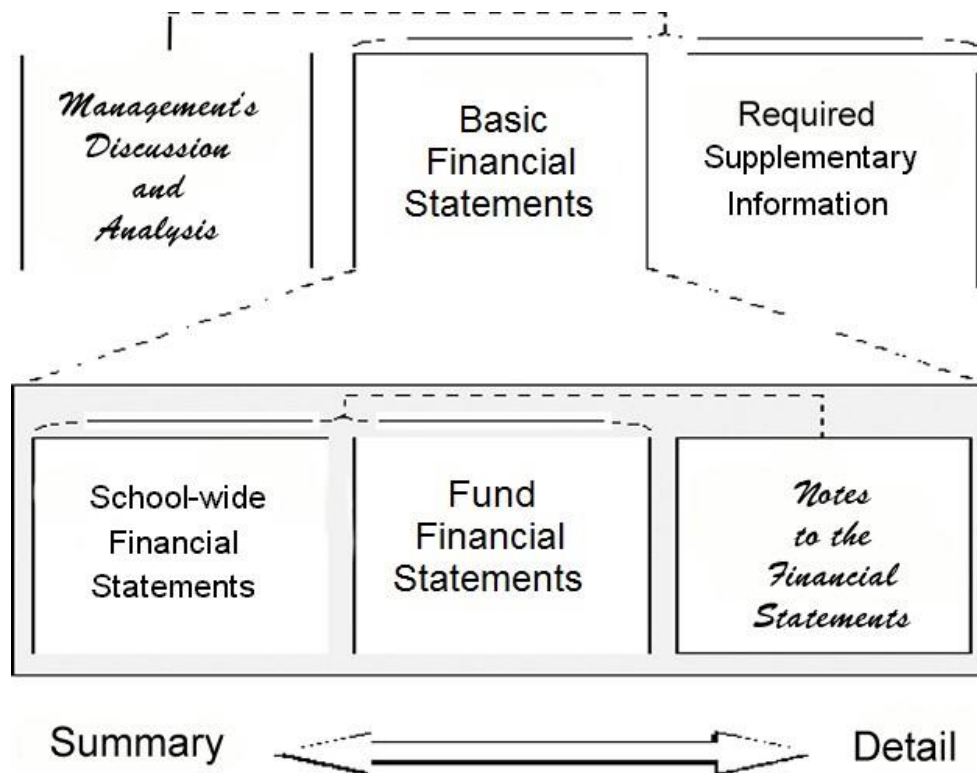
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the North Star Academy Charter School of Newark.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the North Star Academy Charter School of Newark's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the North Star Academy Charter School of Newark, reporting the North Star Academy Charter School of Newark's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the Food Service activities the North Star Academy Charter School of Newark operates like businesses, per government definition.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the North Star Academy Charter School of Newark's financial statements, including the portion of the North Star Academy Charter School of Newark's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-Wide and Fund Financial Statements

	School-wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Fund
Scope	Entire school (except fiduciary funds)	The activities of the North Star Academy Charter School of Newark that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the North Star Academy Charter School of Newark operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue, expenditures and changes in fund balances	Statement of revenue, expenses and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows, accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

School-wide Statements

The school-wide statements report information about the North Star Academy Charter School of Newark as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the North Star Academy Charter School of Newark's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the North Star Academy Charter School of Newark's net position and how they have changed. Net position - the difference between the North Star Academy Charter School of Newark's assets and liabilities - are one way to measure the North Star Academy Charter School of Newark's financial health or position.

- Over time, increases or decreases in the North Star Academy Charter School of Newark's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

In the school-wide financial statements, the North Star Academy Charter School of Newark's activities are shown in two categories:

- *Governmental activities* - Most of the North Star Academy Charter School of Newark's basic services are included here, such as regular and special education, transportation, administration, food services, and community education.
- *Business-type activities* - The North Star Academy Charter School of Newark's Food Service Fund and Enrichment Fund are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the North Star Academy Charter School of Newark's funds – focusing on its most significant or “major” funds – not the North Star Academy Charter School of Newark as a whole.

Funds are accounting devices the North Star Academy Charter School of Newark uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The North Star Academy Charter School of Newark uses other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The North Star Academy Charter School of Newark has three kinds of funds:

- **Governmental funds** - Most of the North Star Academy Charter School of Newark's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the North Star Academy Charter School of Newark's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds** - Services for which the North Star Academy Charter School of Newark charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds** - The North Star Academy Charter School of Newark is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The North Star Academy Charter School of Newark is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the North Star Academy Charter School of Newark's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the North Star Academy Charter School of Newark's government-wide financial statements because the North Star Academy Charter School of Newark cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK AS A WHOLE

Net position. The North Star Academy Charter School of Newark's net position is \$31,154,728 on June 30, 2019. (See Table A-1).

Governmental	\$ 30,841,484
Business Activities	<u>313,244</u>
Total	<u>\$ 31,154,728</u>

The Statement of Net Position of \$31,154,728 reflects total capital assets of \$35,061,942, net of accumulated depreciation from inception.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK AS A WHOLE (Continued)

The North Star Academy Charter School of Newark's financial position is the product of these factors:

- Total revenues during the 2018-19 school year were \$105,310,870.
- Total expenditures during the 2018-19 school year were \$108,961,060.

Table A-1
North Star Academy Charter School of Newark
Statement of Net Position
As of June 30, 2019

	<u>Total</u>
Current and other assets	\$ 21,919,860
Capital assets (including business activities)	<u>35,061,942</u>
Total assets	<u>\$ 56,981,802</u>
Other liabilities	<u>\$ 4,954,688</u>
Total liabilities	<u>\$ 4,954,688</u>
Net Position:	
Invested in capital assets, net of related debt	\$ 35,933,373
Unrestricted enterprise fund	313,244
Restricted for scholarship	15,000
General fund	<u>15,765,497</u>
Total net position	<u>\$ 52,027,114</u>
Fund balance, June 30, 2019, before pension adjustment	\$ 16,651,928
Cost of capital assets, net of accumulated depreciation	<u>35,061,942</u>
Net position before pension adjustment	51,713,870
Less - pension adjustment	<u>(20,872,386)</u>
Net position as adjusted for pension liability, June 30, 2019	<u>\$ 30,841,484</u>

Total Governmental and Business Activities revenues and beginning assets minus net adjusted expenditures resulting in a calculation of net position of \$31,154,728 on June 30, 2019.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Table A-2
North Star Academy Charter School of Newark
Changes in Net Position - School-Wide
For the Fiscal Year Ended June 30, 2019

	<u>Total</u>	<u>Percentage</u>
Revenues:		
Program revenues:		
Charges for services	\$ 437,310	- %
General revenues:		
Local Revenue	11,123,916	11
State Share	69,248,977	66
State Aid	12,131,879	12
E-rate Funding	494,936	-
Private Funding - General Fund	2,172,057	2
Federal Aid - Special Revenue	5,621,314	5
Private Grants - Special Revenue	1,591,192	2
Food Service - Federal Aid and Local	2,381,721	2
Food Service Board Subsidy	<u>107,568</u>	<u>-</u>
Total revenues	<u>105,310,870</u>	<u>100%</u>
Expenses:		
Regular instruction	38,183,475	35%
General administrative	28,447,887	26
School administrative	22,146,255	20
On-behalf TPAF Social Security and Pension	7,162,063	7
Capital outlay	10,378,083	10
Food service and enrichment	<u>2,643,297</u>	<u>2</u>
Total expenses	<u>108,961,060</u>	<u>100%</u>
Decrease in fund balance	(3,650,190)	
Increase in net capital outlay	9,084,377	
Pension adjustment	<u>(3,867,986)</u>	
Net increase in net position	1,566,222	
Net position, beginning July 1, 2018	<u>29,588,506</u>	
Net position	<u>\$ 31,154,728</u>	

Total expenditures exceeded revenue, decreasing fund balance by \$3,933,492 in the General Fund. Total revenues exceeded expenditures, increasing fund balance by \$283,302 in the Enterprise Fund.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Table A-3 (See Exhibit B-1) North Star Academy Charter School of Newark Changes in Net Position - School-Wide For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK'S FUNDS

The financial performance of the North Star Academy Charter School of Newark as a whole is reflected in its governmental activities Exhibit B-1. As the North Star Academy Charter School of Newark completed the year, its general funds reported a combined fund balance of \$16,636,928.

There was no Capital Fund balance at June 30, 2019.

The business activities fund balance at June 30, 2019, was \$313,244.

Revenues for the North Star Academy Charter School of Newark's business activities were \$2,926,599, while total expenses were \$2,643,297. (Table A-2) (Exhibit G-2)

GOVERNMENTAL FUND

The Governmental Fund includes the primary operations of the North Star Academy Charter School of Newark in providing educational services to students from kindergarten through grade 12.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The following schedule presents a summary of Governmental Fund revenues. The summary reflects the dollar increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
North Star Academy Charter School of Newark
Changes in Net Position – Governmental
For the Fiscal Years Ended June 30

<u>General Fund Revenues</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Amount of Increase (Decrease)</u>
Local Sources:			
Local share	\$ 11,123,916	\$ 10,744,975	\$ 378,941
Other local revenue	<u>4,258,185</u>	<u>10,840,472</u>	<u>(6,582,287)</u>
Total local sources	<u>15,382,101</u>	<u>21,585,447</u>	<u>(6,203,346)</u>
Intergovernmental Sources:			
State sources	81,380,856	74,407,629	6,973,227
Federal sources	<u>5,621,314</u>	<u>5,726,673</u>	<u>(105,359)</u>
Total intergovernmental sources	<u>87,002,170</u>	<u>80,134,302</u>	<u>6,867,868</u>
Total revenues	<u>\$ 102,384,271</u>	<u>\$ 101,719,749</u>	<u>\$ 664,522</u>

The following schedule presents a summary of Governmental Fund expenditures. The summary reflects the dollar increase (decrease) from the prior year.

Table A-5 (See Exhibit B-2)
North Star Academy Charter School of Newark
Changes in Net Position – Governmental
For the Fiscal Years Ended June 30

<u>General Fund Expenditures</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Amount of Increase</u>
Current:			
Regular instruction	\$ 38,183,475	\$ 36,120,567	\$ 2,062,908
General administrative services	28,447,887	27,670,578	777,309
School administration	22,146,255	16,422,669	5,723,586
On-behalf TPAF Social Security and Pension	7,162,063	6,543,138	618,925
Capital outlay	<u>10,378,083</u>	<u>4,835,316</u>	<u>5,542,767</u>
Total expenditures	<u>\$ 106,317,763</u>	<u>\$ 91,592,268</u>	<u>\$ 14,725,495</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the Governmental Fund unreserved-undesignated fund balance.

Table A-6
North Star Academy Charter School of Newark
Changes in Fund Balance – Governmental
For the Fiscal Years Ended June 30

General Fund	2019	2018	2017	2016	2015	2014	2013
Unreserved-Undesignated Fund Balance	16,636,928	20,298,319	10,457,939	9,363,723	7,432,456	5,884,567	4,563,973
Expenditures	106,317,763	91,592,268	85,849,805	72,868,190	64,072,903	50,332,421	41,397,610
Percentage	16%	22%	12%	13%	12%	12%	11%

The North Star Academy Charter School of Newark values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

FACTORS BEARING ON THE CHARTER SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the North Star Academy Charter School of Newark was aware of these existing circumstances that could significantly affect its financial health in the future:

- Future State Aid may be reduced due to the State's criteria utilized in calculating allocations of State Aid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, in the General Fund, the North Star Academy Charter School of Newark had invested \$35,061,942 in a broad range of capital assets, including leasehold improvements, computer and audio-visual equipment, and administrative offices, etc., net of accumulated depreciation (more detailed information about capital assets can be found in Note 4 to the financial statements).

Total General Fund depreciation expense for the year was \$1,293,706.

Table A-7
North Star Academy Charter School of Newark
Changes in Net Position – School-Wide
For the Fiscal Year Ended June 30, 2019

Facilities improvement	\$ 36,693,910
Equipment	<u>877,087</u>
Total - General Fund	40,570,997
Less - accumulated depreciation	<u>(5,509,055)</u>
Total - Net Capital Assets General Fund	<u>\$ 35,061,942</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and contributors with a general overview of the North Star Academy Charter School of Newark's finances and to demonstrate the North Star Academy Charter School of Newark's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, North Star Academy Charter School of Newark, 10 Washington Place, Newark, New Jersey 07102.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the North Star Academy Charter School of Newark's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2019.

SCHOOL-WIDE FINANCIAL STATEMENTS

North Star Academy Charter School of Newark
Statement of Net Position
As of June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,936,332	\$ 224,963	\$ 6,161,295
Receivables	14,764,788	122,346	14,887,134
Prepaid expenses	871,431	-	871,431
Capital assets, net	35,061,942	-	35,061,942
Total assets	56,634,493	347,309	56,981,802
DEFERRED OUTFLOW OF RESOURCES			
Pension deferred outflows	20,417,226	-	20,417,226
Total assets and deferred outflow of resources	\$ 77,051,719	\$ 347,309	\$ 77,399,028
LIABILITIES			
Accounts payable	\$ 4,896,754	\$ 34,065	\$ 4,930,819
Due to School Districts	19,884	-	19,884
Deferred revenue	3,985	-	3,985
Net pension liability	30,945,164	-	30,945,164
Total liabilities	35,865,787	34,065	35,899,852
DEFERRED INFLOW OF RESOURCES			
Pension deferred inflows	10,344,448	-	10,344,448
Total liabilities and deferred inflow of resources	46,210,235	34,065	46,244,300
NET POSITION			
Invested in capital assets	35,933,373	-	35,933,373
Restricted for scholarship	15,000	-	15,000
Unrestricted	(5,106,889)	313,244	(4,793,645)
Total net position	30,841,484	313,244	31,154,728
Total net position, liabilities and deferred inflow of resources	\$ 77,051,719	\$ 347,309	\$ 77,399,028
Fund Balance, June 30, 2019 - B-1	\$ 16,651,928		
Cost of capital assets, net of accumulated depreciation	35,061,942		
Net position before pension adjustments	51,713,870		
Less pension, net (deficit)	(20,872,386)		
Total net position, June 30, 2019	\$ 30,841,484		

North Star Academy Charter School of Newark
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net Expense (Revenue) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 38,183,475	\$ -	\$ 5,936,206	\$ -	\$ 32,247,269	\$ -	\$ 32,247,269
Support services:							
General administration	28,447,887	-	1,276,300	-	27,171,587	-	27,171,587
School administrative services	22,146,255	-	-	-	22,146,255	-	22,146,255
On-behalf TPAF Social Security	7,162,063	-	-	-	7,162,063	-	7,162,063
Capital grants	-	-	-	1,169,020	(1,169,020)	-	(1,169,020)
Capital Outlay	10,378,083	-	-	-	10,378,083	-	10,378,083
Total governmental activities	<u>106,317,763</u>	<u>-</u>	<u>7,212,506</u>	<u>1,169,020</u>	<u>97,936,237</u>	<u>-</u>	<u>97,936,237</u>
Business-type activities:							
Food Service	2,347,662	141,675	-	-	-	2,205,987	2,205,987
Enrichment Programs	295,635	295,635	-	-	-	-	-
Total business-type activities	<u>2,643,297</u>	<u>437,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,205,987</u>	<u>2,205,987</u>
Total primary government	<u>\$ 108,961,060</u>	<u>\$ 437,310</u>	<u>\$ 7,212,506</u>	<u>\$ 1,169,020</u>	<u>97,936,237</u>	<u>2,205,987</u>	<u>100,142,224</u>
General revenues:							
Local share					11,123,916	32,124	11,156,040
State share					69,248,977	-	69,248,977
State aid					12,131,879	-	12,131,879
Federal aid					-	2,349,597	2,349,597
E-Rate funding					494,936	-	494,936
Private grant					837,721	-	837,721
Board contribution					-	107,568	107,568
Interest and Dividend Income					165,316	-	165,316
Total Revenue					<u>94,002,745</u>	<u>2,489,289</u>	<u>96,492,034</u>
Net increase (decrease) in Fund balance					(3,933,492)	283,302	(3,650,190)
Increase in net Capital Outlay					9,084,377	-	9,084,377
Increase in Pension Deficit (A-1 Net Position)					<u>(3,867,965)</u>	<u>-</u>	<u>(3,867,965)</u>
Change in Net Position					<u>1,282,920</u>	<u>283,302</u>	<u>1,566,222</u>
Net Position - beginning July 1, 2018					<u>29,558,564</u>	<u>29,942</u>	<u>29,588,506</u>
Net Position - ending June 30, 2019					<u>\$ 30,841,484</u>	<u>\$ 313,244</u>	<u>\$ 31,154,728</u>

The accompanying notes are an integral part of these statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

North Star Academy Charter School of Newark
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,936,332	\$ -	\$ -	\$ 5,936,332
Receivables	8,089,880	6,674,908	-	14,764,788
Interfund receivable	6,513,804	-	-	6,513,804
Prepaid expense	871,431	-	-	871,431
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 21,411,447</u>	<u>\$ 6,674,908</u>	<u>\$ -</u>	<u>\$ 28,086,355</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,754,635	\$ 142,119	\$ -	\$ 4,896,754
Interfund payable	-	6,513,804	-	6,513,804
Due to School Districts	19,884	-	-	19,884
Deferred revenue	-	3,985	-	3,985
Total liabilities	<u>4,774,519</u>	<u>6,659,908</u>	<u>-</u>	<u>11,434,427</u>
Fund Balances:				
Unassigned	15,765,497	-	-	15,765,497
Nonspendable	871,431	-	-	871,431
Restricted for scholarship	-	15,000	-	15,000
Total Fund balances	<u>16,636,928</u>	<u>15,000</u>	<u>-</u>	<u>16,651,928</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 21,411,447</u>	<u>\$ 6,674,908</u>	<u>\$ -</u>	<u>\$ 28,086,355</u>

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$40,570,997 and the accumulated depreciation is \$5,509,055 (see Note 4). \$ 35,061,942

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements (see Note 8). 20,417,226

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements (see Note 8). (10,344,448)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the fund statements (see Note 8). (30,945,164)

Net position of governmental activities \$ 30,841,484

North Star Academy Charter School of Newark
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Local sources:				
Local Share	\$ 11,123,916	\$ -	\$ -	\$ 11,123,916
State Share	69,248,977	-	-	69,248,977
Other Restricted Miscellaneous Revenues	494,936	334,879	-	829,815
Interest and Dividend Income	165,316	-	-	165,316
Philanthropic Support	2,006,741	1,256,313	-	3,263,054
	<u>83,039,886</u>	<u>1,591,192</u>	<u>-</u>	<u>84,631,078</u>
Total - Local Sources				
State sources	12,131,879	-	-	12,131,879
Federal sources	-	5,621,314	-	5,621,314
	<u>12,131,879</u>	<u>5,621,314</u>	<u>-</u>	<u>17,753,193</u>
Total revenues	<u>95,171,765</u>	<u>7,212,506</u>	<u>-</u>	<u>102,384,271</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	32,262,269	5,921,206	-	38,183,475
Support Services - General Administrative	27,171,587	1,276,300	-	28,447,887
Support Services - School Admin/Operations Plant	22,146,255	-	-	22,146,255
On-Behalf TPAF Social Security and Pension	7,162,063	-	-	7,162,063
Capital outlay	1,092,193	-	9,285,890	10,378,083
	<u>89,834,367</u>	<u>7,197,506</u>	<u>9,285,890</u>	<u>106,317,763</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	5,337,398	15,000	(9,285,890)	(3,933,492)
Transfers to Capital Fund	(8,998,789)	-	8,998,789	-
	<u>(8,998,789)</u>	<u>-</u>	<u>8,998,789</u>	<u>-</u>
Net change in fund balances	(3,661,391)	15,000	(287,101)	(3,933,492)
Fund Balance - July 1, 2018	<u>20,298,319</u>	<u>-</u>	<u>287,101</u>	<u>20,585,420</u>
Fund Balance - June 30, 2019	<u>\$ 16,636,928</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 16,651,928</u>

**North Star Academy Charter School of Newark
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019**

Total net change in fund balances - governmental funds (from B-2) \$ (3,933,492)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	(1,293,706)	
Capital outlays	<u>10,378,083</u>	9,084,377

Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changes during the period.

(3,867,965)

Change in net position of governmental activities

\$ 1,282,920

PROPRIETARY FUNDS

North Star Academy Charter School of Newark
Statement of Net Assets
Proprietary Funds
As of June 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 224,963
Accounts receivable - Federal Aid	121,167
Accounts receivable - miscellaneous	<u>1,179</u>
Total current assets	<u><u>\$ 347,309</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u><u>\$ 34,065</u></u>
NET ASSETS	
Unrestricted	<u><u>\$ 313,244</u></u>
Total net assets	<u><u>\$ 313,244</u></u>

North Star Academy Charter School of Newark
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Fund Food Service Program School Nutrition (A) and Enrichment Program
Operating Revenues:	
Charges for services:	
Daily sales - reimbursable programs and Special Lunch Program	\$ 141,675
Miscellaneous revenue	295,635
Total operating revenues	437,310
Operating Expenses:	
Cost of sales	2,643,297
Total operating expenses	2,643,297
Operating loss	(2,205,987)
Non-operating Revenues:	
State sources:	
State school lunch program	32,124
Federal sources:	
National school breakfast program	528,992
National school lunch program	1,799,464
National snack program	21,141
Total non-operating revenues	2,381,721
Income before contributions	175,734
Transfers from General Fund	107,568
Change in net assets	283,302
Total Net Position - beginning	29,942
Total Net Position - ending	\$ 313,244

(A) SFA-SFA Vended Meal Contract

North Star Academy Charter School of Newark
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 141,675
Miscellaneous revenue	542,110
Payments to suppliers	<u>(2,609,232)</u>
Net cash used for operating activities	<u>(1,925,447)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State and Federal sources	2,574,087
Transfers from General Fund in to subsidize loss	<u>107,568</u>
Net cash provided by noncapital financing activities	<u>2,681,655</u>
Net increase in cash and cash equivalents	756,208
Cash and Cash Equivalents balance - beginning of year	<u>(531,245)</u>
Cash and Cash Equivalents balance - end of year	<u><u>\$ 224,963</u></u>
Reconciliation of loss to net cash used for operating activities:	
Operating loss	\$ (2,205,987)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Changes in operating assets and liabilities:	
Decrease in miscellaneous receivables	246,475
Increase in accounts payable	<u>34,065</u>
Net cash used for operating activities	<u><u>\$ (1,925,447)</u></u>

FIDUCIARY FUNDS

North Star Academy Charter School of Newark
Statement of Fiduciary Net Assets
Fiduciary Funds
As of June 30, 2019

	Unemployment Compensation Trust	Agency	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 7,767	\$ 239,654	\$ 247,421
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Payroll deductions and withholdings	-	36,159	36,159
College Trust Fund	-	14	14
Due to student groups	-	203,481	203,481
	<u> </u>	<u> </u>	<u> </u>
	-	239,654	239,654
	<u> </u>	<u> </u>	<u> </u>
NET ASSETS			
Held in trust for unemployment claims and other purposes	\$ 7,767	\$ -	\$ 7,767
	<u> </u>	<u> </u>	<u> </u>

North Star Academy Charter School of Newark
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Unemployment Compensation Trust
ADDITIONS:	
Contributions:	
Other	<u>\$ 355,988</u>
Total contributions	<u>355,988</u>
DEDUCTIONS:	
Unemployment claims	<u>348,272</u>
Total deductions	<u>348,272</u>
Change in net assets	7,716
Net Assets - beginning of the year	<u>51</u>
Net Assets - end of the year	<u><u>\$ 7,767</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

North Star Academy Charter School of Newark (the Charter School) was incorporated in the State of New Jersey as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School's Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. Under the existing the statutes, the Charter School's duties and powers include, but not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

The Charter School's Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. The Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School operates thirteen schools and served 5,352 students during the year ended June 30, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Charter School's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Charter School Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

The governmental activities generally are financed through Federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter School's financial reporting in the State of New Jersey.

Fund Accounting

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter School's major governmental funds:

General Fund – The General Fund is the primary operating fund of the Charter School. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund not included in the capital projects fund (see below). Generally accepted accounting principles, as they pertain to governmental entities, state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of, or additions, to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings, and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Proprietary Funds

The focus of Proprietary Funds' measurement is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

Enterprise Funds – The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Charter School is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods and services of food service to the students on a continuing basis be financed or recovered primarily through user charges; or where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

Fiduciary Funds

Fiduciary or Trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Trust Funds – Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency Funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e., expenditures and other financial uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total position) is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange-like transactions, is incurred (i.e., the exchange takes place), regardless of the timing of related cash flows.

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets, except for the special revenue fund, which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

Cash, Cash Equivalent and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks, and all highly liquid investment with a maturity of three months or less.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. established the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the GUDPA Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposit of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In the accompanying school-wide statement of net position, deferred outflows of resources consistent of deferred amounts on net pension liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

Net Position/Fund Balance

School-Wide Statements

In the school-wide statements, there are three classes of net position:

- Invested in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included. Also included in invested in capital assets are amounts the Charter School prepaid in advance of the work performed.
- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - any portion of net position not already classified as either net invested in capital assets or net position - restricted is classified as net position – unrestricted, which includes deferred inflows and outflows.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance and Equity

The Charter School follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), in establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

Capital Assets

Capital assets, which include leasehold improvements, equipment, and furniture and fixtures, are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

<u>Description of Capital Cost</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	25 years or life of lease
Equipment, furniture and fixtures	10 – 20 years

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The Charter School had no compensated absences as of June 30, 2019.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

Deferred Revenue

Deferred revenue represents funds which have been received but not yet earned. Deferred revenue as of June 30, 2019, is expected to be earned in fiscal year 2020.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Charter School accounts for uncertainty in income taxes in accordance with ASC Topic, Income Taxes. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Charter School has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2019. The Charter School's information returns are subject to examination by the Federal and state jurisdictions.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Payments

Revenues and expenditures of the General Fund include payments made by the State of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget (see Note 8).

Fair Value of Financial Instruments

The Charter School follows the accounting and disclosure standards pertaining to GASB No. 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that the Charter School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Charter School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Charter School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

3. DEPOSITS AND INVESTMENTS

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Deposits

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2019, the Charter School's carrying amount of deposits and investments are as follows:

	<u>School-Wide Financial Statements</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash Balance	<u>\$ 6,161,295</u>	<u>\$ 247,421</u>	<u>\$ 6,408,716</u>

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2019, the Charter School's bank balance was \$9,246,074. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2019, was secured by Federal deposit insurance and \$8,996,074 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

Reconciliation to the financial statements:

Total cash balance covered by collateral pool	\$ 8,996,074
Plus - insured amount	250,000
Plus - deposits in transit	84,221
Less - outstanding checks	(3,213,907)
Plus - other reconciling items	<u>292,328</u>
	6,408,716
Less - Fiduciary Funds	<u>(247,421)</u>
Total cash per school-wide financial statements	<u>\$ 6,161,295</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name.

Category 3

Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School's name.

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

Investments

New Jersey statutes permit the Charter School to purchase the following types of securities:

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2019, the Charter School did not hold any investments.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

4 CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2019:

<u>Governmental Activities</u>	<u>Beginning Balance July 1, 2018</u>	<u>Net Additions</u>	<u>Ending Balance June 30, 2019</u>
Capital assets, being depreciated:			
Leasehold improvements	\$ 29,315,827	\$ 10,378,083	\$ 39,693,910
Equipment	<u>877,087</u>	<u>-</u>	<u>877,087</u>
Total capital assets being depreciated	<u>30,192,914</u>	<u>10,378,083</u>	<u>40,570,997</u>
Less - accumulated depreciated:			
Leasehold improvements	3,604,392	1,224,142	4,828,534
Equipment	<u>610,957</u>	<u>69,564</u>	<u>680,521</u>
Total accumulated depreciation	<u>4,215,349</u>	<u>1,293,706</u>	<u>5,509,055</u>
Total capital assets, net	<u>\$ 25,977,565</u>	<u>\$ 9,084,377</u>	<u>\$ 35,061,942</u>

5. RENTAL EXPENSE

The Charter School leases its premises under the terms of non-cancelable leases from Uncommon Schools, Inc. and the Newark Board of Education through the Charter School's charter of June 30, 2021. Certain leases are automatically extended upon the charter renewal and can be extended through various dates through June 30, 2048. Rent expense for the year ended June 30, 2019, amounted to \$11,092,217. Future minimum rental commitments under the remaining terms of the lease agreements are as follows:

2020	\$ 11,159,634
2021	\$ 11,181,531

6. RELATED PARTY AND MANAGEMENT AGREEMENT

Uncommon Schools Inc. (USI), a nonprofit charter school management organization, provided management services in the amount of \$7,645,329 to the Charter School for the year ended June 30, 2019. USI provided services such as academic, financial, technology, and curriculum and operations support. In the opinion of management, the payments are less than the market. USI also raises philanthropy and governmental grants which are passed-through to the Charter School.

In addition, the Charter School leases nine facilities from USI's wholly-owned subsidiaries, with rent totaling approximately \$9,900,000 for the year ended June 30, 2019.

A subsidiary of USI granted approximately \$9,800,000 to the Charter School as reimbursements for improvement costs incurred on two facilities. During fiscal year 2018, \$8,700,000 of this grant was received. The remaining balance of this grant was received in fiscal year 2019.

7. PENSION PLANS

Description of Plans - Substantially all of the employees of the Charter School are covered by either the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund.

Teachers' Pension and Annuity Fund (TPAF) - TPAF was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full-time certified teachers or professional staff of the public school systems in the State.

The TPAF is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - PERS was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county municipality, school, or public agency provided the employee is not a member of another state-administered retirement system. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP) - DCRP was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15a and N.J.S.A. 18A:66 for TPAF. All benefits vest after ten years of service, except for medical benefits that vest after twenty-five years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving twenty-five years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving twenty-five years of qualified service, as defined, or under the disability provisions of the System.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

7. PENSION PLANS (Continued)

Vesting and Benefit Provisions (Continued)

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

Significant Legislation - Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended thirty-year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed thirty-year period until the remaining period reaches twenty, when the amortization period will revert to an open-ended twenty-year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute, the Charter School is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and schools).

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011, for TPAF, which is a cost-sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost-sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

PERS employer contributions are made annually by the Board of Trustees to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The Charter School's contribution to PERS for the year ended June 30, 2019, was \$1,592,379.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

7. PENSION PLANS (Continued)

Annual Pension Costs (APC) (Continued)

In accordance with N.J.S.A 18A:66-66, the state reimbursed the Charter School \$1,671,592 for the year ended June 30, 2019, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also, the State paid \$5,490,471 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions, and TPAF Long-Term Disability Insurance Premium Contributions for the Charter School. These amounts have been included in the school-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions*.

8. PENSION PLANS – GASB 68

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68, and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the State's portion of the net pension liability that was associated with the Charter School was \$122,187,972 as measured on June 30, 2018, and \$120,838,703 as measured on June 30, 2017.

For the year ended June 30, 2019, the Charter School's pension expense of \$7,162,063 and revenue of \$7,162,063 for support were provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2019, is based upon changes in the collective net pension liability with a measurement period of June 30, 2017 through June 30, 2018. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2017 and June 30, 2018.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

8. PENSION PLANS – GASB 68 (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School.

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$ 12,473,998,870	\$ 14,160,879,257
Collective deferred inflows of resources	\$ 16,180,773,643	\$ 11,800,239,661
Collective net pension liability (Nonemployer - State of New Jersey)	\$ 63,806,350,446	\$ 67,670,209,171
State's portion of the net pension liability that was associated with the Charter School	\$ 122,187,972	\$ 120,838,703
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.19206%	.17922%

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.25%
Salary Increases: 2011-2026	1.55 - 4.55%
Salary Increases: Thereafter	2.00 - 5.45%
Investment Rate of Return:	7%

Pre-retirement, mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back three years for males and five years for females, projects on generational basis from a base year of 2006 using a sixty-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a sixty-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

8. PENSION PLANS – GASB 68 (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the State's total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% and, as of June 30, 2018, based on the Bond Buyer Go twenty-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

8. PENSION PLANS – GASB 68 (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at:
<http://www.nj.gov/treasury/pensions/documents/financial/gasb68-tpaf18.pdf>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at:
<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2019, the Charter School reported a liability of \$30,945,164 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2018 and 2017, respectively. At June 30, 2018, the Charter School's proportion was .157167%, which was an increase of .02939% from its proportion measured as of June 30, 2017.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

8. PENSION PLANS – GASB 68 (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

For the year ended June 30, 2019, the Charter School recognized pension expense of \$1,592,379. At June 30, 2019, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 590,129	\$ 159,563
Changes of assumptions	5,099,250	9,894,618
Net difference between projected and actual earnings on pension plan investments	-	290,267
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	13,135,468	-
Charter School contributions subsequent to the measurement date	<u>1,592,379</u>	<u>-</u>
Total	<u>\$ 20,417,226</u>	<u>\$ 10,344,448</u>

The \$1,592,379 reported as deferred outflows of resources related to pensions resulting from the Charter School contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2019, the plan measurement date was June 30, 2018) will be recognized as a reduction of the net pension liability measured as of June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>		
2019	\$ 214,777	
2020	(297,361)	
2021	(2,132,323)	
2022	(1,848,331)	
2023	<u>(591,860)</u>	
Total	<u>\$ (4,655,098)</u>	

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$ 4,684,852,302	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 7,646,736,226	\$ 5,700,625,981
Collective net pension liability (Non State-Local Group)	\$ 19,689,501,539	\$ 23,278,401,588
Charter School's proportion of net pension liability	30,945,164	29,744,482
Charter School's proportion percentage	.157167%	.127777%

8. PENSION PLANS – GASB 68 (Continued)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary increases:	
Through 2026	1.65%-4.15% based on age
Thereafter	2.65%-5.15% based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back four years for males and females. For local employees, mortality tables are set back two years for males and seven years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

Long-Term Expected Rate of Return

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

8. PENSION PLANS – GASB 68 (Continued)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018, are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

8. PENSION PLANS – GASB 68 (Continued)

Public Employees' Retirement System (PERS) (Continued)

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2018, calculated using the discount rate of 5.66%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Charter School's proportionate share of the net pension liability	<u>\$ 29,503,119</u>	<u>\$ 30,945,164</u>	<u>\$ 33,006,112</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

9. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required the TPAF and the PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating twenty-five years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides employer paid health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with twenty-five years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in fiscal year 2017.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB)

Plan Description and Benefits Provided

The Charter School is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the Charter School.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for State Health Benefits Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefit Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with twenty-five years or more of service credit in, or retires on a disability pension from, one or more of the following plans: TPAF, PERS, the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than twenty years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with twenty-five years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Total Nonemployer OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability in the statement of net position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the Charter School. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2015. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation:	2.50%		
		TPAF	PERS
Salary increases:			
Through 2026		1.55% - 4.55% based on years of service	2.15% - 4.15% based on age
Thereafter		2.00% - 5.45% based on years of service	3.15% - 5.15% based on age

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projection from the current year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2011 – June 30, 2014, and July 1, 2011 – June 30, 2013, for TPAF and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8%, decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018, was 3.87%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

Changes in the Total OPEB Liability Reported by the State of New Jersey

	Charter School's Proportionate Share of the OPEB Liability	Total OPEB Liability
Balance at June 30, 2018 measurement date	\$ 23,184,096	\$ 53,639,841,858
Changes recognized for the fiscal year:		
Service cost	4,785,175	1,984,642,729
Interest on total OPEB liability	991,737	1,970,236,232
Effect of differences between expected and actual experience	(5,149,058)	(5,291,448,855)
Effect of changes of assumptions	(2,395,766)	(5,002,065,740)
Contributions from the members	19,294	42,614,005
Gross benefits paid by the State	(558,250)	(1,232,987,247)
Net changes	(2,306,868)	(7,529,008,876)
Balance at June 30, 2019 measurement date	\$ 20,877,228	\$ 46,110,832,982

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following presents the total nonemployer OPEB liability as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (2.87%)	2018 Current Discount Rate (3.87%)	1% Increase (4.87%)
Charter School's proportionate share of the net OPEB liability	\$ 24,622,395	\$ 20,877,228	\$ 17,811,027
Total OPEB liability	\$ 54,512,391,175	\$ 46,110,832,982	\$ 39,432,461,816

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above, as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Charter School's proportionate share of the net OPEB liability	\$ 17,256,245	\$ 20,877,228	\$ 25,666,117
Total OPEB liability	\$ 38,113,289,045	\$ 46,110,832,982	\$ 56,687,891,003

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Charter School recognized OPEB expense of \$5,270,357 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

The State of New Jersey's total OPEB liability is \$46,110,832,982. Of this amount, the total OPEB liability attributable to the Charter School was \$20,877,228. The State of New Jersey's proportionate share of the total OPEB liability is 100%, including the proportion attributable to the Charter School of 0.0453%.

In accordance with GASB Statement 75, as the Charter School's does not recognize a liability for the proportionate share of the OPEB liability, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,476,086,167)
Changes of assumptions	-	(10,335,978,867)
Contributions subsequent to the measurement date	TBD	-
Total	\$ 1,190,373,242	\$ (14,812,065,034)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	
2019	\$ (1,825,218,593)
2020	(1,825,218,593)
2021	(1,825,218,593)
2022	(1,825,218,593)
2023	(1,825,218,593)
Thereafter	<u>(5,685,972,069)</u>
Total	<u>\$ (14,812,065,034)</u>

10. ECONOMIC DEPENDENCY

The Charter School receives approximately 90% of its support from Federal and state governments. A significant reduction in the level of support, if it were to occur, could have an effect on the Charter School's programs and activities.

11. CONTINGENT LIABILITIES

Certain amounts from Federal and state agencies are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the net position of the Charter School as of June 30, 2019, or on its changes in fund balances for the year then ended.

The Charter School, from time-to-time, is the defendant in lawsuits. It is management's belief that the Charter School will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from these lawsuits.

12. RISK MANAGEMENT

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

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

13. RECEIVABLES

Receivables as of June 30, 2019, consisted of accounts, intergovernmental, grants, and miscellaneous. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables: Accounts	\$ 8,089,880	\$ 6,674,908	\$ 122,346	\$ 14,887,134

There was no allowance for doubtful accounts deemed necessary as of June 30, 2019.

As of June 30, 2019, approximately 93% of the Charter School's accounts receivable were due from three grantors. The Charter School received 90% of its total general revenues through contracts from New Jersey.

14. LINE OF CREDIT

The Charter School maintains a revolving line of credit agreement with a bank. The agreement allows for borrowings up to \$7,700,000. This line of credit is due a demand and is subject to renewal annually in January 2020. There was no outstanding balance under this line of credit at June 30, 2019. Interest is payable at the prime rate plus 1.50% and interest expense and fees totaled \$324,744 for the year ended June 30, 2019. The loan is subject to certain guarantees and security interests on assets of the Charter School.

The Charter School maintains a non-interest bearing revolving line of credit agreement with USI (see Note 6). The agreement allows for borrowings up to \$5,000,000. There was no outstanding balance under this line of credit at June 30, 2019.

15. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability, are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1	\$ 16,651,928
Cost of capital assets, net of accumulated depreciation	35,061,942
Pension deferred outflows	20,417,226
Pension deferred inflows	(10,344,448)
Deferred pension liability as of June 30, 2019	<u>(30,945,164)</u>
Net position (per A-1) as of June 30, 2019	<u>\$ 30,841,484</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2019

16. CAPITAL GRANTS

During fiscal year 2018, the Charter School was awarded a grant totaling \$9,828,045 from a subsidiary of USI, to assist the Charter School with capital renovations. The first installment of the grant totaling \$8,700,000 was earned during fiscal year 2018. During fiscal year 2019, the second installment of the grant totaling \$1,128,045 was earned and is included in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION PART II

BUDGETARY COMPARISON SCHEDULES

North Star Academy Charter School of Newark
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Share	\$ 3,518,835	\$ (18,128)	\$ 3,500,709	\$ 11,123,916	\$ 7,623,207
State Share	77,165,555	(293,371)	76,872,184	69,248,977	(7,623,207)
Other Restricted Miscellaneous Revenues	273,252	221,684	494,936	494,936	-
Philanthropic Support	3,937,833	1,931,092	2,006,741	837,721	(1,169,020)
Capital Grant	-	-	-	1,169,020	1,169,020
Interest and Dividend Income	-	165,316	165,316	165,316	-
Total - Local Sources	<u>84,895,475</u>	<u>2,006,593</u>	<u>83,039,886</u>	<u>83,039,886</u>	<u>-</u>
Categorical Aid:					
Special Education Aid	1,545,446	824,715	2,370,161	2,370,161	-
Security Aid	2,935,070	(335,415)	2,599,655	2,599,655	-
TPAF Medical (On-Behalf - Non-Budgeted)	-	-	-	1,723,688	1,723,688
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	3,766,783	3,766,783
TPAF Social Security (Reimbursed)	1,586,238	85,354	1,671,592	1,671,592	-
Total State Sources	<u>6,066,754</u>	<u>574,654</u>	<u>6,641,408</u>	<u>12,131,879</u>	<u>5,490,471</u>
Federal Sources:					
Child Nutrition Program	75,084	(75,084)	-	-	-
Total - Federal Sources	<u>75,084</u>	<u>(75,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>91,037,313</u>	<u>2,506,163</u>	<u>89,681,294</u>	<u>95,171,765</u>	<u>5,490,471</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Teachers Salary	26,525,639	(1,027,194)	25,498,495	25,498,495	-
Other Salaries	1,996,127	(43,937)	1,952,190	1,952,190	-
Prof/Tech Services	686,024	(79,726)	606,298	606,298	-
Other Purchased Services	650,466	(20,606)	629,860	629,860	-
General Supplies	3,321,457	(203,856)	3,117,601	3,117,601	-
Textbooks	133,140	(102,376)	30,764	30,764	-
Other Objects	623,194	(201,201)	422,061	422,061	-
Total Regular Programs - Instruction	<u>33,936,047</u>	<u>(1,678,896)</u>	<u>32,262,269</u>	<u>32,262,269</u>	<u>-</u>

North Star Academy Charter School of Newark
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
Current Expense: (Continued)					
Support Services - General Administrative:					
Salaries of Administrative Salaries	4,035,292	(320,687)	3,714,605	3,714,605	-
Salaries of Secretarial and Clerical Assistants	2,417,656	(54,519)	2,363,137	2,363,137	-
Cost of Benefits	9,877,774	(1,442,654)	8,435,120	8,435,120	-
Contracted Management Services	7,553,633	91,696	7,645,329	7,645,329	-
Consultants	284,293	(63,168)	221,125	221,125	-
Purchased Professional and Technical Services	2,728,975	860,105	3,589,080	3,589,080	-
Communications/Telephone	589,731	(59,509)	530,222	530,222	-
Supplies and Materials	1,738,650	(1,155,339)	583,311	583,311	-
Other Objects	151,587	(61,928)	89,658	89,658	-
Total Support Services - General Administrative	<u>29,377,591</u>	<u>(2,206,003)</u>	<u>27,171,587</u>	<u>27,171,587</u>	<u>-</u>
Support Services - School Admin/Operation Plant Services:					
Salaries	3,151,668	94,550	3,246,218	3,246,218	-
Purchased Professional and Technical Services	2,237,116	137,560	2,374,676	2,374,676	-
Other Purchased Services (400-500 series)	2,804,259	(93,235)	2,711,024	2,711,024	-
Rental of Land and Building - other than Lease Purchase Agreements	10,945,992	146,225	11,092,217	11,092,217	-
Insurance	512,200	(95,636)	416,564	416,564	-
General Supplies	251,701	(71,828)	179,873	179,873	-
Transportation - Trips	385,486	(75,069)	310,417	310,417	-
Energy (Energy and Electricity)	1,446,711	(68,820)	1,377,891	1,377,891	-
Other Objects	26,429	410,946	437,375	437,375	-
Total Support Services - School Admin/Operations Plant Services	<u>21,761,562</u>	<u>384,693</u>	<u>22,146,255</u>	<u>22,146,255</u>	<u>-</u>
On-behalf TPAF Medical Contributions (non-budgeted)	-	-	-	1,723,688	(1,723,688)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	3,766,783	(3,766,783)
Reimbursed TPAF Social Security Contributions	1,586,238	85,354	1,671,592	1,671,592	-
Total On-Behalf Contributions	<u>1,586,238</u>	<u>85,354</u>	<u>1,671,592</u>	<u>7,162,063</u>	<u>(5,490,471)</u>
Total Undistributed Expenditures	<u>23,347,800</u>	<u>470,047</u>	<u>23,817,847</u>	<u>56,479,905</u>	<u>(5,490,471)</u>
Total General Current Expense	<u>57,283,847</u>	<u>(1,208,849)</u>	<u>56,080,116</u>	<u>88,742,174</u>	<u>(5,490,471)</u>

North Star Academy Charter School of Newark
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
Capital Outlay:					
Equipment:					
Regular Programs - Instruction:					
Miscellaneous	4,617,027	481,377	5,098,404	1,092,193	4,006,211
Total Equipment	<u>4,617,027</u>	<u>481,377</u>	<u>5,098,404</u>	<u>1,092,193</u>	<u>4,006,211</u>
Total Expenditures - General Fund	<u>61,900,874</u>	<u>(727,472)</u>	<u>61,178,520</u>	<u>89,834,367</u>	<u>(1,484,260)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,136,439</u>	<u>3,233,635</u>	<u>28,502,774</u>	<u>5,337,398</u>	<u>4,006,211</u>
Other Financing Sources (Uses):					
Transfer to Capital Fund	-	-	-	(8,998,789)	8,998,789
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,998,789)</u>	<u>8,998,789</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>29,136,439</u>	<u>3,233,635</u>	<u>28,502,774</u>	<u>(3,661,391)</u>	<u>13,005,000</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,298,319</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 29,136,439</u>	<u>\$ 3,233,635</u>	<u>\$ 28,502,774</u>	<u>\$ 16,636,928</u>	<u>\$ 13,005,000</u>

North Star Academy Charter School of Newark
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Philanthropic Support	\$ -	\$ 1,256,313	\$ 1,256,313	\$ 1,256,313	\$ -
Other Miscellaneous Sources	373,976	(39,097)	334,879	334,879	-
Federal Sources	4,943,457	677,857	5,621,314	5,621,314	-
Total Revenues	<u>5,317,433</u>	<u>1,895,073</u>	<u>7,212,506</u>	<u>7,212,506</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	4,265,148	(32,052)	4,233,096	4,233,096	-
Other Salaries for Instruction	-	8,234	8,234	8,234	-
Other Purchased Services	-	50,190	50,190	50,190	-
Textbooks	-	19,682	19,682	19,682	-
General Supplies	160,163	124,114	284,277	284,277	-
Personal Services - Employee Benefits	-	1,325,727	1,325,727	1,325,727	-
Total Instruction	<u>4,425,311</u>	<u>1,495,895</u>	<u>5,921,206</u>	<u>5,921,206</u>	<u>-</u>
Support Services:					
Salaries of Supervisor of Instruction	4,950	99,017	103,967	103,967	-
Salaries of Program Directors	186,000	(17,564)	168,436	168,436	-
Salaries of Secretaries and Clerical Assistants	-	23,104	23,104	23,104	-
Supplies and Materials	19,100	491,988	511,088	511,088	-
Transportation	40,000	27,037	67,037	67,037	-
Communication	3,000	(200)	2,800	2,800	-
Other Purchase Services	170,499	(170,469)	30	30	-
Other Purchased Professional Services	275,191	30,001	305,192	305,192	-
Scholarship Aid	84,000	8,249	92,249	92,249	-
Other Objects	1,500	897	2,397	2,397	-
Total Support Services	<u>782,740</u>	<u>824,649</u>	<u>1,273,903</u>	<u>1,276,300</u>	<u>-</u>

North Star Academy Charter School of Newark
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D.)					
Total Expenditures	<u>5,208,051</u>	<u>2,205,625</u>	<u>7,195,109</u>	<u>7,197,506</u>	<u>-</u>
Total Outflows	<u>5,208,051</u>	<u>2,205,625</u>	<u>7,195,109</u>	<u>7,197,506</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ 109,382</u>	<u>\$ (325,552)</u>	<u>\$ 17,397</u>	<u>\$ 15,000</u>	<u>\$ -</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Required Supplementary Information Budgetary Comparison Schedule Note to RSI
For the Fiscal Year Ended June 30, 2019

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required.

REQUIRED SUPPLEMENTARY INFORMATION PART III

North Star Academy Charter School of Newark
Schedule of Charter School Contributions - PERS
For the Fiscal Years Ended June 30*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charter School Proportion of the Net Position Liability (Asset)	0.157167	0.127777	0.098699	0.125343	0.048540	0.059514
Charter School Proportionate Share of the Net Position Liability (Asset)	<u>30,945,164</u>	<u>29,744,482</u>	<u>29,231,819</u>	<u>16,168,356</u>	<u>9,184,123</u>	<u>11,142,652</u>
Charter School Covered Employee Payroll	<u>11,870,796</u>	<u>10,410,458</u>	<u>9,967,199</u>	<u>7,732,570</u>	<u>5,623,571</u>	<u>4,503,990</u>
Charter School Proportionate Share of the Net Pension Liability (Asset)						
as a percentage of its covered-employee payroll	260.68%	285.72%	293.28%	209.09%	163.31%	247.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.36%	35.00%	34.09%	46.16%	37.56%	40.40%

* Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

North Star Academy Charter School of Newark
Schedule of Charter School Contributions - PERS
For the Fiscal Years Ended June 30*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,592,379	\$ 1,261,650	\$ 904,106	\$ 602,222	\$ 497,300	\$ 668,883
Contributions in Relation to the Contractually Required Contributions	<u>(1,592,379)</u>	<u>(1,261,650)</u>	<u>(904,106)</u>	<u>(602,222)</u>	<u>(497,300)</u>	<u>(668,883)</u>
Contribution Deficiency (Excess)	-	-	-	-	-	-
Charter School Covered Employee Payroll	11,870,796	10,410,458	9,967,199	7,732,570	5,623,571	4,503,990
Contributions as a Percentage of Covered Employee Payroll	13.41%	12.12%	9.07%	7.79%	8.84%	14.85%

* Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

North Star Academy Charter School of Newark
Schedule of Charter School Proportionate Share of Net Pension Liability - TPAF
For the Fiscal Years Ended June 30*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charter School Proportion of the Net Pension Liability (Asset)**	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate Share of the Net Pension Liability (Asset)**	N/A	N/A	N/A	N/A	N/A	N/A
State's Proportionate Share of the Net Pension Liability (Asset) associated with the Charter School	<u>122,187,972</u>	<u>120,838,703</u>	<u>111,997,539</u>	<u>86,503,970</u>	<u>32,662,588</u>	<u>49,807,078</u>
Total	122,187,972	120,838,703	111,997,539	86,503,970	32,662,588	49,807,078
Charter School Covered Employee Payroll	21,047,073	21,800,756	19,372,666	18,571,576	16,836,386	13,676,988
Charter School Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the Charter School (employer) does not contribute directly to the plan, there is no net pension liability to report in the financial statements of the Charter School.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to Required Supplementary Information Pension Schedules
For the Fiscal Year Ended June 30, 2019

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after twenty-five years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back four year for males and females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after twenty-five years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Changes of assumptions. Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back three years for males and five years for females, projected on a generation basis from a base year of 2006 using a sixty-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a sixty-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disables Retiree Mortality Table with rates adjusted by 90%. No mortality improvement is assumed for disables retiree mortality.

North Star Academy Charter School of Newark
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios - PERS and TPAF
For the Fiscal Years Ended June 30*

	<u>2019</u>	<u>2018</u>
Changes for the Year:		
Service cost	\$ 4,785,175	\$ 5,873,780
Interest cost	991,737	783,160
Changes of assumptions	(2,395,766)	(4,817,928)
Changes between expected and actual experiences	(5,149,058)	-
Member contributions	19,294	19,773
Gross benefit payments	<u>(558,250)</u>	<u>(536,993)</u>
Net change in total OPEB liability	(2,306,868)	1,321,792
Total OPEB Liability - beginning of year	<u>23,184,096</u>	<u>21,862,304</u>
Total OPEB Liability - end of year	<u><u>\$ 20,877,228</u></u>	<u><u>\$ 23,184,096</u></u>
Covered employee payroll - PERS and TPAF	\$ 6,175,797	\$ 5,832,088
Total OPEB liability as a percentage of covered employee payroll	338%	398%
State's proportionate share of the net OPEB liability (asset) associated with the Charter School	0.04%	0.04%
Charter School's contributions	\$ -	\$ -

* Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

** Information not available

Notes to Schedule:

Changes of Benefits Terms - none

Changes of Assumptions - The discount rate changed from 3.58% to 3.87%.

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

North Star Academy Charter School of Newark
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2019

	Total	IDEA Part B-Basic Reg. Prog.	Title IA	Federal CSP	Semi Grant	ACE Grant	Private Grants
REVENUES:							
Intergovernmental:							
Federal	\$ 5,621,314	\$ 986,925	\$ 4,326,667	\$ 162,165	\$ 145,557	\$ -	\$ -
Other Sources:							
Philanthropic Support	1,591,192	-	-	-	-	334,879	1,256,313
Total Revenues	7,212,506	986,925	4,326,667	162,165	145,557	334,879	1,256,313
EXPENDITURES:							
Instruction:							
Salaries of Teachers	4,233,096	707,911	3,212,271	-	-	-	312,914
Other Salaries for Instruction	8,234	-	7,634	-	-	-	600
General Supplies	284,277	-	3,000	136,502	-	148	144,627
Other Purchased Services	50,190	-	-	-	-	-	50,190
Textbooks	19,682	-	-	19,682	-	-	-
Personal Services - Employee Benefits	1,325,727	233,547	1,023,158	-	-	17,608	51,414
Total Instruction	5,921,206	941,458	4,246,063	156,184	-	17,756	559,745
Support Services:							
Salaries of Supervisors of Instruction	103,967	45,467	57,500	-	-	1,000	-
Salaries of Program Directors	168,436	-	-	-	-	168,436	-
Salaries of Secretaries and Clerical Assistants	23,104	-	23,104	-	-	-	-
Transportation	67,037	-	-	-	-	32,967	34,070
Communication	2,800	-	-	-	-	2,800	-
Scholarships Aid	92,249	-	-	-	-	92,249	-
Other Purchased Services	30	-	-	-	-	30	-
Other Purchased Professional Services	305,192	-	-	-	145,557	-	159,635
Supplies and Materials	511,088	-	-	5,981	-	17,244	487,863
Other Objects	2,397	-	-	-	-	2,397	-
Total Support Services	1,276,300	45,467	80,604	5,981	145,557	317,123	681,568
Total Expenditures	7,197,506	986,925	4,326,667	162,165	145,557	334,879	1,241,313
Excess (Deficiency) of Revenues Over (Under)							
Expenditures and Other Financing Sources (Uses)	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000

CAPITAL PROJECTS FUND

Capital Projects funds are used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

North Star Academy Charter School of Newark
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Year Ended June 30, 2019

<u>Project Title/Issue</u>	<u>Approval Date</u>	<u>Revised Budgetary Appropriations</u>	<u>GAAP Expenditures to Date</u>		<u>Unexpended Appropriations June 30, 2019</u>
			<u>Prior Years</u>	<u>Current Year</u>	
9th and Alexander Street	2015	<u>\$ 13,195,936</u>	<u>\$ 12,908,835</u>	<u>\$ 287,101</u>	<u>\$ -</u>
18th Avenue	2017	<u>\$ 37,876,594</u>	<u>\$ -</u>	<u>\$ 8,998,789</u>	<u>\$ 28,877,805</u>

North Star Academy Charter School of Newark
Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2019

Revenues and Other Financing Sources:

Capital grants	\$ -
Total Revenues	-

Expenditures and Other Financing Uses:

Construction services	9,285,890
Total Expenditures	9,285,890

Transfers to Capital Fund

	8,998,789
Excess of expenses over revenue	\$ (287,101)

North Star Academy Charter School of Newark
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
9th and Alexander Street & 18th Avenue
From Inception and for the Year Ended June 30, 2019

	<u>Prior Periods</u>	<u>Current Period</u>	<u>Totals</u>
Revenues and Other Financing Sources:			
Capital grant	\$ 13,195,936	\$ 8,998,789	\$ 22,194,725
Expenditures and Other Financing Uses:			
Construction services	<u>12,908,835</u>	<u>9,285,890</u>	<u>22,194,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ 287,101</u>	<u>\$ (287,101)</u>	<u>\$ -</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the Board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Enrichment Fund - The fund provides for the operation of after school and other enrichment programs.

North Star Academy Charter School of Newark
Statement of Net Position
For the Fiscal Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds		
	Food Service	Enrichment Program	Total Enterprise
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 224,963	\$ -	\$ 224,963
Miscellaneous receivables	1,179	-	1,179
Federal receivables	121,167	-	121,167
Total assets	<u>\$ 347,309</u>	<u>\$ -</u>	<u>\$ 347,309</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>34,065</u>	<u>-</u>	<u>34,065</u>
Total liabilities	<u>34,065</u>	<u>-</u>	<u>34,065</u>
NET POSITION			
Unrestricted	<u>313,244</u>	<u>-</u>	<u>313,244</u>
Total net assets	<u>\$ 313,244</u>	<u>\$ -</u>	<u>\$ 313,244</u>

North Star Academy Charter School of Newark
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds		
	Food Service	Enrichment Program	Total Enterprise
Operating Revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 141,675	\$ -	\$ 141,675
Miscellaneous revenue	-	295,635	295,635
Total operating revenues	141,675	295,635	437,310
Operating Expenses:			
Salaries, wages and employee benefits	-	21,087	21,087
Supplies, materials and other expenses	2,347,662	45,270	2,392,932
Transportation	-	229,278	229,278
Total operating expenses	2,347,662	295,635	2,643,297
Operating loss	(2,205,987)	-	(2,205,987)
Nonoperating Revenues:			
State sources:			
State school lunch program	32,124	-	32,124
Federal sources:			
School Breakfast Program	528,992	-	528,992
National School Lunch Program	1,799,464	-	1,799,464
National Snack Program	21,141	-	21,141
Total nonoperating revenues	2,381,721	-	2,381,721
Income before contributions and transfers	175,734	-	175,734
Transfer from General Fund to Subsidize Program	107,568	-	107,568
Change in net assets	283,302	-	283,302
Total Net Assets - beginning of year	29,942	-	29,942
Total Net Assets - ending of year	\$ 313,244	\$ -	\$ 313,244

North Star Academy Charter School of Newark
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

Cash Flows from Operating Activities:

Receipts from customers	\$ 141,675
Miscellaneous revenue	542,110
Payments to suppliers for goods and services	<u>(2,609,232)</u>
Net cash used for operating activities	<u>(1,925,447)</u>

Cash Flows from Noncapital Financing Activities:

State and Federal sources	2,574,087
Transfers from General Fund in to subsidize loss	<u>107,568</u>
Net cash provided by noncapital financing activities	<u>2,681,655</u>

Net increase in cash and cash equivalents 756,208

Cash and Cash Equivalents, beginning of year (531,245)

Cash and Cash Equivalents, end of year \$ 224,963

Reconciliation of Operating Loss to Net Cash used for Operating Activities:

Operating loss	\$ (2,205,987)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Changes in operating assets and liabilities:	
Increase in miscellaneous receivables	246,475
Decrease in accounts payable	<u>34,065</u>
Net cash used for operating activities	<u><u>\$ (1,925,447)</u></u>

FIDUCIARY FUNDS

North Star Academy Charter School of Newark
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
As of June 30, 2019

	<u>Trust</u>			<u>Agency</u>		
	<u>Unemployment Insurance</u>	<u>Gear Up Scholarships</u>	<u>Parent Council</u>	<u>Payroll Account</u>	<u>Payroll Agency</u>	<u>Total Agency</u>
Assets						
Cash and cash equivalents	\$ 7,767	\$ 14	\$ 203,481	\$ 28,864	\$ 7,295	\$ 239,654
Total assets	<u>\$ 7,767</u>	<u>\$ 14</u>	<u>\$ 203,481</u>	<u>\$ 28,864</u>	<u>\$ 7,295</u>	<u>\$ 239,654</u>
Liabilities						
Payroll deductions and withholdings	\$ -	\$ -	\$ -	\$ 28,864	\$ 7,295	\$ 36,159
College Trust Fund	-	14	-	-	-	14
Due to student groups	<u>-</u>	<u>-</u>	<u>203,481</u>	<u>-</u>	<u>-</u>	<u>203,481</u>
Total liabilities	<u>-</u>	<u>14</u>	<u>203,481</u>	<u>28,864</u>	<u>7,295</u>	<u>239,654</u>
Net Position						
Reserve for Unemployment Trust Fund	<u>7,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>7,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 7,767</u>	<u>\$ 14</u>	<u>\$ 203,481</u>	<u>\$ 28,864</u>	<u>\$ 7,295</u>	<u>\$ 239,654</u>

**North Star Academy Charter School of Newark
Combining Statement of Changes in Agency Fund Net Position
Fiduciary Funds
As of June 30, 2019**

NOT APPLICABLE

North Star Academy Charter School of Newark
Parent Council Funds
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Balance June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2019</u>
Parent Council Fund	\$ 71,408	\$ 430,190	\$ (298,117)	\$ 203,481
Totals	<u>\$ 71,408</u>	<u>\$ 430,190</u>	<u>\$ (298,117)</u>	<u>\$ 203,481</u>

North Star Academy Charter School of Newark
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Balance June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2019</u>
Payroll deductions and withholdings	\$ 5,290	\$ 18,386,012	\$ 18,384,007	\$ 7,295
Accrued salaries and wages	<u>2,310</u>	<u>28,334,782</u>	<u>28,308,228</u>	<u>28,864</u>
Total	<u><u>\$ 7,600</u></u>	<u><u>\$ 46,720,794</u></u>	<u><u>\$ 46,692,235</u></u>	<u><u>\$ 36,159</u></u>

North Star Academy Charter School of Newark
Unemployment Compensation Insurance Trust Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets				
Cash	<u>\$ 51</u>	<u>\$ 355,988</u>	<u>\$ 348,272</u>	<u>\$ 7,767</u>
Fund Balance				
Reserve for Unemployment Compensation	<u>\$ 51</u>	<u>\$ 355,988</u>	<u>\$ 348,272</u>	<u>\$ 7,767</u>
Totals	<u>\$ 51</u>	<u>\$ 355,988</u>	<u>\$ 348,272</u>	<u>\$ 7,767</u>

STATISTICAL SECTION

This part of the North Star Academy Charter School of Newark's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Charter School's overall financial health.

Contents

Exhibits

Financial Trends

J-1 to J-5

These schedules contain trend information to help the reader understand how the Charter School's financial performance and well-being have changed over time.

Revenue Capacity

J-6 to J-9

These schedules contain information to help the reader assess the Charter School's most significant local revenue source, the property tax.

Debt Capacity

J-10 to J-13

These schedules present information to help the reader assess the affordability of the Charter School's current levels of outstanding debt and the Charter School's ability to issue additional debt in the future.

Demographic and Economic Information

J-14 and J-15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Charter School's financial activities take place.

Operating Information

J-16 to J-20

These schedules contain service and infrastructure data to help the reader understand how the information in the Charter School's financial report relates to the services the Charter School provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

FINANCIAL TRENDS

North Star Academy Charter School of Newark
Net Assets by Component
For the Fiscal Years Ended June 30
(Accrual Basis of Accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 35,933,373	\$ 25,977,565	\$ 22,280,746	\$ 14,973,681	\$ 10,813,389	\$ 9,472,461	\$ 7,251,540	\$ 5,024,166
Restricted	15,000	287,101	-	-	-	-	-	-
Unrestricted	<u>(5,106,889)</u>	<u>3,293,898</u>	<u>(3,081,600)</u>	<u>(825,855)</u>	<u>(1,674,664)</u>	<u>(3,222,551)</u>	<u>4,563,973</u>	<u>3,765,557</u>
Total governmental activities net position	<u>\$ 30,841,484</u>	<u>\$ 29,558,564</u>	<u>\$ 19,199,146</u>	<u>\$ 14,147,826</u>	<u>\$ 9,138,725</u>	<u>\$ 6,249,910</u>	<u>\$ 11,815,513</u>	<u>\$ 8,789,723</u>
Business-type Activities:								
Unrestricted	<u>\$ 313,244</u>	<u>\$ 29,942</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>
Total business-type activities net position	<u>\$ 313,244</u>	<u>\$ 29,942</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>
School-wide:								
Invested in capital assets, net of related debt	\$ 35,933,373	\$ 25,977,565	\$ 22,280,746	\$ 14,973,681	\$ 10,813,389	\$ 9,472,461	\$ 7,251,540	\$ 5,024,166
Restricted	15,000	287,101	-	-	-	-	-	-
Unrestricted	<u>(4,793,645)</u>	<u>3,293,898</u> *	<u>(3,073,133)</u>	<u>(817,388)</u>	<u>(1,666,197) *</u>	<u>(3,214,084)</u>	<u>4,572,440</u>	<u>3,774,024</u>
Total school-wide net assets	<u>\$ 31,154,728</u>	<u>\$ 29,558,564</u>	<u>\$ 19,207,613</u>	<u>\$ 14,156,293</u>	<u>\$ 9,147,192</u>	<u>\$ 6,258,377</u>	<u>\$ 11,823,980</u>	<u>\$ 8,798,190</u>

* As restated

North Star Academy Charter School of Newark
Changes in Net Position
For the Fiscal Years Ended June 30
(Accrual Basis of Accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses:								
Governmental activities:								
Instruction:								
Regular	\$ 38,183,475	\$ 36,120,567	\$ 33,512,442	\$ 29,593,079	\$ 28,569,460	\$ 22,353,327	\$ 18,661,363	\$ 13,319,253
Support Services:								
General administration	28,447,887	27,670,578	24,450,634	20,749,360	17,573,326	13,392,668	10,944,715	8,008,480
School administrative services	22,146,255	16,422,669	14,569,991	11,858,508	10,743,497	8,372,729	6,105,589	5,218,176
On-behalf TPAF Social Security	7,162,063	6,543,138	5,262,743	4,010,899	3,333,100	2,211,170	1,887,819	1,274,360
Capital outlay	10,378,083	4,835,316	8,053,995	4,729,541	1,847,881	2,590,690	2,543,174	2,315,040
Unallocated depreciation	1,293,706	1,138,497	733,808	569,233	485,411	368,075	315,800	121,351
Total governmental activities expenses	<u>107,611,469</u>	<u>92,730,765</u>	<u>86,583,613</u>	<u>71,510,620</u>	<u>62,552,675</u>	<u>49,288,659</u>	<u>40,458,460</u>	<u>30,256,660</u>
Business-type activities:								
Food service	<u>2,643,297</u>	<u>2,485,142</u>	<u>2,232,981</u>	<u>1,926,803</u>	<u>2,005,639</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,288</u>
Total business-type activities expense	<u>2,643,297</u>	<u>2,485,142</u>	<u>2,232,981</u>	<u>1,926,803</u>	<u>2,005,639</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,288</u>
Total school expenses	<u>\$ 110,254,766</u>	<u>\$ 95,215,907</u>	<u>\$ 88,816,594</u>	<u>\$ 73,437,423</u>	<u>\$ 64,558,314</u>	<u>\$ 50,700,496</u>	<u>\$ 41,713,410</u>	<u>\$ 31,190,948</u>
Program Revenues:								
Governmental activities:								
Operating grants and contributions	\$ 7,212,506	\$ 6,697,495	\$ 4,971,142	\$ 4,401,305	\$ 4,130,710	\$ 3,741,155	\$ 4,092,714	\$ 3,627,756
Capital grants and contributions	-	8,700,000	-	-	-	-	-	-
Interest and dividend income	<u>165,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities program revenues	<u>7,377,822</u>	<u>15,397,495</u>	<u>4,971,142</u>	<u>4,401,305</u>	<u>4,130,710</u>	<u>3,741,155</u>	<u>4,092,714</u>	<u>3,627,756</u>
Business-type activities:								
Charges for services:								
Food service and transfers	<u>2,926,599</u>	<u>2,506,617</u>	<u>2,232,981</u>	<u>1,926,803</u>	<u>2,005,639</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,288</u>
Total business type activities program revenues	<u>2,926,599</u>	<u>2,506,617</u>	<u>2,232,981</u>	<u>1,926,803</u>	<u>2,005,639</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,288</u>
Total district program revenues	<u>\$ 10,304,421</u>	<u>\$ 17,904,112</u>	<u>\$ 7,204,123</u>	<u>\$ 6,328,108</u>	<u>\$ 6,136,349</u>	<u>\$ 5,152,992</u>	<u>\$ 5,347,664</u>	<u>\$ 4,562,044</u>
Net (Expense)/Revenue:								
Governmental activities	\$ (100,233,647)	\$ (77,333,270)	\$ (81,612,471)	\$ (67,109,315)	\$ (58,421,965)	\$ (45,547,504)	\$ (36,365,746)	\$ (26,628,904)
Business-type activities	<u>283,302</u>	<u>21,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389</u>
Total school-wide net expense	<u>\$ (99,950,345)</u>	<u>\$ (77,311,795)</u>	<u>\$ (81,612,471)</u>	<u>\$ (67,109,315)</u>	<u>\$ (58,421,965)</u>	<u>\$ (45,547,504)</u>	<u>\$ (36,365,746)</u>	<u>\$ (26,628,515)</u>

North Star Academy Charter School of Newark
Changes in Net Position
For the Fiscal Years Ended June 30
(Accrual Basis of Accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Revenues and Other Changes in Net Position:								
Governmental activities:								
Local share	\$ 11,123,916	\$ 10,744,075	\$ 9,138,790	\$ 8,488,451	\$ 6,187,952	\$ 5,739,383	\$ 4,363,898	\$ 3,046,200
State share	69,248,977	64,592,509	59,255,291	51,175,930	46,354,725	35,548,577	27,930,177	20,400,537
State aid	12,131,879	9,815,120	8,221,103	7,469,860	6,288,156	4,780,707	3,490,180	2,655,976
Miscellaneous income	2,501,677	1,169,650	5,357,695	1,337,108	653,608	431,356	1,064,107	1,022,317
Increase in net capital outlay	<u>10,378,083</u>	<u>4,835,316</u>	<u>8,040,873</u>	<u>4,729,541</u>	<u>1,826,339</u>	<u>2,588,996</u>	<u>2,543,174</u>	<u>2,290,827</u>
Total governmental activities	<u>105,384,532</u>	<u>91,156,670</u>	<u>90,013,752</u>	<u>73,200,890</u>	<u>61,310,780</u>	<u>49,089,019</u>	<u>39,391,536</u>	<u>29,415,857</u>
Total school-wide	<u>\$ 105,384,532</u>	<u>\$ 91,156,670</u>	<u>\$ 90,013,752</u>	<u>\$ 73,200,890</u>	<u>\$ 61,310,780</u>	<u>\$ 49,089,019</u>	<u>\$ 39,391,536</u>	<u>\$ 29,415,857</u>
Change in Net Position:								
Governmental activities	\$ 5,150,885	\$ 13,824,300	\$ 8,401,281	\$ 6,091,575	\$ 2,888,815	\$ 3,541,515	\$ 3,025,790	\$ 2,786,953
Business-type activities	<u>283,302</u>	<u>21,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389</u>
Total school	<u>\$ 5,434,187</u>	<u>\$ 13,845,775</u>	<u>\$ 8,401,281</u>	<u>\$ 6,091,575</u>	<u>\$ 2,888,815</u>	<u>\$ 3,541,515</u>	<u>\$ 3,025,790</u>	<u>\$ 2,787,342</u>

North Star Academy Charter School of Newark
Fund Balances - Governmental Funds
For the Fiscal Years Ended June 30
(Modified Accrual Basis of Accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund:								
Unreserved	\$ 16,636,928	\$ 20,298,319	\$ 10,457,939	\$ 9,363,723	\$ 7,432,456	\$ 5,884,567	\$ 4,563,973	\$ 3,765,557
Reserved	<u>15,000</u>	<u>287,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 16,651,928</u>	<u>\$ 20,585,420</u>	<u>\$ 10,457,939</u>	<u>\$ 9,363,723</u>	<u>\$ 7,432,456</u>	<u>\$ 5,884,567</u>	<u>\$ 4,563,973</u>	<u>\$ 3,765,557</u>

North Star Academy Charter School of Newark
Changes in Fund Balances - Governmental Funds
For the Fiscal Years ended June 30
(Modified Accrual Basis of Accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:								
Local tax levy	\$ 11,123,916	\$ 10,744,975	\$ 9,138,790	\$ 8,488,451	\$ 6,187,952	\$ 5,739,383	\$ 4,363,898	\$ 3,046,200
Other local revenue	4,092,869	10,840,472	6,381,234	2,382,303	2,003,820	1,594,353	2,520,843	2,234,821
State sources	81,380,856	74,407,629	67,502,362	58,668,870	52,663,641	40,346,110	31,436,235	23,070,322
Federal sources	5,621,314	5,726,673	3,921,635	3,333,030	2,759,738	2,561,332	2,620,100	2,401,832
Interest and dividend income	165,316	-	-	-	-	-	-	-
Total revenue	<u>102,384,271</u>	<u>101,719,749</u>	<u>86,944,021</u>	<u>72,872,654</u>	<u>63,615,151</u>	<u>50,241,178</u>	<u>40,941,076</u>	<u>30,753,175</u>
Expenditures:								
Instruction:								
Regular instruction	32,262,269	30,884,182	29,489,918	26,222,762	24,897,873	19,006,149	15,532,877	9,279,438
Support Services:								
General administration	27,171,587	26,209,468	23,502,016	19,718,372	17,114,203	12,998,691	9,980,487	8,420,539
School administrative services/Plant	22,146,255	16,422,669	14,569,991	11,858,508	10,743,497	8,372,729	6,105,589	5,218,176
TPAF Social Security	7,162,063	6,543,138	5,262,743	4,010,899	3,333,100	2,211,170	1,887,819	1,274,360
Capital outlay	10,378,083	4,835,316	8,053,995	4,729,541	1,847,881	2,590,690	2,543,174	2,315,040
Special revenue	7,197,506	6,697,495	4,971,142	4,401,305	4,130,710	3,741,155	4,092,714	3,627,756
Total expenditures	<u>106,317,763</u>	<u>91,592,268</u>	<u>85,849,805</u>	<u>70,941,387</u>	<u>62,067,264</u>	<u>48,920,584</u>	<u>40,142,660</u>	<u>30,135,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,933,492)</u>	<u>10,127,481</u>	<u>1,094,216</u>	<u>1,931,267</u>	<u>1,547,887</u>	<u>1,320,594</u>	<u>798,416</u>	<u>617,866</u>
Net change in fund balances	<u>\$ (3,933,492)</u>	<u>\$ 10,127,481</u>	<u>\$ 1,094,216</u>	<u>\$ 1,931,267</u>	<u>\$ 1,547,887</u>	<u>\$ 1,320,594</u>	<u>\$ 798,416</u>	<u>\$ 617,866</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

North Star Academy Charter School of Newark
General Fund - Other Local Revenue by Source
For the Fiscal Years Ended June 30
(Modified Accrual Basis of Accounting)

	<u>E-Rate</u>	<u>Donations</u>	<u>Totals</u>
2012	\$ -	\$ 1,022,317	\$ 1,022,317
2013	345,049	719,058	1,064,107
2014	239,646	191,710	431,356
2015	315,008	338,600	653,608
2016	529,613	807,495	1,337,108
2017	57,395	5,296,011	5,353,406
2018	855,677	5,296,011	6,151,688
2019	494,936	2,006,741	2,501,677

Source: School Financial Statements

REVENUE CAPACITY

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

DEBT CAPACITY

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

**North Star Academy Charter School of Newark
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2019**

Year	Population^a	Personal Income (thousands of dollars)^b	County Per Capita Personal Income^c	Unemployment Rate^d
2009	781,943	39,836,853	50,946	8.5%
2010	784,694	40,713,345	51,884	10.8%
2011	787,414	42,581,886	54,078	10.8%
2012	788,942	43,220,416	54,783	10.7%
2013	792,560	43,882,904	55,369	9.7%
2014	797,078	46,084,755	57,817	8.0%
2015	800,206	48,117,414	60,131	6.9%
2016	803,876	49,267,295	61,287	6.0%
2017	808,285	51,370,146	63,554	5.7%
2018	*	*	*	5.2%
2019	799,767	*	*	4.4%

Source:

^a Population information provided by the NJ Dept. of Labor and Workforce Development.

^b Personal income has been estimated based upon the municipal population and per capita personal income presented.

^c Personal capital income by municipality estimated based upon the 2000 Census published by the U.S. Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

* Data was not available at time of issuance.

**North Star Academy Charter School of Newark
Principal Employers
For the Fiscal Year Ended June 30, 2019**

Employer	Employees	Rank [Optional]	Percentage of Total Municipal Employment
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airline	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross and Blue Shield	3,900	9	2.79%
	<u>103,126</u>		<u>73.67%</u>

OPERATING INFORMATION (UNAUDITED)

North Star Academy Charter School of Newark
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30

<u>Function/Program</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction:								
Regular	443	416	360	305	289	241	226	160
Support Services:								
General administration	55	53	45	34	34	28	-	-
Other support services	<u>70</u>	<u>81</u>	<u>78</u>	<u>75</u>	<u>61</u>	<u>60</u>	<u>-</u>	<u>-</u>
Total	<u><u>568</u></u>	<u><u>550</u></u>	<u><u>483</u></u>	<u><u>414</u></u>	<u><u>384</u></u>	<u><u>329</u></u>	<u><u>226</u></u>	<u><u>160</u></u>

Source: School Personnel Records

North Star Academy Charter School of Newark
Operating Statistics
For the Fiscal Years Ended June 30

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2012	1,677	\$ 30,421,990	\$ 18,141	12.00%	160	61	71	28	1,671	1,625	33.00%	96.90%
2013	2,203	40,326,665	18,305	0.91%	226	91	100	35	2,187	2,090	30.88%	95.56%
2014	2,733	49,435,078	18,088	-1.19%	241	104	100	37	2,711	2,570	23.96%	94.80%
2015	3,441	64,072,903	18,620	2.94%	289	158	87	44	3,436	3,281	26.74%	95.49%
2016	3,970	60,677,252	15,284	-17.92%	305	166	94	45	4,016	3,818	16.88%	95.07%
2017	4,492	82,820,042	18,437	20.63%	360	187	110	63	4,510	4,287	12.30%	95.06%
2018	4,958	82,947,566	16,730	-9.26%	416	191	146	79	4,970	4,688	10.20%	94.33%
2019	5,361	92,513,107	17,257	3.15%	443	210	145	88	5,391	5,093	8.47%	94.47%

Sources: School records

North Star Academy Charter School of Newark
School Building Information
For the Fiscal Years Ended June 30

<u>District Building</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Downtown Campus (MS#1, HS #1 and Network Office)								
Square Feet	113,229	113,229	109,200	109,200	109,200	109,200	109,200	104,900
Capacity (students)	1,400	1,400	1,190	900	900	900	900	900
Enrollment	983	960	919	851	722	679	624	539
Vailsbury Campus (ES#1, MS#3)								
Square Feet	89,000	89,000	89,000	89,000	89,000	81,000	81,000	81,000
Capacity (students)	850	850	850	850	800	800	800	735
Enrollment	817	812	795	805	762	757	673	576
Clinton Hill Campus (MS#2)								
Square Feet	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Capacity (students)	400	400	400	400	400	400	400	400
Enrollment	364	359	354	376	333	308	293	300
West Side Park Campus (ES#2)								
Square Feet	86,000	86,000	86,000	86,000	86,000	86,000	86,000	86,000
Capacity (students)	850	850	850	850	850	735	735	735
Enrollment	445	444	441	858	709	536	348	174
Fairmount Campus (ES#3, ES#4)								
Square Feet	118,888	118,888	118,888	118,888	118,888	118,888	118,888	12,637
Capacity (students)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	87
Enrollment	897	901	900	837	625	453	265	87
Alexander Campus (ES#5)								
Square Feet	75,000	75,000	75,000	75,000	75,000			
Capacity (students)	700	700	700	700	700			
Enrollment	453	601	469	380	290			
Central Campus (MS#5)								
Square Feet	35,000	35,000	35,000	48,000				
Capacity (students)	400	400	400	400				
Enrollment	353	270	180	96				
Lincoln Park Campus (HS#2, ES#6)								
Square Feet	63,000	63,000	63,000					
Capacity (students)	994	994	994					
Enrollment	686	251	80					
West Side Park Middle Campus (MS#4)								
Square Feet	30,000	30,000	30,000					
Capacity (students)	410	410	410					
Enrollment	363	355	354					
Number of Schools at June 30, 2019								
Elementary = 6								
Middle School = 5								
Senior High School = 2								
Other = 0								

Source: School Office

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2019

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Insurance Schedule
For the Fiscal Year Ended June 30, 2019

Coverage	Policy Period	Policy No.	Carrier	Limits of Liability	Deductible	Coverage Comments	Premium
General Liability	7/1/18 – 7/1/19	P673AJ	New Jersey School Boards Association Insurance Group	\$16,000,000 – Products - Completed Operations \$16,000,000 – Personal and Adv. Injury \$16,000,000 – Each Occurrence \$16,000,000 – Fire Damage			\$221,928.21
Automobile Liability	7/1/18 – 7/1/19	P673AJ	New Jersey School Boards Association Insurance Group	\$16,000,000 – Combined Single Limit			Incl. with GL
Workers' Compensation	7/1/18 – 7/1/19	W673AJ	New Jersey School Boards Association Insurance Group	\$2,000,000 – Each Accident \$2,000,000 – Policy Limit \$2,000,000 – Each Employee		Professional/Non 40,705,440/825,000	\$309,008.44
Errors and Omissions	7/1/18 – 7/1/19	E673AI	New Jersey School Boards Association Insurance Group	\$16,000,000 – Coverage A \$50,000/\$150,000 – Coverage B	\$10,000		\$110,772.35
Supplemental Indemnity	7/1/18 – 7/1/19	6477-5774	New Jersey School Boards Association Insurance Group	7 days waiting period			\$12,206.33
Property	7/1/18 – 7/1/19	P673AJ	New Jersey School Boards Association Insurance Group	\$143,400,000 – Property \$50,000,000 – Extra Expense \$10,000,000 – Valuable Papers \$1,000,000 – EDP \$100,000,000 – Equipment Breakdown Crime & Bonds \$50,000 – Faithful Performance \$10,000 – Money Orders/Counterfeit \$100,000 – Director of Finance	\$5,000 – Property \$25,000 – Envir. Package \$5,000 – Extra Expense \$5,000 – Valuable Papers \$5,000 Equip. Breakdown, Crime & Bonds \$500 Faithful per. \$500 – Money orders		Incl. with GL
Excess Side A D&O	7/1/18 – 7/1/19	EPG0019605	RLI Insurance Company	\$3,000,000 excess of 16,000,000			\$7,850
International Package	7/1/18 – 7/1/19	D38439376	Ace	\$1,000,000 – Liability \$1,000,000 – Automobile \$1,000,000 – Employers Responsibility \$50,000 – AD&D \$10,000 – Medical \$500,000 – Special Risk			\$3,052
Excess Liability	7/1/18 – 7/1/19	18236D14ALI	Torus National	\$24,000,000 – Liability			\$13,979.80
Student Accident	7/1/18 – 7/1/19	L004009039607	Berkley Life & Health Insurance Company	\$5,000,000 – Accident Medical Excess Benefit \$10,000 AD&D (Aggregate \$500,000)			\$22,923.75
Environmental	7/1/18 – 7/1/19	P3203600	Ironshore Specialty Insurance	\$3,000,000 – Per occurrence	\$25,000		\$4,349
Workplace Violence/ Active Shooter	7/1/18 – 7/1/19	US00000138SP17A	XL Insurance	\$5,000,000 – Acts of Violence			\$15,000

CHARTER SCHOOL PERFORMANCE

North Star Academy Charter School of Newark
Near Term Indicators
For the Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 6,161,295	\$ 9,881,466	\$ 8,551,885	\$ 8,784,826	\$ 6,093,493	\$ 5,779,792	\$ 4,789,709
Current Assets	21,919,860	23,295,218	11,572,042	10,368,778	8,389,045	6,586,756	5,554,760
Capital Assets - net	35,061,942	25,977,565	22,280,746	14,974,697	10,813,389	9,472,461	7,251,540
Total Assets	<u>56,981,802</u>	<u>49,272,783</u>	<u>33,852,788</u>	<u>25,343,475</u>	<u>19,202,434</u>	<u>16,059,217</u>	<u>12,806,300</u>
Current Liabilities	4,954,688	2,679,856	1,105,636	996,588	948,122	693,722	982,320
Total Liabilities	<u>4,954,688</u>	<u>2,679,856</u>	<u>1,105,636</u>	<u>996,588</u>	<u>948,122</u>	<u>693,722</u>	<u>982,320</u>
Net Position	<u>\$ 52,027,114</u>	<u>\$ 46,592,927</u>	<u>\$ 32,747,152</u>	<u>\$ 24,346,887</u>	<u>\$ 18,254,312</u>	<u>\$ 15,365,495</u>	<u>\$ 11,823,980</u>
Total Revenue	\$ 102,384,271	\$ 101,719,749	\$ 89,177,002	\$ 74,799,457	\$ 65,620,790	\$ 51,653,015	\$ 42,196,026
Total Expenses	<u>(106,317,763)</u>	<u>(91,592,268)</u>	<u>(88,082,786)</u>	<u>(72,868,190)</u>	<u>(64,072,903)</u>	<u>(50,332,421)</u>	<u>(41,397,610)</u>
Change in Fund Balance	<u>\$ (3,933,492)</u>	<u>\$ 10,127,481</u>	<u>\$ 1,094,216</u>	<u>\$ 1,931,267</u>	<u>\$ 1,547,887</u>	<u>\$ 1,320,594</u>	<u>\$ 798,416</u>
Depreciation	1,293,706	1,138,497	733,808	569,233	485,411	368,075	315,800
Final average daily enrollment	5,361	4,958	4,492	3,970	3,441	2,733	2,203
March 30th budgeted enrollment	5,382	4,885	4,400	3,900	3,400	2,700	2,000
Near Term Indicators							
CURRENT RATIO	4.42	8.69	10.47	10.40	8.85	9.49	5.65
Unrestricted days in cash	21.15	39.38	35.44	44.00	34.71	41.91	42.23
Enrollment variance	100%	100%	100%	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A	N/A	N/A	N/A

North Star Academy Charter School of Newark
Sustainability Indicators
For the Fiscal Years Ended June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	\$ 6,161,295	\$ 9,881,466	\$ 8,551,885	\$ 8,784,826	\$ 6,093,493	\$ 5,779,792	\$ 4,789,709
Current Assets	21,919,860	23,295,218	11,572,042	10,368,778	8,389,045	6,586,756	5,554,760
Total Assets	<u>21,919,860</u>	<u>23,295,218</u>	<u>11,572,042</u>	<u>10,368,778</u>	<u>8,389,045</u>	<u>6,586,756</u>	<u>5,554,760</u>
Current Liabilities	4,954,688	2,679,856	1,105,636	996,588	948,122	693,722	982,320
Total Liabilities	<u>4,954,688</u>	<u>2,679,856</u>	<u>1,105,636</u>	<u>996,588</u>	<u>948,122</u>	<u>693,722</u>	<u>982,320</u>
Net Position	<u>\$ 16,965,172</u>	<u>\$ 20,615,362</u>	<u>\$ 10,466,406</u>	<u>\$ 9,372,190</u>	<u>\$ 7,440,923</u>	<u>\$ 5,893,034</u>	<u>\$ 4,572,440</u>
Total Revenue	\$ 102,384,271	\$ 101,719,749	\$ 89,177,002	\$ 74,799,457	\$ 65,620,790	\$ 51,653,015	\$ 42,196,026
Total Expenses	<u>(106,317,763)</u>	<u>(91,592,268)</u>	<u>(88,082,786)</u>	<u>(72,868,190)</u>	<u>(64,072,903)</u>	<u>(50,332,421)</u>	<u>(41,397,610)</u>
Change in Net Position	<u>\$ (3,933,492)</u>	<u>\$ 10,127,481</u>	<u>\$ 1,094,216</u>	<u>\$ 1,931,267</u>	<u>\$ 1,547,887</u>	<u>\$ 1,320,594</u>	<u>\$ 798,416</u>
Depreciation	1,293,706	1,138,497	733,808	569,233	485,411	368,075	315,800
Final average daily enrollment	5,361	4,958	4,492	3,970	3,441	2,733	2,203
March 30th budgeted enrollment	5,382	4,885	4,400	3,900	3,400	2,700	2,000
Sustainability Indicators							
Total Margin	-3.8%	10.0%	1.2%	2.6%	2.4%	2.6%	1.9%
Debt to Asset	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cash Flow	(2,390,590)	1,329,581	(232,941)	2,691,333	313,701	990,083	1,276,495
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

Exhibit K-1

**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**

Independent Auditor's Report

To the Board of Trustees of
North Star Academy Charter School of Newark:

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 and audit requirements as prescribed by the *Office of School Finance, Department of Education, State of New Jersey*, the financial statements of North Star Academy Charter School of Newark (the Charter School), which comprise the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter School as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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* and audit requirements as prescribed by the *Office of School Finance, Department of Education, State of New Jersey* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Brown, Pinning & Co., P.C.

Westborough, Massachusetts
November 18, 2019

Exhibit K-2

Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and State of New Jersey OMB's Circular Letter 15-08

Independent Auditor's Report

To the Board of Trustees of
North Star Academy Charter School of Newark:

Report on Compliance for Each Major Federal and State Program

We have audited North Star Academy Charter School of Newark's (the Charter School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major Federal and state programs for the year ended June 30, 2019. The Charter School's major Federal and state 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 the statutes, regulations, and the terms and conditions of its awards applicable to its Federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major Federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Department of the Treasury OMB's Circular Letter 15-08 *Single Audit Policy for Receipts of Federal Grants, State Grants and State Aid*. Those standards and the Uniform Guidance State of New Jersey Department of Treasury OMB's Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major Federal and state programs. However, our audit does not provide a legal determination of the Charter School's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and state programs for the year ended June 30, 2019.

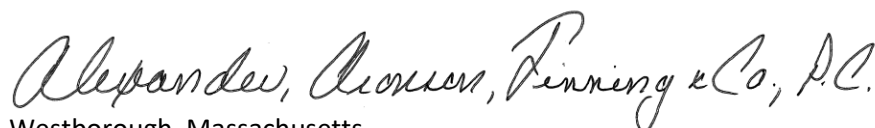
Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Department of Treasury OMB's Circular Letter 15-08 *Single Audit Policy for Receipts of Federal Grants, State Grants and State Aid*, 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 the Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of New Jersey Department of Treasury OMB's Circular Letter 15-08 *Single Audit Policy for Receipts of Federal Grants, State Grants and State Aid*. Accordingly, this report is not suitable for any other purpose.


Westborough, Massachusetts
November 18, 2019

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Award Identification Number	Program or Award Amount	Grant Period		Balance at June 30, 2018	Cash Received	Total Budgetary Expenditures	Balance at
				From	To				June 30, 2019
									Accounts Receivable
U.S. Department of Health and Human Services									
Passed-through New Jersey Department of Health and Human Services:									
Special Revenue Fund: Medical Assistance Program	93.778	1705NJ5MAP	\$ 145,557	7/1/18	6/30/19	\$ 378	\$ 145,935	\$ 145,557	\$ -
U.S. Department of Education									
Passed-through New Jersey Department of Education:									
Title I Grants to Local Educational Agencies	84.010A	S010A180030	4,326,667	7/1/18	6/30/19	1,894,545	1,894,545	4,326,667	4,326,667
Special Education Cluster (IDEA): Special Education Grants to States	84.027	H027A180100	986,925	7/1/18	6/30/19	454,029	454,029	986,925	986,925
Passed-through Uncommon Schools, Inc.:									
Education Innovation and Research (formerly, Investing in Innovation (i3) Fund)	84.411	N/A	-	7/1/18	6/30/19	-	-	-	-
Charter Schools	84.282	U282M110013 – 15	162,165	7/1/18	6/30/19	40,590	202,755	162,165	-
Total U.S. Department of Education						2,389,164	2,551,329	5,475,757	5,313,592
Total Special Revenue Fund						2,389,542	2,697,264	5,621,314	5,313,592
U.S. Department of Agriculture									
Passed-through New Jersey Department of Agriculture Enterprise Fund:									
Child and Adult Care Food Program	10.558	171NJ304N1099	21,141	7/1/18	6/30/19	1,904	23,045	21,141	-
Child Nutrition Cluster:									
School Breakfast Program	10.553	171NJ304N1099	528,992	7/1/18	6/30/19	68,515	576,188	528,992	21,319
National School Lunch Program	10.555	171NJ304N1099	1,799,464	7/1/18	6/30/19	243,114	1,942,730	1,799,464	99,848
Total Child Nutrition Cluster						311,629	2,518,918	2,328,456	121,167
Total Enterprise Fund and U.S. Department of Agriculture						313,533	2,541,963	2,349,597	121,167
Total Expenditures of Federal Awards						\$ 2,703,075	\$ 5,239,227	\$ 7,970,911	\$ 5,434,759

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2019

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Accounts Receivable June 30, 2018	Cash Received	Budgetary Expenditures	Accounts Receivable June 30, 2019
			From	To				
State Department of Education								
General Fund:								
Equalization Aid - Local	19-495-034-5120-078	\$ 11,123,916	7/1/18	6/30/19	\$ -	\$ 11,123,916	\$ 11,123,916	\$ -
Equalization Aid - State	19-495-034-5120-078	69,248,977	7/1/18	6/30/19	242,352	69,248,977	69,248,977	-
Special Education Categorical Aid	19-495-034-5120-089	2,370,161	7/1/18	6/30/19	-	2,370,161	2,370,161	-
Security Aid	19-495-034-5120-084	2,599,655	7/1/18	6/30/19	-	2,599,655	2,599,655	-
On-Behalf Teachers' Pension and Annuity Fund - Post-Retirement Medical	19-495-034-5094-001	1,723,688	7/1/18	6/30/19	-	1,723,688	1,723,688	-
On-Behalf Teachers' Pension and Annuity Fund	19-495-034-5094-002	3,766,783	7/1/18	6/30/19	-	3,766,783	3,766,783	-
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	1,755,735	7/1/17	6/30/18	133,525	133,525	-	-
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	1,539,772	7/1/18	6/30/19	-	1,539,772	1,671,592	131,820
Total General Fund					375,877	92,506,477	92,504,772	131,820
Enterprise Fund:								
State School Lunch	19-100-010-3350-023	32,124	7/1/18	6/30/19	1,179	32,033	32,124	1,270
Total Enterprise Fund					1,179	32,033	32,124	1,270
Total State Financial Assistance					\$ 377,056	\$ 92,538,510	92,536,896	\$ 133,090
Less: On-Behalf TPAF Pension System Contributions								
On-Behalf Teachers' Pension and Annuity Fund - Post-Retirement Medical	19-495-034-5094-001						(1,723,688)	
On-Behalf Teachers' Pension and Annuity Fund	19-495-034-5094-002						(3,766,783)	
Total for State Financial Assistance - Major Program Determination							\$ 87,046,425	

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Schedules of Awards and Financial Assistance
For the Year Ended June 30, 2019

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance programs (collectively, the Schedules) include Federal and state award activity of North Star Academy Charter School of Newark. All Federal and state awards received directly from Federal and state agencies, as well as Federal awards and state financial assistance passed through other organizations are included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

2. BASIS OF ACCOUNTING

The accompanying Schedules are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 *OMB Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

3. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The Schedules present only a selected portion of the activities of the Charter School. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in fund balance of the governmental funds. The financial activity for the aforementioned awards is report in the Charter School's statement of activities and statement of revenue, expenditures and changes in fund balance - governmental funds.

Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 92,504,772	\$ 92,504,772
Special Revenue Fund	5,621,314	-	5,621,314
Food Service Fund	<u>2,349,597</u>	<u>32,124</u>	<u>2,381,721</u>
Total Awards and Financial Assistance	<u>\$ 7,970,911</u>	<u>\$ 92,536,896</u>	<u>\$ 100,507,807</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Schedules of Awards and Financial Assistance
For the Year Ended June 30, 2019

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying Schedules agree with the amounts reported in the related Federal and state financial reports.

5. OTHER

The TPAF Social Security Contributions of \$1,671,592 represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2019.

The amount reported as TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$5,490,471 represents the amount paid by the state on behalf of the Charter School for the fiscal year ended June 30, 2019.

6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from the major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

7. DE MINIMIS INDIRECT COST RATE

The Charter School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? _____ Yes X No

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 programs:

- 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:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010A

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

New Jersey Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS (Continued)**State Awards**

	<u>Yes</u>	<u>No</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$2,776,107	
Auditee qualified as low risk auditee:	X	
Type of auditor's report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor's report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to reported in Accordance with NJOMB Circular Letter 15-08?	X	
Identification of major programs:		
<u>GMIS Number(s)</u>	<u>Name of State Program or Cluster</u>	
19-495-034-5120-078	Equalization Aid - Local	
19-495-034-5120-078	Equalization Aid - State	

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Summary of Schedule of Prior Year Audit Findings and Questioned Costs
As Prepared by Management
For the Fiscal Year Ended June 30, 2019

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

New Jersey Schedule of Prior Year Findings and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2019

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and Federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (Section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations.

Finding 2018-001*Finding Summary:*

Free and reduced price meal applications must be maintained for all low-income students, in accordance with the New Jersey Charter School audit program guidance. In addition, charter schools are required to track students who qualify for limited English Proficient (LEP) services.

Current Status: The Charter School maintained free and reduced price meals applications for all low-income students, in accordance with the New Jersey Charter School audit program guidance.

During our testing of limited English proficiency (LEP) students, we noted that the number of students classified as LEP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree. Though these discrepancies do not affect the billing for these students, there is a misclassification of students between the reports.

APPENDIX B-2

**CONSOLIDATED FINANCIAL STATEMENTS OF UNCOMMON
SCHOOLS AND AFFILIATES FOR THE FISCAL YEARS ENDED
JUNE 30, 2019 AND JUNE 30, 2018**

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UNCOMMON SCHOOLS, INC. AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

UNCOMMON SCHOOLS, INC. AND AFFILIATES

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June 30, 2019 and 2018

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Independent Auditor's Report

To the Boards of Trustees of
Uncommon Schools, Inc. and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Uncommon Schools, Inc. (a New Jersey corporation, not for profit) and its Affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

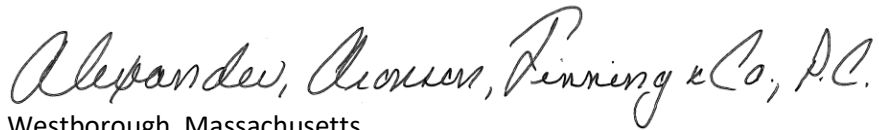
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Uncommon Schools, Inc. and Affiliates as of June 30, 2019 and 2018, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 36 through 52 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Alexander, Brown, Pinning & Co., P.C.".

Westborough, Massachusetts
November 19, 2019

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statements of Financial Position
June 30, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 36,203,717	\$ 37,098,704
Current portion of grants and pledges receivable	4,181,351	3,903,531
Accounts and other receivables	12,621,179	7,210,549
Interest receivable	1,591,158	1,575,390
Current portion of restricted deposits	14,233,149	6,985,447
Prepaid expenses and other	1,010,051	1,094,309
Total current assets	<u>69,840,605</u>	<u>57,867,930</u>
Other Assets:		
Restricted deposits, net of current portion	13,114,089	55,579,509
Grants and pledges receivable, net of current portion	2,234,000	350,000
Bonds receivable, net	125,797,077	124,873,215
Loan receivable	14,929,250	14,929,250
Property and equipment, net	242,828,458	135,785,537
Construction in process	40,195,512	109,401,368
Pledge receivable - property	20,409,760	21,587,943
Total assets	<u>\$ 529,348,751</u>	<u>\$ 520,374,752</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of notes and bonds payable	\$ 98,280,530	\$ 90,248,411
Current portion of capital lease obligation	79,105	75,172
Accounts payable and accrued expenses	3,697,764	3,494,898
Current portion of accounts payable - construction	14,062,125	565,975
Grants payable	3,640,251	1,128,045
Deferred rental revenue	397,051	464,068
Accrued interest	3,682,041	3,728,209
Total current liabilities	<u>123,838,867</u>	<u>99,704,778</u>
Other Liabilities:		
Construction advances	946,471	5,393,293
Notes and bonds payable, net	283,034,963	287,151,718
Accounts payable - construction, net of current portion	-	13,042,283
Capital lease obligation, net of current portion	2,746,507	2,825,611
Financing obligation	20,409,760	21,587,943
Total liabilities	<u>430,976,568</u>	<u>429,705,626</u>
Net Assets:		
Without donor restrictions:		
Operating	33,684,549	31,073,292
Development	21,933,372	14,672,555
Property and equipment	29,751,731	31,372,480
Total without donor restrictions	<u>85,369,652</u>	<u>77,118,327</u>
With donor restrictions	13,002,531	13,550,799
Total net assets	<u>98,372,183</u>	<u>90,669,126</u>
Total liabilities and net assets	<u>\$ 529,348,751</u>	<u>\$ 520,374,752</u>

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

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UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	2019	2018
Net Assets Without Donor Restrictions:		
Operating revenues:		
Management fees	\$ 27,825,621	\$ 24,877,667
Rental income	12,748,944	7,167,099
Interest and other	9,775,674	8,508,662
Contributions	8,070,780	7,111,164
Subsidy income	6,781,492	6,272,260
Training and program fees	4,309,154	3,897,306
Grants	3,351,765	5,159,678
Real estate reimbursements	2,010,331	1,917,398
Real estate development income	191,500	159,500
Net assets released from time restrictions	179,515	762,151
Net assets released from purpose restrictions	5,259,851	1,642,257
Total operating revenues	<u>80,504,627</u>	<u>67,475,142</u>
Operating expenses:		
Personnel and related	25,841,392	22,542,499
Interest	21,438,030	17,160,206
Program and grant expenses	12,194,716	22,010,966
Depreciation	6,089,144	4,398,844
Administrative	3,699,834	2,752,404
Occupancy	3,300,246	3,197,545
System and technology	2,238,690	1,387,301
Total operating expenses	<u>74,802,052</u>	<u>73,449,765</u>
Changes in net assets without donor restrictions from operations	<u>5,702,575</u>	<u>(5,974,623)</u>
Other revenue (expense):		
Gain on unwind	1,329,260	-
Forgiveness of debt	114,286	114,286
Write-off of debt issuance costs	-	(131,285)
Loss on disposal of property and equipment	(536,675)	-
Loan extension fees	(624,288)	-
Net assets released from capital restrictions	2,266,167	137,532
Total other revenue (expense)	<u>2,548,750</u>	<u>120,533</u>
Changes in net assets without donor restrictions	<u>8,251,325</u>	<u>(5,854,090)</u>
Net Assets With Donor Restrictions:		
Grants and contributions	7,157,265	1,514,048
Capital grants	-	1,061,930
Net assets released from restrictions	<u>(7,705,533)</u>	<u>(2,541,940)</u>
Changes in net assets with donor restrictions	<u>(548,268)</u>	<u>34,038</u>
Changes in net assets	7,703,057	(5,820,052)
Net Assets:		
Beginning of year	<u>90,669,126</u>	<u>96,489,178</u>
End of year	<u>\$ 98,372,183</u>	<u>\$ 90,669,126</u>

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

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Changes in net assets	\$ 7,703,057	\$ (5,820,052)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	6,089,144	4,398,844
Amortization of debt issuance costs	408,849	178,041
Gain on unwind	(1,329,260)	-
Forgiveness of debt	(114,286)	(114,286)
Write-off of debt issuance costs	-	131,285
Loss on disposal of property and equipment	536,675	-
Loan extension fees	624,288	-
Capital grants	-	(1,061,930)
Amortized interest on bond receivable discounts	(923,862)	(893,083)
Amortized interest on bond payable discounts	740,034	724,975
Changes in operating assets and liabilities:		
Grants and pledges receivable	(2,661,820)	(666,667)
Accounts and other receivables	(5,410,630)	368,832
Interest receivable	(15,768)	(185,800)
Prepaid expenses and other	84,258	(146,896)
Accounts payable and accrued expenses	202,866	662,263
Grants payable	2,512,206	1,128,045
Deferred rental revenue	(67,017)	464,068
Accrued interest	(46,168)	1,194,539
Net cash provided by operating activities	<u>8,332,566</u>	<u>362,178</u>
Cash Flows from Investing Activities:		
(Increase) decrease in restricted deposits	35,217,718	(15,375,321)
Purchase of bonds receivable, net of credit strip proceeds	-	(29,833,624)
Purchase of construction in process and property and equipment	(44,009,017)	(59,816,366)
Net cash used in investing activities	<u>(8,791,299)</u>	<u>(105,025,311)</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable	13,104,656	50,375,902
Principal payments on notes payable	(8,894,629)	(2,199,080)
Proceeds from bonds payable	-	55,748,408
Construction advances provided (used)	(4,446,822)	3,888,264
Debt issuance and loan extension costs	(624,288)	(1,315,179)
Capital grants	500,000	561,930
Principal payments on capital lease obligation	(75,171)	(71,435)
Net cash provided by (used in) financing activities	<u>(436,254)</u>	<u>106,988,810</u>
Net Change in Cash and Cash Equivalents	<u>(894,987)</u>	<u>2,325,677</u>
Cash and Cash Equivalents:		
Beginning of year	<u>37,098,704</u>	<u>34,773,027</u>
End of year	<u>\$ 36,203,717</u>	<u>\$ 37,098,704</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 20,335,315</u>	<u>\$ 15,062,651</u>
Supplemental Disclosure of Non-Cash Transactions:		
Amortization of financing fees capitalized as part of construction in process	<u>\$ -</u>	<u>\$ 114,329</u>
Construction in process and property and equipment financed through accounts payable - construction	<u>\$ 14,062,125</u>	<u>\$ 13,608,258</u>
Construction in process transferred to property and equipment	<u>\$ 113,149,804</u>	<u>\$ 26,217,088</u>
Debt issuance costs financed through proceeds from notes and bonds payable	<u>\$ 458,676</u>	<u>\$ 368,625</u>

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

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UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019

(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019							2018	
	Program			General and Administrative					
	Charter Management Program	Facility Development Program	Total Program	Charter School Support	CMO Support	Total General and Administrative	Fundraising	Total	Total
Personnel and Related Costs:									
Salaries	\$ 13,543,063	\$ -	\$ 13,543,063	\$ 1,715,780	\$ 5,860,055	\$ 7,575,835	\$ 908,338	\$ 22,027,236	\$ 19,251,249
Payroll taxes and employee benefits	2,345,068	-	2,345,068	297,098	1,014,706	1,311,804	157,284	3,814,156	3,291,250
Total payroll and related costs	15,888,131	-	15,888,131	2,012,878	6,874,761	8,887,639	1,065,622	25,841,392	22,542,499
Interest:									
Interest on notes and bonds payable	240,008	20,049,139	20,289,147	-	-	-	-	20,289,147	16,257,190
Amortization of discount on bonds payable	-	740,034	740,034	-	-	-	-	740,034	724,975
Amortization of debt issuance costs	-	408,849	408,849	-	-	-	-	408,849	178,041
Total interest	240,008	21,198,022	21,438,030	-	-	-	-	21,438,030	17,160,206
Program and Grant Expenses:									
Grants to schools	7,606,823	40,974	7,647,797	-	-	-	-	7,647,797	16,782,140
Other school support	2,641,462	-	2,641,462	66,991	262,429	329,420	112,291	3,083,173	3,718,625
Professional development	1,008,041	-	1,008,041	92,672	363,033	455,705	-	1,463,746	1,510,201
Total program and grant expenses	11,256,326	40,974	11,297,300	159,663	625,462	785,125	112,291	12,194,716	22,010,966
Depreciation	186,950	5,855,457	6,042,407	37,390	9,347	46,737	-	6,089,144	4,398,844
Administrative:									
Office and other	1,522,883	1,199,191	2,722,074	247,468	57,108	304,576	76,144	3,102,794	2,370,183
Professional services	477,632	-	477,632	77,615	17,911	95,526	23,882	597,040	382,221
Total administrative	2,000,515	1,199,191	3,199,706	325,083	75,019	400,102	100,026	3,699,834	2,752,404
Occupancy:									
Rent, utilities and maintenance	188,975	2,462,151	2,651,126	30,709	7,087	37,796	9,449	2,698,371	2,595,670
Donated space	481,500	-	481,500	78,244	18,056	96,300	24,075	601,875	601,875
Total occupancy	670,475	2,462,151	3,132,626	108,953	25,143	134,096	33,524	3,300,246	3,197,545
System and Technology	1,790,951	-	1,790,951	291,030	67,161	358,191	89,548	2,238,690	1,387,301
Total operating expenses	\$ 32,033,356	\$ 30,755,795	\$ 62,789,151	\$ 2,934,997	\$ 7,676,893	\$ 10,611,890	\$ 1,401,011	\$ 74,802,052	\$ 73,449,765

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

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program			General and Administrative				
	Charter Management Program	Facility Development Program	Total Program	Charter School Support	CMO Support	Total General and Adminis- trative	Fundraising	Total
Personnel and Related Costs:								
Salaries	\$ 11,836,296	\$ -	\$ 11,836,296	\$ 5,121,540	\$ 1,499,549	\$ 6,621,089	\$ 793,864	\$ 19,251,249
Payroll taxes and employee benefits	2,023,568	-	2,023,568	875,594	256,367	1,131,961	135,721	3,291,250
Total payroll and related costs	13,859,864	-	13,859,864	5,997,134	1,755,916	7,753,050	929,585	22,542,499
Interest:								
Interest on notes and bonds payable	241,950	16,015,240	16,257,190	-	-	-	-	16,257,190
Amortization of discount on bonds payable	-	724,975	724,975	-	-	-	-	724,975
Amortization of debt issuance costs	-	178,041	178,041	-	-	-	-	178,041
Total interest	241,950	16,918,256	17,160,206	-	-	-	-	17,160,206
Program and Grant Expenses:								
Grants to schools	7,072,404	9,709,736	16,782,140	-	-	-	-	16,782,140
Other school support	3,160,831	-	3,160,831	334,676	74,373	409,049	148,745	3,718,625
Professional development	1,042,039	-	1,042,039	377,550	90,612	468,162	-	1,510,201
Total program and grant expenses	11,275,274	9,709,736	20,985,010	712,226	164,985	877,211	148,745	22,010,966
Depreciation	400,292	3,898,479	4,298,771	80,058	20,015	100,073	-	4,398,844
Administrative:								
Office and other	1,102,161	992,482	2,094,643	179,101	41,331	220,432	55,108	2,370,183
Professional services	305,776	-	305,776	49,689	11,467	61,156	15,289	382,221
Total administrative	1,407,937	992,482	2,400,419	228,790	52,798	281,588	70,397	2,752,404
Occupancy:								
Rent, utilities and maintenance	188,975	2,359,450	2,548,425	30,709	7,087	37,796	9,449	2,595,670
Donated space	481,500	-	481,500	78,244	18,056	96,300	24,075	601,875
Total occupancy	670,475	2,359,450	3,029,925	108,953	25,143	134,096	33,524	3,197,545
System and Technology	1,109,841	-	1,109,841	180,349	41,619	221,968	55,492	1,387,301
Total operating expenses	\$ 28,965,633	\$ 33,878,403	\$ 62,844,036	\$ 7,307,510	\$ 2,060,476	\$ 9,367,986	\$ 1,237,743	\$ 73,449,765

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

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS

Uncommon Schools, Inc. ("Uncommon") mission is to close the achievement gap and prepare low-income students to graduate from college. Uncommon furthers its mission by starting, designing, planning, launching, and managing outstanding college preparatory urban charter public schools in Newark and Camden, New Jersey, New York City, Troy and Rochester, New York, and Boston, Massachusetts. Uncommon also furthers its mission by developing professional development tools and trainings which Uncommon makes available to its network schools, as well as other partner organizations and districts. Uncommon also develops, manages, and maintains real estate for lease to charter schools or renaissance schools within its network.

Several other not-for-profit corporations have a shared mission with Uncommon, are under common management and share common Board members. These entities are: Uncommon Lender, Inc. ("Lender"), North Star Academy Foundation, Inc. ("NSA Foundation"), Camden Prep Foundation, Inc. ("Camden Foundation"), Rochester Prep Foundation, Inc. ("Rochester Foundation"), Troy Prep Foundation, Inc. ("Troy Foundation") and Excellence Academies Foundation, Inc. ("EAF"), all of which are not-for-profit corporations. Uncommon, EAF and Lender have a majority of common members on the Board of Trustees and two thirds of the Trustees of NSA Foundation, Camden Foundation, Rochester Foundation, and Troy Foundation are appointed by the Board of Trustees of Uncommon. Because of these trustees and shared mission, the financial statements are presented on a consolidated basis.

EAF was formed in November 2008 to support the charitable purpose of Uncommon by engaging in activities directed to the development of innovative schools, especially charter public schools. In particular, EAF supports program development, and program implementation of Excellence Boy's Charter School of Bedford Stuyvesant ("Excellence") and the acquisition and development of property to be used by Excellence.

Lender was formed in 2008 to support Uncommon's real estate and other activities by providing subordinate debt and equity to Uncommon through loans, grants, loan participation purchases, and equity contributions.

Uncommon formed the following foundations, in fiscal year 2016, by geographical regions to support the schools in the Uncommon network in those regions both operationally and in connection with the acquisition and development of facilities:

NSA Foundation was formed to support North Star Academy Charter School of Newark, New Jersey ("North Star"). Camden Foundation was formed to support the schools Uncommon manages in Camden, New Jersey. Rochester Foundation was formed to support the schools Uncommon manages in Rochester, New York. Troy Foundation was formed to support the schools Uncommon manages in Troy, New York.

Uncommon, Lender, NSA Foundation, Camden Foundation, Rochester Foundation and Troy Foundation are organized under the not-for-profit corporation law of the State of New Jersey. EAF is organized under the not-for-profit corporation law of the State of Delaware. These entities are exempt from Federal income taxes as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Uncommon, EAF, Lender, NSA Foundation, Camden Foundation, Rochester Foundation and Troy Foundation are also exempt from state income taxes. Contributions made to Uncommon, EAF, Lender, NSA Foundation, Camden Foundation, Rochester Foundation and Troy Foundation are deductible within the requirements of the IRC.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Uncommon Real Estate and Financing Subsidiaries

Uncommon Crown Heights, LLC ("UNCROWN") was formed in 2008 to administer facility expenses for the high school facility shared by Uncommon Charter High School and Achievement First Brooklyn High School.

Roxbury Prep Belgrade Avenue, LLC ("Belgrade Avenue") was formed in 2017 to enter into a lease and develop vacant land located in Boston, Massachusetts.

10 Vale Street, LLC ("10 Vale Street") was formed in August 2018 to acquire and renovate property located at 10 Vale Street, Boston, Massachusetts ("the Vale Street Property"). The Vale Street Property was acquired in 2019 and began renovations at that time.

Uncommon Properties, LLC ("UP") was formed in 2006 to facilitate real estate ownership and real estate financing transactions for Uncommon.

Uncommon Properties II, LLC ("UP II") was formed in 2012 to participate in a \$7.8 million Qualified Zone Academy Bond ("QZAB") transaction entered into in December 2012. In October 2017, the QZAB proceeds were lent to NSA 9th St & Alexander (see page 10 and Note 8).

Uncommon Properties III, LLC ("UP III") was formed in 2013 to participate in a \$35.7 million Qualified School Construction Bond ("QSCB") transaction entered into in December 2013 for the Hazelwood Property and the Broad Street Property (see pages 9 and 10 and Note 8).

Uncommon Properties IV, LLC ("UP IV") was formed in 2013 to participate in a \$7.1 million QZAB transaction entered into in December 2013. In August 2016, the QZAB proceeds were lent to NSA 9th St & Alexander (see page 10 and Note 8).

Uncommon Properties V, LLC ("UP V") was formed in 2014 to participate in a \$7.1 million QZAB transaction entered into in December 2014 in connection with NSA 18 Wash (see page 10 and Note 8).

Uncommon Properties VI, LLC ("UP VI") was formed in December 2015 to participate in a \$7.1 million QZAB transaction entered into in December 2015. In October 2017, the QZAB proceeds were lent to NSA 9th St & Alexander (see page 10 and Note 8).

Uncommon Properties VII, LLC ("UP VII") was formed in April 2016 to participate in a \$41.3 million QSCB transaction entered into in April 2016 in connection with NSA 377 Wash (see page 10 and Note 8).

Uncommon CP Properties I, LLC ("UP CP I") was formed in February 2016 to participate in a \$47.5 million QSCB transaction entered into in November 2016 in connection with CP Haddon & Copewood, LLC (see page 11 and Note 8).

Uncommon CP Properties II, LLC ("UP CP II") was formed in February 2016 to participate in a \$29.8 million QSCB transaction entered into in December 2017. In April 2019, the QSCB proceeds were lent to CP Mt. Ephraim, LLC (see page 11 and Note 8).

Uncommon CP Properties III, LLC ("UP CP III") was formed in November 2016 to participate in a \$7.9 million QZAB transaction entered into in December 2016. In April 2019, the QZAB proceeds were lent to CP Mt. Ephraim, LLC (see page 11 and Note 8).

UNCROWN, Belgrade Avenue, 10 Vale Street, UP II through UP VII, UP CP I through UP CP III (collectively, the "Uncommon Subsidiaries") are each single-member limited liability companies, whose sole member is UP. UP is a single-member limited liability company, whose sole member is Uncommon. The Uncommon Subsidiaries and UP are each disregarded entities of Uncommon for tax purposes and included in the consolidated financial statements of Uncommon.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Lender Subsidiary Entities

Uncommon NSA Lender, LLC (“NSA Lender”) was formed in 2012 to participate in a \$7.8 million QZAB transaction entered into in December 2012 in connection with NSA 9th St & Alexander (see Note 6).

Uncommon NSA Lender II, LLC (“NSA Lender II”) was formed in 2013 to participate in a \$35.7 million QSCB transaction entered into in December 2013 in connection with the Hazelwood Property and the Broad Street Property (see Note 6).

Uncommon NSA Lender III, LLC (“NSA Lender III”) was formed in 2013 to participate in a \$7.1 million QZAB transaction entered into in December 2013 in connection with NSA 9th St & Alexander (see Note 6).

Uncommon NSA Lender IV, LLC (“NSA Lender IV”) was formed in 2014 to participate in a \$7.1 million QZAB transaction entered into in December 2014 in connection with NSA 18 Wash (see Note 6).

Uncommon NSA Lender V, LLC (“NSA Lender V”) was formed in December 2015 to participate in a \$7.1 million QZAB transaction entered into in December 2015 in connection with NSA 9th St & Alexander (see Note 6).

Uncommon NSA Lender VI, LLC (“NSA Lender VI”) was formed in April 2016 to participate in a \$41.3 million QSCB transaction entered into in April 2016 in connection with NSA 377 Wash (see Note 6).

Uncommon CP Lender I, LLC (“CP Lender I”) was formed in February 2016 to participate in a \$47.5 million QSCB transaction entered into in November 2016 in connection with CP Haddon & Copewood, LLC (see Note 6).

Uncommon CP Lender II, LLC (“CP Lender II”) was formed in February 2016 to participate in a \$29.8 million QSCB transaction entered into in December 2017 with CP Mt. Ephraim, LLC (see Note 6).

Uncommon CP Lender III, LLC (“CP Lender III”) was formed in November 2016 to participate in a \$7.9 million QZAB transaction entered into in December 2016 with CP Mt. Ephraim, LLC (see Note 6).

NSA Lender through NSA Lender VI, CP Lender I through CP Lender III (collectively, the “Lender Subsidiaries”) are each single-member limited liability companies, whose sole member is Lender. The Lender Subsidiaries are each disregarded entities of Lender for tax purposes and are included in the consolidated financial statements of Lender.

NSA Foundation Subsidiary Entities

NSA 559 Broad Street, LLC (“NSA 559 Broad St.”) was formed in 2012 to acquire and renovate property located at 559 Broad Street, Newark, New Jersey (the “Broad Street Property”). The Broad Street Property was acquired in 2003 and underwent substantial renovations in 2013. The Broad Street Property is leased to North Star.

NSA 10 Washington, LLC (“NSA 10 Washington”) was formed in 2008 to acquire and renovate property located at 10 Washington Street, Newark, New Jersey (the “10 Washington Property”). The 10 Washington Property was acquired and substantially renovated in 2008. The 10 Washington Property is leased to North Star.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

NSA Foundation Subsidiary Entities (Continued)

NSA Clinton Avenue, LLC (“NSA Clinton”) was formed in 2008 to secure a long-term lease of land and a building located at 600 Clinton Avenue, Newark, New Jersey (the “Clinton Property”). NSA Clinton entered into a fifty-year lease with the landlord of the Clinton Property in 2008. The Clinton Property was renovated and subleased to North Star.

NSA Central Avenue, LLC (“NSA Central”) was formed in 2010 to acquire and develop vacant land located at 13 Central Avenue, Newark, New Jersey (the “13 Central Property”). The 13 Central Property was acquired in 2010 and was completed in 2012. The 13 Central Property is leased to North Star.

NSA Hazelwood Avenue, LLC (“NSA Hazelwood”) was formed in 2009 to secure a lease and option to purchase real property located at 24 Hazelwood Avenue, Newark, New Jersey (the “Hazelwood Property”). The Hazelwood Property was purchased and substantially renovated in 2013. The Hazelwood Property is leased to North Star.

NSA 377 Washington, LLC (“NSA 377 Wash”) was formed in 2015 to acquire and develop vacant land located at 377 Washington Street, Newark, New Jersey (the “NSA 377 Washington Property”). Development of a school facility commenced in 2015 and was completed in August 2018. In July 2018, NSA 377 Wash entered into a lease agreement with North Star.

NSA S. 9th Street & Alexander, LLC (“NSA 9th St & Alexander”) was formed in 2013 to renovate the facility located at 109 S. 9th Street, Newark, New Jersey (the “S. 9th Property”). North Star leases the S. 9th Property from an unrelated landlord. NSA 9th St & Alexander used QZAB proceeds from UP II, UP IV and UP VI to help fund renovations of the S. 9th Property (see page 8).

NSA 72 Central, LLC (“NSA 72 Central”) was formed in 2015 to enter into a long-term lease for a facility located at 72 Central Avenue, Newark, New Jersey (the “72 Central Property”). The master lease was entered into in June 2015. The 72 Central Property is subleased to North Star.

NSA Livingston Street, LLC (“NSA Livingston”) was formed in March 2016 to enter into a lease for a facility located at 120 Livingston Street, Newark, New Jersey (the “Livingston Property”). The master lease was entered into in April 2016. The Livingston Property was subleased to North Star through November 2018, at which time both the master lease and sublease were terminated. This entity is expected to be dissolved during fiscal year 2020.

NSA 18th Avenue, LLC (“NSA 18th Ave”) was formed in November 2015 to acquire and renovate property located at 571 18th Avenue, Newark, New Jersey (the “NSA 18th Ave Property”). Development of a school facility commenced in 2016 and was completed in August 2019. The NSA 18th Ave Property is leased to North Star.

NSA 18 Washington Place, LLC (“NSA 18 Wash”) was formed in March 2016 to acquire and renovate property located at 18 Washington Place, Newark, New Jersey (the “NSA 18 Wash Property”). Development of a school facility commenced in 2016 and was completed in 2018. The NSA 18 Wash Property is leased to North Star.

NSA 559 Broad St., NSA 10 Washington, NSA Clinton, NSA Central, NSA Hazelwood, NSA 377 Wash, NSA 9th St & Alexander, NSA 72 Central, NSA Livingston, NSA 18th Ave, and NSA 18 Wash (collectively, the “NSA Foundation Subsidiaries”) are each single-member limited liability companies, whose sole member is NSA Foundation (see page 7). The NSA Foundation Subsidiaries are each disregarded entities of NSA Foundation for tax purposes and are included in the consolidated financial statements of NSA Foundation.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Camden Foundation Subsidiary Entities

CP Haddon & Copewood, LLC ("CP Haddon") was formed in September 2015 to acquire and develop property located at 1675-1689 Haddon Avenue, Camden, New Jersey (the "Haddon Property"). The Haddon Property was acquired in 2015. Development of a school facility commenced in 2016. During fiscal year 2018, a portion of the school facility was completed and placed into service and the remainder of the school facility was completed and placed into service during fiscal year 2019. In November 2017, CP Haddon entered into a lease with Camden Prep Charter School ("the Camden School"). CP Haddon used QSCB proceeds from UP CP I to help fund renovations of the property (see page 8).

CP Mt. Ephraim, LLC ("CP Ephraim") was formed in August 2015 to renovate leased property located at 1575 Mount Ephraim Avenue, Camden, New Jersey (the "Ephraim Property"). A master lease between CP Ephraim and an unrelated third-party was entered into in April 2016. The Ephraim Property is subleased to the Camden School. Renovation of this facility commenced in 2015 and are expected to be completed in 2020. CP Ephraim used QZAB and QSCB proceeds from UP CP II and UP CP III to help fund renovations of the Ephraim Property (see page 8).

CP Haddon and CP Ephraim, (collectively, the "Camden Foundation Subsidiaries") are each single-member limited liability companies, whose sole member is Camden Foundation (see page 7). The Camden Foundation Subsidiaries are each disregarded entities of Camden Foundation for tax purposes and are included in the financial statements of Camden Foundation.

Rochester Foundation Subsidiary Entities

True North Parking, LLC ("TN Parking") was formed in 2006 to own property located at 657 Brooks Avenue, Rochester, New York (the "TN Parking Property"). The TN Parking Property is leased to True North Rochester Preparatory Charter School ("Rochester Prep").

True North Rochester Real Estate, LLC ("TN Rochester RE") was formed in 2006 to acquire and renovate real property located at 630 Brooks Avenue, Rochester, New York (the "Brooks Property"). The Brooks Property is leased to Rochester Prep.

True North Rochester Real Estate Ames Street, LLC ("TN Ames") was formed in 2009 to acquire and renovate property located at 899 Jay Street, Rochester, New York (the "Ames Property"). The Ames Property is leased to Rochester Prep.

Rochester Chili Avenue, LLC ("TN Chili") was formed in 2014 to acquire and renovate real property located at 432 Chili Avenue, Rochester, New York (the "Chili Property"). The Chili Property is leased to Rochester Prep.

True North Andrews Street, LLC ("TN Andrews") was formed in December 2015 to acquire and renovate property located at 305 Andrews Street, Rochester, New York (the "Andrews Property"). The Andrews property was acquired in 2017. Renovations of this facility commenced in 2017 and are expected to be completed in 2020. The Andrews Property is leased to Rochester Prep.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Rochester Foundation Subsidiary Entities (Continued)

True North St. Jacob Street, LLC ("TN St. Jacob") was formed in April 2016 to acquire and renovate property located at 85 St. Jacob Street, Rochester, New York (the "St. Jacob Property"). The St. Jacob Property was purchased and phase one and two of the renovations were completed in 2017 and 2018, respectively. Phase three of the renovations are expected to be completed in late 2019. The St. Jacob Property is leased to Rochester Prep.

True North Rochester Mark Street, LLC ("TN Rochester Mark") was formed in June 2019 to acquire and renovate property located in Rochester, New York. There was no activity during fiscal year 2019. In August 2019, TN Rochester Mark purchased land and a building (see Note 15).

TN Parking, TN Rochester RE, TN Ames, TN Chili, TN Andrews, TN St. Jacob and TN Rochester Mark (collectively, the "Rochester Foundation Subsidiaries") are each single-member limited liability companies, whose sole member is Rochester Foundation (see page 7). The Rochester Foundation Subsidiaries are each disregarded entities of Rochester Foundation for tax purposes and are included in the financial statements of Rochester Foundation.

Troy Foundation Subsidiary Entities

True North Troy Real Estate, LLC ("TN Troy") was formed in 2008 to own or lease property located in Troy, New York. TN Troy owns real property located at 523-524 First Street, Troy, New York (the "TN Tyler Parking Lot"). The TN Tyler Parking Lot is leased to True North Troy Preparatory Charter School ("Troy Prep").

True North Tyler Street, LLC ("TN Tyler") was formed in 2011 to acquire and renovate real property located at 4 Tyler, Troy, New York (the "TN Tyler Property"). The TN Tyler Property is leased to Troy Prep.

True North River Street, LLC ("TN River") was formed in December 2015 to acquire and renovate real property located at 762, 765 and 780 River Street, Troy, New York (the "TN River Property"). The TN River Property is leased to Troy Prep.

TN Troy, TN Tyler, and TN River (collectively, the "Troy Foundation Subsidiaries") are each single-member limited liability companies, whose sole member is Troy Foundation (see page 7). The Troy Foundation Subsidiaries are each disregarded entities of Troy Foundation for tax purposes and are included in the financial statements of Troy Foundation.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Uncommon, Lender, NSA Foundation, Camden Foundation, Rochester Foundation, Troy Foundation, EAF, the Uncommon Subsidiaries, the Lender Subsidiaries, the NSA Foundation Subsidiaries, the Camden Foundation Subsidiaries, the Rochester Foundation Subsidiaries, and the Troy Foundation Subsidiaries (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The consolidated financial statements of the Organization are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principle Adoption

During fiscal year 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the Organization's consolidated financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see page 16).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the consolidated statement of financial position date (see Note 17).
- Functional expense reporting (see pages 5 and 6) and an explanation of the methods used to allocate costs among program and supporting (general and administrative and fundraising) functions (see page 17).

The adoption of this ASU did not impact the Organization's consolidated net asset balance, change in net assets, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 consolidated financial statements.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. The standard defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and requires disclosures about fair value measurements. Fair value is defined under this standard as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, money market accounts and money market funds that are readily convertible into cash and purchased with original maturities of three months or less.

Accounts and Other Receivables and Allowance for Doubtful Accounts

Accounts and other receivables are recorded at the net realizable value and do not bear interest. The allowance for doubtful accounts is the Organization's best estimate of the amount of probable credit losses in existing accounts receivable. The Organization determines the allowance based on historical write-off experience. The Organization reviews its allowance for doubtful accounts periodically and past due balances (over ninety days old) are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2019 and 2018, there was no allowance recorded.

Bonds Receivable

Bonds receivable represent the Organization's purchased interest in QSCBs and QZABs to construct public school facilities. The Organization's bonds receivable are initially recorded at the purchased price, including applicable discounts. Discounts are accreted over the term of the bonds using the effective interest rate method (see Note 6).

Loan Receivable and Allowance for Uncollectable Loans

Loan receivable (see Note 4) is stated net of an allowance for uncollectable loans if deemed necessary. Interest on the loan is calculated by using the simple interest method on monthly balances of the principal amount outstanding. There was no allowance for uncollectable loans as of June 30, 2019 or 2018.

Grants and Pledges Receivable and Allowance for Uncollectable Grants and Pledges

Contributions are recognized when they are received or pledged and are considered to be available for use without donor restrictions unless specifically restricted by the donor. Contributions are received from foundations, corporations and individual donors. Unconditional promises to give are recorded at fair value at the date the promise is received (see Note 3). Unconditional promises to give that are expected to be received after one year are discounted at a risk-free interest rate, and amortization of the discount is included in contribution revenue in the accompanying consolidated statements of activities. Conditional promises to give are reported at fair value at the date the condition is met. The Organization reviews its allowance for uncollectable grants and pledges periodically. There was no allowance for uncollectable grants and pledges recorded as of June 30, 2019 or 2018.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment (see Note 5) are stated at cost, except for donated property and equipment, which are recorded at the estimated fair value at the date of the gift.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Useful lives ascribed to assets are as follows:

Buildings and building improvements	27.5 - 40 years
Leasehold improvements	Lesser of 27.5 - 40 years or life of lease
Computer equipment and software	3 years

Gifts of long-lived assets such as property and equipment are determined at the fair value at the date of the gift and reported as an increase to support without donor restrictions unless explicit donor stipulations specify how the donated assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Organization accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. In accordance with this guidance, long-lived assets, such as property and equipment and other assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no such impairments during the years ended June 30, 2019 and 2018.

Debt Issuance Costs

Debt issuance costs have been netted with notes and bonds payable (see Note 8), and are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

Deferred Rental Revenue

Deferred revenue represents rental payments received in advance of the period in which they pertain. These amounts will be recognized as income as they are earned.

Construction Advances

At times the Organization will coordinate construction projects on behalf of charter schools. The charter schools are ultimately responsible for the costs of the project. Cash received from charter schools in advance of construction costs being incurred are recorded as construction advances in the accompanying consolidated financial statements.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. Net assets without donor restrictions are broken down into the following components:

- **Operating** net assets represent that portion of each net asset group which is considered substantially liquid and is available for general operations.
- **Development** net assets include those assets and liabilities related to project developments (see Note 5), which are long-term in nature and are not expected to be liquid or otherwise available for operations for at least one year from the date of the accompanying consolidated statements of financial position.
- **Property and equipment** net assets represent that portion of resources, net of related liabilities, invested into long-term productive property and equipment.

Net assets with donor restrictions consist of contributions and grants that are designated by donors for specific purposes or for a specified time. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes or the time restrictions have lapsed. Contributions received with donor restrictions, where the restriction expires in the period of receipt, are recorded as contributions without donor restrictions. Funds raised on behalf of charter schools are recorded as net assets with donor restrictions until they are granted to the respective schools, and are spent at the discretion of the Organization.

Net assets with donor restrictions also includes restricted resources by the donor against any expenditures of principal. The income earned on these net assets is to be spent for the restricted purpose indicated by the donor. The perpetually restricted - endowment funds of \$180,000 were not invested as of June 30, 2019 and 2018, and are included in cash and cash equivalents in the accompanying consolidated financial statements.

Net assets with donor restrictions are restricted for the following as of June 30:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
School programs	\$ 5,822,264	\$ 10,000
Charter school operations	1,650,133	5,144,471
Expansion of charter schools	1,300,000	1,992,754
Capital	1,020,134	3,486,301
College success	455,000	570,000
Other	-	309,000
Alumni	-	153,759
Advocacy	-	<u>25,000</u>
Total purpose restricted	10,247,531	11,691,285
Time restricted	2,575,000	1,679,514
Perpetually restricted - endowment	<u>180,000</u>	<u>180,000</u>
	<u>\$ 13,002,531</u>	<u>\$ 13,550,799</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidated Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying consolidated statements of activities. Peripheral or incidental transactions are reported as other revenue (expense), which consist of non-operating real estate activities.

Revenue Recognition

Earned revenues are recognized in the period services are rendered and consist of management fees, training and program fees, and real estate development income that are all reported at estimated net realizable amounts from entities, primarily charter schools, the Organization supports. Real estate reimbursements relate to costs incurred by the Organization and reimbursed by various charter schools. Rental income is recognized ratably over the lease term (see Note 12).

Subsidy income represents interest subsidies received from the U.S. Department of Treasury in connection with certain bond financing programs (see Note 8) and are recorded ratably over the terms of the qualifying bond obligations.

Grants and contributions without donor restrictions are recognized as revenue when received or unconditionally pledged to the Organization. Donor restricted grants and contributions with time or purpose restrictions are recognized as net assets with donor restrictions when received or unconditionally pledged. Net assets with donor restrictions are transferred to net assets without donor restrictions when they are used in accordance with donor restrictions. Donor restricted gifts received and expended for their intended use in the same year are reflected as increases in net assets without donor restrictions. Interest and other income is recognized as earned.

Allocation of Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, occupancy, depreciation, professional development, other school support, office and other, system and technology and professional services, which are allocated on the basis of estimates of time and effort.

In-Kind Donations

The consolidated financial statements reflect the fair value amounts for donated services and space that create or enhance non-financial assets or require specialized skills, are performed by people possessing those skills, and would have been purchased by the Organization if they had not been donated. The Organization recorded the value for the use of a donated facility at its estimated annual fair value of \$601,875 for the years ended June 30, 2019 and 2018. This amount is included in contribution revenue and as donated space in the accompanying consolidated statements of activities.

The Organization also records the value for the use of a different facility over a twenty-two year period as a pledge receivable which will be recognized over this same period (see Note 9).

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Expense

The Organization raises philanthropy and government grants on behalf of new and existing schools. Grant expense is comprised substantially of pass-through grants to those schools. The Organization recognizes grant expense at the time the grantee incurs costs and all significant conditions are met. The Organization awarded grants totaling \$7,647,797 and \$16,782,140 during fiscal years 2019 and 2018, respectively, which are reflected as grants to schools in the accompanying consolidated statements of functional expenses. At June 30, 2019 and 2018, \$3,640,251 and \$1,128,045, respectively, are shown as grants payable in the accompanying consolidated statements of financial position.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at June 30, 2019 and 2018. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 19, 2019, which is the date the consolidated financial statements were available to be issued. Events that met the criteria for disclosure in the consolidated financial statements are disclosed in Notes 9 and 15.

3. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are expected to be collected as follows at June 30:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 4,181,351	\$ 3,903,531
Two to five years	<u>2,234,000</u>	<u>350,000</u>
Total pledges receivable	<u>\$ 6,415,531</u>	<u>\$ 4,253,531</u>

There was no discount calculated at June 30, 2019 and 2018, as it was not deemed material to the consolidated financial statements. Approximately 89% and 76% of the Organization's grants and pledges receivable are from two and three donors as of June 30, 2019 and 2018, respectively.

4. LOAN RECEIVABLE

In April 2016, UP VII made a loan in the amount of \$14,929,250 to 377 Washington Investment Fund LLC (the Fund), an unrelated third-party, as part of the 2016 NMTC financing transaction related to the property acquisition made by NSA 377 Wash (see Notes 1 and 8) for the development of a facility that is leased to North Star. Terms of the NMTC note receivable provide interest calculated at 1.41% per annum, to be paid quarterly. Quarterly interest payments of approximately \$53,000 commenced in July 2016 and run through March 2023, at which time principal and interest payments are due through maturity of April 21, 2056. The loan is secured by all assets of the borrower. Future minimum principal payments over the next five years are \$88,180 and \$355,839 for fiscal years 2023 and 2024, respectively.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

4. LOAN RECEIVABLE (Continued)

UP VII granted to PNC New Markets Investment Partners, LLC ("PNC NMIP"), an unrelated third-party, an option (the "Put Option") to sell UP VII its interest in the Fund for the period March 1, 2023 through August 31, 2023 ("Put Period") for \$1,000. PNC NMIP granted to UP VII an option (the "Call Option") to purchase PNC NMIP's interest in the Fund after the end of the Put Period, at fair value.

5. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROCESS

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 13,775,570	\$ 7,521,849
Buildings and building improvements	256,710,886	149,749,145
Leasehold improvements	1,130,196	1,988,229
Computer equipment and software	<u>2,257,828</u>	<u>1,804,550</u>
	273,874,480	161,063,773
Less - accumulated depreciation	<u>31,046,022</u>	<u>25,278,236</u>
	<u>\$ 242,828,458</u>	<u>\$ 135,785,537</u>

Construction in process consists of costs of various projects (the "Projects") that are currently undergoing development. All construction-related costs incurred during development are capitalized. These costs include acquisition, construction, soft costs, overhead, interest, and other costs related to the Projects. During the years ended June 30, 2019 and 2018, \$113,149,804 and \$26,217,088, respectively, of construction in process was completed and transferred to property and equipment.

Construction in process consists of the following projects that were under development at June 30:

	<u>2019</u>	<u>2018</u>
CP Ephraim	\$ 26,060,184	\$ 1,077,126
TN Andrews	7,895,451	1,059,335
10 Vale Street	4,043,830	-
Belgrade Avenue	1,715,706	-
Other development projects	480,341	1,416,740
NSA 377 Wash	-	62,802,856
NSA 18 th Ave	-	22,105,131
CP Haddon	<u>-</u>	<u>20,940,180</u>
	<u>\$ 40,195,512</u>	<u>\$ 109,401,368</u>

Construction in process also includes purchased land that the construction of properties relates to. Land will be transferred to property and equipment after project completion. Included in the balance of construction in process is \$1,586,348 of interest capitalized by the Organization for the year ended June 30, 2018, for all projects still in development, which was transferred to property and equipment during fiscal year 2019. There was no capitalized interest included in the balance of construction in process for the year ended June 30, 2019. Intercompany capitalized interest has been eliminated from construction in process.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

6. BONDS RECEIVABLE

The Organization facilitated the construction or rehabilitation of certain real properties to be leased to its network charter schools and be operated as public charter school facilities (see Note 1).

Pursuant to the IRC of 1986, as amended, 26 U.S.C. Sections 54A, 54F, and 54E, and Treasury Regulations promulgated thereunder, these public charter school facilities were financed in part with the proceeds of issuance of obligations known as Qualified School Construction Bonds (QSCB) and Qualified Zone Academy Bonds (QZAB) (see Note 1).

The Organization has invested in bond receivable transactions as follows:

Issuer	Par Value	2019			
		Original Bond Discount	Accumulated Bond Discount Amortization	Net Discount	Bond Value, Net
NSA Lender II (a)	\$ 35,700,000	\$ 7,451,122	\$ 1,140,400	\$ 6,310,722	\$ 29,389,278
NSA Lender VI (b)	41,300,000	14,204,802	506,021	13,698,781	27,601,219
NSA Lender (c)	7,806,000	1,835,184	287,762	1,547,422	6,258,578
NSA Lender III (d)	7,132,000	5,777,788	777,328	5,000,460	2,131,540
NSA Lender IV (e)	7,145,000	6,392,341	390,666	6,001,675	1,143,325
NSA Lender V (f)	7,145,000	6,487,355	257,561	6,229,794	915,206
CP Lender I (g)	47,500,000	19,370,381	295,503	19,074,878	28,425,122
CP Lender III (h)	7,876,000	7,802,733	25,918	7,776,815	99,185
CP Lender II (i)	29,833,624	-	-	-	29,833,624
	<u>\$ 191,437,624</u>	<u>\$ 69,321,706</u>	<u>\$ 3,681,159</u>	<u>\$ 65,640,547</u>	<u>\$ 125,797,077</u>

Issuer	Par Value	2018			
		Original Bond Discount	Accumulated Bond Discount Amortization	Net Discount	Bond Value, Net
NSA Lender II (a)	\$ 35,700,000	\$ 7,451,122	\$ 901,223	\$ 6,549,899	\$ 29,150,101
NSA Lender VI (b)	41,300,000	14,204,802	336,068	13,868,734	27,431,266
NSA Lender (c)	7,806,000	1,835,184	235,953	1,599,231	6,206,769
NSA Lender III (d)	7,132,000	5,777,788	607,410	5,170,378	1,961,622
NSA Lender IV (e)	7,145,000	6,392,341	288,310	6,104,031	1,040,969
NSA Lender V (f)	7,145,000	6,487,355	174,266	6,313,089	831,911
CP Lender I (g)	47,500,000	19,370,381	199,637	19,170,744	28,329,256
CP Lender III (h)	7,876,000	7,802,733	14,430	7,788,303	87,697
CP Lender II (i)	29,833,624	-	-	-	29,833,624
	<u>\$ 191,437,624</u>	<u>\$ 69,321,706</u>	<u>\$ 2,757,297</u>	<u>\$ 66,564,409</u>	<u>\$ 124,873,215</u>

- (a) In December 2013, NSA Lender II entered into a QSCB transaction with the New Jersey Economic Development Authority (NJEDA), as bond issuer, for the purchase of a \$35.7 million bond for \$28.25 million (the "2013 QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to UP III (see Note 8(h)). NJEDA assigned all of its rights in the 2013 QSCB to NSA Lender II who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party (see Note 8).

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

6. BONDS RECEIVABLE (Continued)

- (a) (Continued) The principal amount of \$35.7 million is due from NJEDA on the maturity date of December 22, 2033. Quarterly interest payments are due calculated at 5.31% per annum. The original bond discount of \$7.45 million is accreted over the term using an effective interest rate of 7.26%. UP III lent the proceeds of the 2013 QSCB to NSA Hazelwood and NSA 559 Broad St.
- (b) In April 2016, NSA Lender VI entered into a QSCB transaction with NJEDA, as bond issuer, for the purchase of a \$41.3 million bond for \$27.1 million (the "2016 QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to UP VII (see Note 8(l)). NJEDA assigned all of its rights in the 2016 QSCB to NSA Lender VI who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$41.3 million is due from NJEDA on the maturity date of April 21, 2045. Quarterly interest payments are due calculated at 4.44% per annum. The original bond discount of \$14.2 million is accreted over the term using an effective interest rate of 7.24%. UP VII lent the proceeds of the 2016 QSCB to NSA 377 Wash.
- (c) In December 2012, NSA Lender entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.8 million bond for \$5.97 million (the "2012 QZABs"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of this bond to UP II (see Note 8(g)). NJEDA assigned all of its rights in the 2012 QZABs to NSA Lender with a bank servicing as the trustee (the Trustee). NSA Lender assigned all of its rights in the 2012 QZABs to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$7.8 million is due from NJEDA on the maturity date of December 28, 2035, with quarterly interest payments calculated at 4.40% per annum. The original bond discount of \$1.83 million is accreted over the term using an effective interest rate of 6.32%. UP II lent the proceeds of the 2012 QZABs to NSA 9th St & Alexander.
- (d) In December 2013, NSA Lender III entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.13 million bond for \$1.35 million (the "2013 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$3,232,365. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to UP IV (see Note 8(i)) and assigned all of its rights to NSA Lender III who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2013 QZAB. The principal amount of \$7.13 million is due on the maturity date of December 29, 2033. The original bond discount of \$5.78 million is accreted over the term using an effective interest rate of 8.34%. UP IV lent the proceeds of the 2013 QZABs to NSA 9th St & Alexander.
- (e) In December 2014, NSA Lender IV entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.15 million bond for \$752,659 (the "2014 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$2,973,978. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to UP V (see Note 8(j)) and assigned all of its rights to NSA Lender IV who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2014 QZAB. The principal amount of \$7.15 million is due on the maturity date of December 30, 2038. The original bond discount of \$6.39 million is accreted over the term using an effective interest rate of 9.42%. UP V lent the proceeds of the 2014 QZABs to NSA 18 Wash.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

6. BONDS RECEIVABLE (Continued)

- (f) In December 2015, NSA Lender V entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.15 million bond for \$657,645 (the "2015 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$3,365,295. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to UP VI (see Note 8(k)) and assigned all of its rights to NSA Lender V who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2015 QZAB. The principal amount of \$7.15 million is due on the maturity date of December 28, 2040. The original bond discount of \$6.49 million is accreted over the term using an effective interest rate of 9.58%. In October 2018, UP VI lent the proceeds of the 2015 QZABs to NSA 9th St & Alexander.
- (g) In November 2016, CP Lender I entered into a QSCB transaction with NJEDA, as bond issuer, for the purchase of a \$47.5 million bond for \$28.1 million (the "2016 CP QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to CP Properties I (see Note 8(m)). NJEDA assigned all of its rights in the 2016 CP QSCB to CP Lender I who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$47.5 million is due from NJEDA on the maturity date of November 29, 2056. Beginning on April 15, 2017, quarterly interest payments are due calculated at 4.15% per annum. The original bond discount of \$19.37 million is accreted over the term using an effective interest rate of 7.24%. UP CP I lent the proceeds of the 2016 CP QSCB to CP Haddon.
- (h) In December 2016, CP Lender III entered into a QZAB transaction with NJEDA, as bond issuer, for the purchase of a \$7.88 million bond for \$73,267 (the "2016 QZAB") subsequent to selling the tax credits to an unrelated third-party for \$4,079,295. Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond and the tax credits to CP Properties III (see Note 8(o)) and assigned all of its rights to CP Lender III who further assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2016 QZAB. The principal amount of \$7.88 million is due on the maturity date of December 29, 2054. The original bond discount of \$7.8 million is accreted over the term using an effective interest rate of 12.37%. In April 2019, UP CP III lent the proceeds of the 2016 CP QZAB to CP Mt. Ephraim.
- (i) In December 2017, CP Lender II entered into a QSCB transaction with NJEDA, as bond issuer, for the purchase of a \$29.83 million bond at par value (the "2017 CP QSCB"). Pursuant to the bond financing documents, NJEDA advanced proceeds from the sale of the bond to CP Properties II (see Note 8(n)). There was no discount associated with this bond. NJEDA assigned all of its rights in the 2017 CP QSCB to CP Lender II who further assigned those rights to an unrelated third-party in connection with a loan from the unrelated third-party. The principal amount of \$29.83 million is due from NJEDA on the maturity date of December 20, 2050. Beginning on April 15, 2018, the quarterly interest payments were due calculated at 4% per annum. Additional interest of 4% will accrue from the earlier of (1) the date all the proceeds are spent or (2) December 2020. In April 2019, UP CP II lent the proceeds of the 2017 CP QSCB to CP Mt. Ephraim.

The Organizations' QZAB and QSCB bonds noted in sections a-h on pages 20 through 22 are currently being reviewed by the IRS. At this time, the outcome of this review and the timing of resolution cannot be reasonably predicted. If management or legal counsel determines, based on the underlying facts and circumstances, that it is probable a loss will result from the IRS's review and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. Management does not expect any adverse financial impact from the IRS's review as of June 30, 2019.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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7. RESTRICTED DEPOSITS

Pursuant to various debt agreements (see Note 8), the Organization is required to maintain debt service and various restricted cash accounts (the "Restricted Accounts"). The Restricted Accounts are held by the Trustees, as defined in the respective agreements, and are only to be used to fund development costs, make required debt service payments, purchase or redeem bonds, or payment of arbitrage, as defined in the agreements. Bond proceeds encumbered to existing construction projects are only to be used to fund qualified construction expenditures. Replacement reserves are restricted for capital improvements and replacements to the property. Approval is required of the mortgagor to withdraw funds from these accounts. The Restricted Accounts serve as collateral for the notes and bonds payable (see Note 8).

Restricted deposits consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Bond proceeds - encumbered	\$ 22,651,605	\$ 21,879,494
Interest and debt service reserves	3,899,785	4,420,775
Replacement reserve	477,826	592,594
Bond proceeds - unencumbered	318,022	34,628,387
Sinking fund (see Note 8 (II))	-	1,043,706
Total restricted deposits	27,347,238	62,564,956
Less - current portion	14,233,149	6,985,447
	<u>\$ 13,114,089</u>	<u>\$ 55,579,509</u>

In October 2018, Uncommon used funds from the sinking fund to partially pay off a \$2.9 million loan in connection with TN Tyler (see Note 8 (II)).

8. NOTES AND BONDS PAYABLE

Notes and bonds payable consist of the following as of June 30:

<u>Note or Bond</u>	<u>Calendar-Year Maturity</u>	<u>2019</u>	<u>2018</u>
Note payable, Uncommon (a)	2021 and 2022	\$ 1,500,000	\$ 1,500,000
Note payable, Uncommon (b)	2020	700,000	700,000
Note payable, Uncommon (c)	2021	150,000	150,000
Note payable, Uncommon (d)	2020	3,500,000	3,500,000
Note payable, Uncommon (e)	2021 and 2023	2,800,000	2,800,000
Note payable, Uncommon (f)	2022	2,800,000	2,000,000
Note payable, Uncommon (p)	2020	3,000,000	-
Note payable, Uncommon (z)	2024	100,000	-
Bond payable, UP II (g)	2035	7,806,000	7,806,000
Bond payable, UP III (h)	2033	35,700,000	35,700,000
Bond payable, UP IV (i)	2033	7,132,000	7,132,000
Bond payable, UP V (j)	2038	7,145,000	7,145,000
Bond payable, UP VI (k)	2040	7,145,000	7,145,000
Bond payable, UP VII (l)	2045	41,300,000	41,300,000
Bond payable, UP CP I (m)	2056	47,500,000	47,500,000
Bond payable, UP CP II (n)	2050	29,833,624	29,833,624
Bond payable, UP CP III (o)	2054	7,876,000	7,876,000
Note payable, NSA Lender (q)	2035	2,386,633	2,420,816

UNCOMMON SCHOOLS, INC. AND AFFILIATES

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8. NOTES AND BONDS PAYABLE (Continued)

Note or Bond	Calendar-Year Maturity	2019	2018
Note payable, NSA Lender (r)	2035	2,755,897	2,800,000
Note payable, NSA Lender II (s)	2020	19,536,228	20,273,936
Note payable, NSA Lender II (t)	2033	8,612,978	8,899,227
Note payable, NSA Lender VI (u)	2041	26,059,266	26,300,000
Note payable, CP Lender I (v)	2019	32,590,000	32,590,000
Note payable, CP Lender II (w)	2019	27,800,000	27,800,000
Notes payable, NSA 10 Washington (x)	2041	3,693,448	3,776,986
Notes payable, NSA Clinton (y)	2041	5,655,826	5,783,750
Bond payable, NSA Central (aa)	2024	11,798,667	12,450,334
Notes payable, NSA 377 Wash (bb)	2056	21,035,500	21,035,500
Note payable, NSA 377 Wash (cc)	2020	30,770,820	21,107,488
Note payable, NSA 72 Central (dd)	2036	3,129,270	3,233,827
Bond payable, NSA 18 th Ave (ee)	2047	24,575,000	24,575,000
Notes payable, NSA 18 Wash (ff)	2043	6,819,630	6,954,807
Note payable, TN Ames (gg)	2022	2,623,065	2,678,925
Note payable, TN Chili (hh)	2022	2,051,576	2,095,301
Note payable, TN Chili (ii)	2022	457,142	571,428
Note payable, TN Andrews(jj)	2019	-	900,000
Note payable, TN St. Jacob (kk)	2019	-	1,350,000
Notes payable, TN Tyler (ll)	2019	-	5,336,000
Total notes and bonds payable		438,338,570	435,020,949
Less - bond discount (UP II) (g)		(1,547,422)	(1,599,231)
Less - bond discount (UP III) (h)		(6,310,722)	(6,549,899)
Less - bond discount (UP IV) (i)		(2,227,329)	(2,297,803)
Less - bond discount (UP V) (j)		(3,200,255)	(3,257,008)
Less - bond discount (UP VI) (k)		(2,988,546)	(3,031,300)
Less - bond discount (UP VII) (l)		(13,698,781)	(13,868,734)
Less - bond discount (UP CP I) (m)		(19,074,878)	(19,170,744)
Less - bond discount (UP CP III) (o)		(3,692,202)	(3,705,450)
Add - bond premium (NSA 18 th Ave) (ee)		1,615,945	1,708,409
Total, net of bond discounts and premium		387,214,380	383,249,189
Less - unamortized debt issuance costs		5,898,887	5,849,060
Less - current maturities		98,280,530	90,248,411
Notes and bonds payable, net		<u>\$ 283,034,963</u>	<u>\$ 287,151,718</u>

- (a) Uncommon entered into an unsecured program-related investment (PRI) with an unrelated third-party for financing of \$1.5 million. Principal is due in two installments; \$750,000 due in October 2021 and the remainder due in October 2022 (maturity). Interest accrues annually at a rate of 1% per annum.
- (b) Uncommon entered into an unsecured PRI with an unrelated third-party for financing of \$700,000. Principal and all accrued interest are due in June 2020 (maturity). Interest accrues annually at a rate of 1% per annum.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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8. NOTES AND BONDS PAYABLE (Continued)

- (c) Uncommon entered into an unsecured PRI with an unrelated third-party for financing of \$150,000. Principal and interest are due in June 2021 (maturity). Interest accrues annually at a rate of 1% per annum. This loan would have been forgiven in March 2019 if certain milestones were achieved, however these milestones were not achieved and the note is now due at maturity.
- (d) Uncommon entered into an unsecured PRI with an unrelated third-party for financing of \$3.5 million. Interest accrues annually at a rate of 2% and is payable in July 2017, December 2018, and December 2019. The remainder of interest and principal is due in full in December 2020 (maturity).
- (e) Uncommon entered into four unsecured PRIs with an unrelated third-party for financing totaling \$2,800,000. Interest accrues at 1% per annum. Principal and all accrued interest are due at maturity dates of June 30, 2021 (\$850,000), December 31, 2021 (\$1,600,000), and June 30, 2023 (\$350,000).
- (f) Uncommon entered into an unsecured PRI with an unrelated third-party for financing totaling \$2,000,000. Interest accrues annually at a rate of 2% and is payable in December of each year until 2021. The remainder of interest and principal is due at maturity in November 2022. In November 2018, the PRI was amended to allow for borrowings up to \$2,800,000 and all other terms of the agreement remained unchanged.
- (g) In December 2012, UP II entered into a bond loan agreement with NJEDA, under which UP II borrowed the 2012 QZABs. The 2012 QZABs were issued at a discount yielding proceeds of \$5.97 million (see Note 6(c)). Pursuant to the bond agreement, the principal sum of \$7.8 million is due at maturity in December 2035, with quarterly interest payments calculated at 4.40% per annum. The original bond discount of \$1.83 million is accreted over the term of the loan using an effective interest rate of 6.32%. NJEDA assigned its rights in the 2012 QZABs to NSA Lender, as purchaser of the bonds. NSA Lender assigned those rights to an unrelated third-party. UP II lent the 2012 QZABs, net of costs of issuance, to NSA 9th St & Alexander. The loan is secured with all assets of UP II.
- (h) In December 2013, UP III entered into a bond loan agreement with NJEDA, under which UP III borrowed the 2013 QSCBs. The 2013 QSCBs were issued at a discount yielding proceeds of \$28.25 million (see Note 6(a)). Pursuant to the bond agreement, the principal sum of \$35.7 million is due at maturity in December 2033, with quarterly interest payments calculated at 5.31%. The original bond discount of \$7.45 million is accreted over the term of the loan using an effective interest rate of 7.26%. NJEDA assigned its rights in the 2013 QSCBs to NSA Lender II, as purchaser of the bonds. NSA Lender II assigned those rights to an unrelated third-party. UP III lent the proceeds of the 2013 QSCBs to NSA Hazelwood and NSA 559 Broad St. The loan is secured with all assets of UP III.
- (i) In December 2013, UP IV entered into a bond loan agreement with NJEDA, under which UP IV borrowed the 2013 QZABs. The 2013 QZABs were issued at a discount yielding proceeds of \$4.59 million (see Note 6(d)). Pursuant to the bond agreement, the principal sum of \$7.13 million is due on the maturity date of December 29, 2033. The original bond discount of \$2.55 million is accreted over the term of the loan. NJEDA assigned its rights in the 2013 QZABs to NSA Lender III, as purchaser of the bonds. NSA Lender III assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2013 QZABs. UP IV lent the proceeds of the 2013 QZABs to NSA 9th St & Alexander. The loan is secured with all assets of UP IV.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (j) In December 2014, UP V entered into a bond loan agreement with NJEDA, under which UP V borrowed the 2014 QZABs (see Note 6(e)). Pursuant to the bond agreement, the principal sum of \$7.15 million is due on the maturity date of December 30, 2038. The original bond discount of \$3.42 million is accreted over the term of the loan. NJEDA assigned its rights in the 2014 QZABs to NSA Lender IV, as purchaser of the bonds. NSA Lender IV assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2014 QZABs. In December 2016, UP V lent the proceeds of the 2014 QZABs to NSA 18 Wash. The loan is secured with all assets of UP V.
- (k) In December 2015, UP VI entered into a bond loan agreement with NJEDA, under which UP VI borrowed the 2015 QZABs (see Note 6(f)). Pursuant to the bond agreement, the principal sum of \$7.15 million is due on the maturity date of December 28, 2040. The bond discount of \$3.12 million is accreted over the term of the loan. NJEDA assigned its rights in the 2015 QZABs to NSA Lender V, as purchaser of the bonds. NSA Lender V assigned those rights to an unrelated third-party in connection with the sale to the unrelated third-party of the tax credits associated with the 2015 QZABs. In October 2017, the 2015 QZABs, net of costs of issuance, were lent to NSA 9th St & Alexander. The loan is secured with all assets of UP VI.
- (l) In April 2016, UP VII entered into a bond loan agreement with NJEDA, under which UP VII borrowed the 2016 QSCBs (see Note 6(b)). The 2016 QSCBs were issued at a discount yielding proceeds of \$27.1 million. Pursuant to the bond agreement, the principal sum of \$41.3 million is due on the maturity date of April 21, 2045, with quarterly interest payments calculated at 4.44%, commencing on July 15, 2016. The original bond discount of \$14.2 million is accreted over the term of the loan using an effective interest rate of 7.24%. NJEDA assigned its rights in the 2016 QSCBs to NSA Lender VI, as purchaser of the bonds. NSA Lender VI assigned those rights to an unrelated third-party. UP VII lent the proceeds of the 2016 QSCBs to NSA 377 Wash. The loan is secured with all assets of UP VII.
- (m) In November 2016, UP CP I entered into a bond loan agreement with NJEDA, under which UP CP I borrowed the 2016 CP QSCBs (see Note 6(g)). The 2016 CP QSCBs were issued at a discount yielding proceeds of \$28.1 million. Pursuant to the bond agreement, the principal sum of \$47.5 million is due at maturity in November 2056, with quarterly interest payments calculated at 4.15% per annum commencing on April 15, 2017. The original bond discount of \$19.4 million is accreted over the term of the loan using an effective interest rate of 7.24%. NJEDA assigned its rights in the 2016 CP QSCBs to CP Lender I, as purchaser of the bonds. CP Lender I assigned those rights to an unrelated third-party. UP CP I lent the proceeds of the 2016 CP QSCBs to CP Haddon. The loan is secured with all assets of UP CP I.
- (n) In December 2017, UP CP II entered into a bond loan agreement with NJEDA, under which UP CP II borrowed the 2017 CP QSCBs (see Note 6(i)). Pursuant to the bond agreement, the principal sum of \$29.8 million is due at maturity in December 2050, with quarterly interest payments calculated at 4% per annum commencing on April 15, 2018. Additional interest of 4% will accrue from the earlier of (1) the date all the proceeds are spent or (2) December 2020. There was no discount associated with this bond. NJEDA assigned its rights in the 2017 CP QSCBs to CP Lender II, as purchaser of the bonds. CP Lender II assigned those rights to an unrelated third-party. In April 2019, UP CP II lent the proceeds of the 2017 CP QSCBs to CP Mt. Ephraim. The loan is secured with all assets of UP CP II.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (o) In December 2016, UP CP III entered into a bond loan agreement with NJEDA, under which UP CP III borrowed the 2016 QZABs (see Note 6(h)). Pursuant to the bond agreement, the principal sum of \$7.8 million is due on the maturity date of December 29, 2054. The bond discount of \$3.7 million is accreted over the term of the loan. NJEDA assigned its rights in the 2016 QZABs to CP Lender III, as purchaser of the bonds. CP Lender III assigned those rights to an unrelated third-party. In April 2019, UP CP III lent the proceeds of the 2016 QZABs to CP Mt. Ephraim. The loan is secured with all assets of UP CP III.
- (p) Uncommon entered into loan agreement with an unrelated third-party to fund construction for TN Andrews which allowed for borrowing up to \$3,000,000. The note bears interest at 2.50%. Payments of principal and interest are due the earlier of January 31, 2020, or within ten business days of the date of actual refinancing of acquisition and construction costs as defined in the agreement. TN Andrews is the guarantor of this loan.
- (q) In October 2017, in conjunction with the financing of NSA 9th St & Alexander, NSA Lender entered into a \$2.4 million financing with an unrelated third-party and used these proceeds to pay off the \$5.2 million financing (in connection with the 2012 QZAB transaction). The loan bears annual interest of 7.75% per annum, and is payable quarterly in arrears beginning January 17, 2018. Commencing on October 17, 2018, principal and interest payments are due quarterly through December 28, 2035. The loan is secured by all assets of NSA Lender and Uncommon Lender's interest in NSA 9th St & Alexander.
- (r) In October 2017, in conjunction with NSA 18th Ave Property construction, NSA Lender entered into a \$2.8 million financing with an unrelated third-party. The loan bears interest at 6.7% per annum, and is payable quarterly in arrears beginning on January 17, 2018. Commencing on October 17, 2018, principal and interest payments are due quarterly through December 28, 2035. The loan is secured with all assets and interest of NSA Lender.
- (s) In December 2013, in connection with the 2013 QSCB transaction, NSA Lender II borrowed \$23 million from an unrelated third-party. The loan bears annual interest of 6.5%, with principal and interest payments due quarterly over the term of the loan, which matures in December 2020. The proceeds of this loan were combined with the proceeds of the loan described in the paragraph below (t) to purchase the 2013 QSCBs and to make a loan of \$8.02 million to UP III (described in paragraph (h)). The loan is secured with all assets of NSA Lender II.
- (t) In December 2013, in connection with the 2013 QSCB transaction, NSA Lender II borrowed \$9.92 million from an unrelated third-party. The loan bears annual interest of 8%, with principal and interest payments due quarterly over the term of the loan, which matures in December 2033. The loan is secured by all assets of NSA Lender II.
- (u) In April 2016, in connection with the 2016 QSCB transaction, NSA Lender VI borrowed \$26.3 million (Tranche A of \$8.3 million and Tranche B of \$18.0 million) from an unrelated third-party. The loan is interest only for thirty months, with a stated interest rate of 6.7% and 7.2% for Tranches A and B, respectively. Commencing on January 17, 2019, principal and interest payments are due monthly through April 20, 2041 (maturity). The proceeds of this loan were used to purchase the 2016 QSCBs and to make a loan of \$4.7 million to UP VII. The loan is secured by all assets of NSA Lender VI.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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8. NOTES AND BONDS PAYABLE (Continued)

- (v) In November 2016, in connection with the 2016 CP QSCB transaction, CP Lender I borrowed \$32.59 million from an unrelated third-party. The loan bears annual interest of 4.5 percentage points in excess of the one-month London Interbank Offered Rate (LIBOR) (2.4739% and 1.8955% at June 30, 2019 and 2018, respectively). The loan is interest-only with quarterly interest payments due until the initial maturity of May 2018, which was extended until November 30, 2018. During fiscal year 2019, this loan was extended for another one-year period until November 30, 2019. The proceeds of this loan were used to purchase the 2016 CP QSCBs and to make a loan to CP Properties I. The loan is secured by all assets of CP Lender I.
- (w) In December 2017, in connection with the 2017 CP QSCB transaction, CP Lender II borrowed \$27.8 million from an unrelated party. The loan bears interest of 4.4%. The loan is interest-only with quarterly interest payments in arrears commencing on April 17, 2018, and the principal balance due at the initial maturity of June 21, 2019. During fiscal year 2019, this loan was extended until December 23, 2019. This loan is secured by all assets of CP Lender II and all cash and interest earned by CP Properties II. The proceeds of this loan were used to purchase the 2017 CP QSCBs and to make a loan to CP Properties II.
- (x) In December 2015, NSA 10 Washington entered into two notes payable totaling approximately \$4 million with two unrelated third-parties under the same terms. These notes bear interest at 5.798%, annually. Interest and principal are due monthly beginning in February 2016 and mature on January 1, 2041. Proceeds of these loans were used to repay a loan between NSA 10 Washington and an unrelated third-party in connection with the prior financing arrangement. The notes are secured by a shared first mortgage on the property and all assets of NSA 10 Washington.
- (y) In December 2015, NSA Clinton entered into two notes payable totaling approximately \$6.1 million with two unrelated third-parties under the same terms. The notes bear interest at 5.798% annually. Interest and principal are due monthly beginning in February 2016 and mature on January 1, 2041. Proceeds of these loans were used to repay a loan between NSA Clinton and an unrelated third-party in connection with the prior financing arrangement. The notes are secured by a shared first mortgage on the property and all assets of NSA Clinton.
- (z) Uncommon entered into an unsecured PRI with an unrelated third-party for financing totaling \$100,000. Principal and interest are due in June 2024 (maturity). Interest accrues annually at a rate of 1% per annum.
- (aa) In December 2009, NSA Central entered into a QSCB transaction with an unrelated third-party. The financing was for approximately \$16.48 million and provides for quarterly payments of interest calculated at 2% per annum, until a maturity date of December 2024. Annual principal payments are due each December, through and including the maturity date of December 2024. The debt is secured by a shared first mortgage on the property and all assets of NSA Central.
- (bb) In April 2016, in connection with the 2016 NMTC transaction, NSA 377 Wash borrowed approximately \$21 million from four unrelated entities with QLICI A and B notes (eight loans total) under the same terms. There is simple interest of 1% due quarterly through July 1, 2023. Commencing in July 2023, quarterly principal and interest payments are due until the maturity date of April 21, 2056. These loans are secured by a shared first mortgage on the property and all assets of NSA 377 Wash.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

- (cc) In April 2016, in connection with the 2016 NMTC transaction (see (bb) page 28), NSA 377 Wash entered into a construction loan with an unrelated third-party, which allows for borrowings up to \$31 million. The loan bears interest at the one-month LIBOR plus 3.95% (6.45% and 5.95% as of June 30, 2019 and 2018 respectively). All principal and accrued interest are due at maturity on October 21, 2018, which was initially extended until April 1, 2019. During fiscal year 2019, this loan was further extended until January 31, 2020. The loan is secured by a shared first mortgage on the property and all assets of NSA 377 Wash.
- (dd) In March 2016, NSA 72 Central entered into a loan agreement for approximately \$3.4 million with an interest rate of 6% per annum. Principal and interest payments are due monthly through the maturity date of April 30, 2036. The loan is secured by all the assets of NSA 72 Central.
- (ee) In October 2017, NSA 18th Ave entered into a loan agreement with NJEDA in connection with the issuance of \$24,575,000 of North Star Academy Charter School of Newark, Inc. – 2017 Project Revenue Bond, Series 2017 Bonds (Series 2017 Revenue Bonds) by NSA 18th Ave. The bonds were issued at a premium of \$1,801,594 for total cash proceeds of \$26,376,594. The original bond premium is accreted over the term using the effective interest method. The bonds bear interest at 5% and are payable semi-annually commencing on January 15, 2018. The bonds mature subject to a sinking fund redemption schedule, where a portion of the principal matures annually throughout the life of the bond. The loan is secured by a first mortgage on the property and an assignment of all leases and rents.
- (ff) In December 2016, NSA 18 Wash entered into two loans with an unrelated third-party to finance the rehabilitation of a property. The maximum obligations of the loans are \$5.1 million and \$1.88 million, respectively, and earn interest at 5.055% and 6.00%, respectively. The interest rate on the \$1.88 million loan was amended to 5.50% in February 2018. The loans provide for monthly payments of interest only through the construction period. Monthly principal and interest payments are due on the \$5.1 million loan beginning at the end of the construction period and continuing through maturity of December 1, 2043. All accrued interest and principal are due on the \$1.88 million loan on December 1, 2043. The loans are secured by a first mortgage on the property and all assets of NSA 18 Wash.
- (gg) In August 2015, TN Ames entered into a note agreement for \$2.79 million from an unrelated third-party. Interest accrues at 5.75% per annum. Interest and principal are due monthly. The loan matures in September 2022. The loan is secured by a first mortgage on the Ames Property and all assets of TN Ames and TN Chili (see below (hh)).
- (hh) In August 2015, TN Chili entered into a note agreement for \$2.16 million from an unrelated third-party. The loan has a stated interest rate of 5.75% annually and is payable on a twenty-five-year amortization schedule. Interest and principal are due monthly beginning in October 2015. The loan matures in September 2022. The loan is secured by a shared first mortgage on the Chili Property and all assets of TN Chili and TN Ames (see above (gg)).
- (ii) In August 2015, TN Chili entered into an \$800,000 PRI with an unrelated third-party. The PRI is interest only for seven-years, with a stated interest rate of 2.5%. Interest is due monthly. Commencing on July 1, 2016, through maturity of August 2022, \$114,286 of the principal balance of the PRI will be considered for forgiveness on an annual basis based on student performance at the tenant school. During fiscal years 2019 and 2018, \$114,286 was forgiven. The loan is secured by a shared first mortgage on the property and all assets of TN Chili.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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8. NOTES AND BONDS PAYABLE (Continued)

- (jj) In September 2016, TN Andrews entered into a note agreement for \$900,000 from an unrelated third-party. The loan had a stated interest rate of 5.75% per annum. Monthly interest-only payments were due through maturity of April 1, 2018. During fiscal year 2018, this loan was extended until January 1, 2019, and at which time the loan was paid off. The loan was secured by a first mortgage on the property and all assets of TN Andrews.
- (kk) In September 2016, TN St. Jacob entered into a note agreement for \$1,350,000 from an unrelated third-party. The loan had a stated interest rate of 5.75% per annum. Monthly interest-only payments were due through maturity of April 1, 2018. During fiscal year 2018, this loan was extended until January 1, 2019, and at which time the loan was paid off. The loan was secured by a first mortgage on the property and all assets of TN St. Jacob.
- (ll) In June 2011, TN Tyler entered into a \$5.3 million financing with an unrelated third-party. The financing consisted of three individual loans in the approximate amounts of \$2.9 million, \$1.3 million, and \$1.2 million. The \$2.9 million loan and the \$1.3 million loan provided for monthly payments of interest calculated at 4.728% through the maturity date and the payment of outstanding principal and accrued interest on the maturity date of October 2018. The \$1.2 million loan provided for monthly payments of interest calculated at 4.728% through the maturity date of October 2041; commencing in October 2018, and continued through the maturity date; monthly principal payments were due and payable. In October 2018, Uncommon used funds from a certain account ("Sinking Fund Account") (see Note 7) and other funds from Uncommon to pay in full the approximate \$2.9 million loan. The remaining loans were extended through February 2019. At which time, \$164,620 of the \$1.3 million loan was forgiven and is included in gain on unwind in the accompanying fiscal year 2019 consolidated statement of activities and changes in net assets. The remaining amount of the loan was paid off with proceeds from TN Tyler's replacement reserve (see Note 7), and other funds from Uncommon. Uncommon then exercised its option (see below) to purchase the remaining \$1.2 million loan. This loan is now an intercompany note and has been eliminated in the accompanying fiscal year 2019 consolidated statement of financial position.

Commencing on the later of July 15, 2018, or the maturity dates of the above loan and through February 2019, Uncommon had the option to purchase the debt for \$1,000. On February 12, 2019, Uncommon exercised its right to purchase the debt for \$1,000 (see above). As a result of this transaction, Uncommon recorded a gain of \$1,164,640 which is included in the gain on unwind accompanying fiscal year 2019 consolidated statement of activities and changes in net assets.

The \$5.3 million loans were secured by first, second and third mortgages on the property and all assets of TN Tyler. Uncommon was a guarantor of the loan. Uncommon was required to make certain deposits into a Sinking Fund Account and to grant the lender a security interest in the Sinking Fund Account. At June 30, 2018, the account balance totaled \$1,043,706 and was included in restricted deposits (see Note 7) in the accompanying fiscal year 2018 consolidated statement of financial position. There was no balance of the sinking fund as of June 30, 2019, as these funds were used to repay the loan in October 2018 as described above.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

8. NOTES AND BONDS PAYABLE (Continued)

Minimum future principal payments and amortization of debt issuance costs relating to the notes and bonds payable for the next five years at June 30, 2019, are as follows:

	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>
2020	\$ 98,280,530	\$ 348,356
2021	\$ 25,995,084	\$ 348,256
2022	\$ 4,523,963	\$ 348,256
2023	\$ 11,770,817	\$ 326,199
2024	\$ 7,325,770	\$ 272,630

The Organization intends to refinance certain debt maturing in fiscal year 2020 and is in discussions with the lenders. Management believes that it is probable that refinancing will be secured during fiscal year 2020.

The notes listed in paragraphs (a) through (II) have certain financial covenants with which the Organization must comply. As of June 30, 2019, the Organization was not in compliance with certain covenants. The Organization obtained a waiver for any covenants which they were not in compliance with at June 30, 2019.

Included in notes and bonds payable in the accompanying consolidated statements of financial position are unamortized debt issuance costs associated with the Organization's notes and bonds payable. Amortization expense for fiscal years 2019 and 2018 was \$408,849 and \$178,041, respectively, which is included as amortization of debt issuance costs in the accompanying consolidated statements of functional expenses. In addition, for the year ended June 30, 2018, \$114,429 of amortization expense was capitalized and is included in construction in process (see Note 5) in the accompanying fiscal year 2018 consolidated statement of financial position, which was transferred to property and equipment during fiscal year 2019. There was no capitalized amortization cost for the year ended June 30, 2019.

9. FINANCING OBLIGATION

In connection with an agreement with the New York City Department of Education ("DOE"), the Organization agreed to sell a building located in Brooklyn, New York to the DOE for 80% of the construction costs or \$25.92 million. The full amount of the purchase price was paid and is reflected as financing obligation in the accompanying consolidated statements of financial position.

In October 2014, the Organization entered into a sale-leaseback transaction with DOE upon transfer of the property. Obligations under the lease agreement are \$1 per year for twenty-two years, with an option to extend for another sixty-nine years for an additional lump-sum payment of \$4.2 million. In October 2019, the Organization exercised their option to extend this lease and paid DOE the additional lump-sum resulting in an extension of the expiration date to June 2105. In accordance with ASC Topic, *Leases*, this transaction is being accounted for under the financing method due to the Organization's continued involvement in the property. The net book value of the property remains in the accompanying consolidated statements of financial position of the Organization and continues to depreciate.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

9. FINANCING OBLIGATION (Continued)

The value of the use of the facility over the twenty-two-year lease period is reflected as pledge receivable - property. During fiscal years 2019 and 2018, \$1,178,183 of this pledge receivable has been recognized. The remaining balance of the pledge receivable was \$20,409,760 and \$21,587,943 as of June 30, 2019 and 2018, respectively. The decrease of this pledge receivable will mirror the decrease of the financing obligation (see below).

The original financing obligation was treated as a gain from sale of the property and is reflected as a financing obligation in the accompanying consolidated statements of financial position. The liability will decrease over time to the extent of future lease payments on the property or the recognition of in-kind rent (see page 17). The financing obligation as of June 30, 2019 and 2018, was \$20,409,760 and \$21,587,943, respectively.

10. RETIREMENT PLAN

Uncommon has a tax-qualified Section 403(b) defined contribution retirement and savings plan (the "Plan") under which individual contracts with an investment manager are maintained for all qualified employees. All employees meeting the service requirements are vested after one and a half years. Uncommon has the option to make a discretionary matching contribution to qualified employees who make salary deferrals based on the percentage of salary deferrals made during the Plan year or as a uniform dollar amount. The expense related to the Plan for June 30, 2019 and 2018, was \$416,864 and \$375,718, respectively, and is included in payroll taxes and employee benefits in the accompanying consolidated statements of functional expenses.

11. MANAGEMENT FEES

Uncommon has entered into management contracts with a number of charter schools. The schools operate under six charters. Terms provide for management fees to be paid by the schools to Uncommon. Renewals will be negotiated based on the respective expiration dates ranging from one to five years or as needed. During the years ended June 30, 2019 and 2018, Uncommon earned revenues of \$27,825,261 and \$24,877,667, respectively. Management fees charged to schools under two charters represent approximately 25% and 27% of total consolidated operating revenues for the years ended June 30, 2019 and 2018, respectively.

12. LEASES

Operating Leases

The Organization leases certain public school facilities under operating lease agreements. The terms of several lease agreements automatically renew in five-year increments, contingent upon the renewal of the charter schools' (the tenants) charters to operate public charter schools in the states of New York and New Jersey. The Organization also leases certain properties under operating lease agreements to unrelated organizations. Rental income under these leases was \$12,748,944 and \$7,167,099 for the years ended June 30, 2019 and 2018, respectively.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

12. LEASES (Continued)

Operating Leases (Continued)

Future minimum rents, excluding future payments contingent upon charter renewal, to be received under non-terminable leases over the remaining years of the lease terms are as follows:

2020	\$ 13,019,672
2021	\$ 12,998,415
2022	\$ 1,685,375
2023	\$ 1,391,736
2024	\$ 1,345,200

Capital Lease

The Organization entered into a seventy-five-year capital lease agreement for real property which the Organization subleased to a school, with monthly payments of \$31,667 due through February 1, 2040. Beginning on August 1, 2040, annual payments of \$1 are due through August 1, 2089, at which point the lease expires. The total appraised value of the real property was \$5,340,000, of which management determined that \$3,114,954 is attributed to the value of the building and the remaining \$2,225,046 is attributed to land. In accordance with ASC Topic 840, *Leases*, because the value of the land exceeds 25% of the total value of the leased property, the \$3,114,954 building value is treated as a capital lease obligation and the \$2,225,046 land value is treated as an operating lease. Based on the property valuation noted above, lease payments are proportionally allocated to the capital and operating portions of the lease.

The minimum annual lease payments for the non-cancellable portions of the lease are as follows as of June 30:

<u>Fiscal Year</u>	<u>Capital</u>	<u>Operating</u>
2020	\$ 221,663	\$ 158,337
2021	221,663	158,337
2022	221,663	158,337
2023	221,663	158,337
2024	221,663	158,337
Thereafter	<u>3,472,758</u>	<u>2,448,911</u>
Total future minimum payments	4,581,073	<u>\$ 3,240,596</u>
Less - amount representing interest	1,755,461	
Less - current portion	<u>79,105</u>	
	<u>\$ 2,746,507</u>	

13. RELATED PARTY TRANSACTIONS

The former Chief Financial Officer of Uncommon, who left in April 2018, is the principal of a consulting firm that provided consulting services to the Organization. For the year ended June 30, 2018, total consulting fees incurred by the Organization to the consulting firm were \$147,576.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

13. RELATED PARTY TRANSACTIONS (Continued)

A Board member of the Organization also sits on the Board of two of foundations that made donations to the Organization. The two foundations donated a total of \$1,750,000 during the years ended June 30, 2019 and 2018, which are included in contributions in the consolidated statements of activities and changes in net assets. This Board member abstains from voting on matters relating to these transactions.

14. CONCENTRATIONS

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, contributions, pledges and loans receivable, and debt from lenders. The Organization places its cash with high credit quality financial institutions. At times, such amounts exceed the current insured amount under the Federal Deposit Insurance Corporation. The Organization monitors the financial condition of the banking institutions, along with its cash balances, to minimize this risk.

15. SUBSEQUENT EVENT

The Organization evaluated subsequent events occurring after the consolidated statement of financial position date through the date of November 19, 2019, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Organization determined that the following subsequent event should be disclosed:

- In August 2019, TN Rochester Mark (see Note 1) purchased land and a building for \$5,530,000 that was funded with working capital of Uncommon that is expected to be reimbursed once third-party financing is obtained. This building will be renovated at a total cost of approximately \$23 million and will be leased to Rochester Prep once construction is completed.

16. COMMITMENT

Uncommon has entered into a line of credit agreement with North Star. Under the agreement, North Star may borrow up to \$5,000,000. There is no stated interest rate and the borrowings are unsecured. Borrowings under this agreement are due on demand. As of June 30, 2019 and 2018, North Star has not drawn down this line of credit. This line is automatically renewed annually in June unless notice is given by Uncommon or if North Star fails to pay down the note to zero for a ten-day period as of June 30 through July 10 on each year.

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the 2019 consolidated statement of financial position date for general operating expenses are as follows:

Cash and cash equivalents	\$ 36,203,717
Current portion of grants and pledges receivable	4,181,351
Accounts and other receivable	12,621,179
Interest receivable	<u>1,591,158</u>
Total financial assets	54,597,405
Less - cash held for construction advance	(946,471)
Less - funds restricted by donors for programs and perpetually restricted - endowments (see page 16)	<u>(8,193,531)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 45,457,403</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Organization is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The financial resources available to the Organization at June 30, 2019, represent approximately eight months of operating expenses, less depreciation and donated space. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

18. RECLASSIFICATION

Certain amounts in the fiscal year 2018 consolidated financial statements were reclassified to conform with the fiscal year 2019 presentation.

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position
June 30, 2019

Assets	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Current Assets:									
Cash and cash equivalents	\$ 24,518,499	\$ 1,407,062	\$ 6,495,112	\$ 279,639	\$ 1,342,885	\$ 1,213,675	\$ 946,845	\$ -	\$ 36,203,717
Current portion of grants and pledges receivable	4,181,351	-	-	-	-	-	-	-	4,181,351
Accounts and other receivables	10,216,553	-	501,368	114,679	1,096	5,085	1,782,398	-	12,621,179
Interest receivable	384,203	2,025,689	-	-	-	-	-	(818,734)	1,591,158
Current portion of loans receivable	891,444	383,486	-	-	-	-	-	(1,274,930)	-
Current portion of restricted deposits	2,113,250	-	3,846,609	8,273,290	-	-	-	-	14,233,149
Current portion of due from related parties	8,836,471	92,774	-	-	-	-	-	(8,929,245)	-
Prepaid expenses and other	831,906	131,538	40,787	-	-	5,820	-	-	1,010,051
Total current assets	51,973,677	4,040,549	10,883,876	8,667,608	1,343,981	1,224,580	2,729,243	(11,022,909)	69,840,605
Other Assets:									
Restricted deposits, net of current portion	-	-	3,612,395	9,476,023	25,671	-	-	-	13,114,089
Due from related parties, net of current portion	13,123,269	-	-	-	-	-	-	(13,123,269)	-
Grants and pledges receivable, net of current portion	2,234,000	-	-	-	-	-	-	-	2,234,000
Bonds receivable, net	-	125,797,077	-	-	-	-	-	-	125,797,077
Loans receivable, net of current portion	154,964,181	31,182,754	-	-	-	-	-	(171,217,685)	14,929,250
Property and equipment, net	644,920	-	170,532,305	35,420,374	8,279,703	6,050,472	22,812,987	(912,303)	242,828,458
Construction in process	6,239,877	-	-	26,060,184	7,895,451	-	-	-	40,195,512
Pledge receivable - property	-	-	-	-	-	-	20,409,760	-	20,409,760
Total assets	<u>\$ 229,179,924</u>	<u>\$ 161,020,380</u>	<u>\$ 185,028,576</u>	<u>\$ 79,624,189</u>	<u>\$ 17,544,806</u>	<u>\$ 7,275,052</u>	<u>\$ 45,951,990</u>	<u>\$ (196,276,166)</u>	<u>\$ 529,348,751</u>
Liabilities and Net Assets									
Current Liabilities:									
Current portion of notes and bonds payable	\$ 4,083,486	\$ 62,176,155	\$ 33,160,385	\$ -	\$ 105,465	\$ 29,969	\$ -	\$ (1,274,930)	\$ 98,280,530
Current portion of capital lease obligation	-	-	79,105	-	-	-	-	-	79,105
Accounts payable and accrued expenses	3,406,367	41,441	100,431	93	18,973	7,192	123,267	-	3,697,764
Accounts payable - construction	-	-	3,341,995	8,273,290	2,446,840	-	-	-	14,062,125
Grants payable	3,640,251	-	-	-	-	-	-	-	3,640,251
Deferred rental revenue	-	-	-	-	188,026	209,025	-	-	397,051
Accrued interest	1,932,715	1,637,738	784,963	145,359	-	-	-	(818,734)	3,682,041
Current portion of due to related parties	92,774	6,676,716	1,653,490	198,615	161,009	95,296	51,345	(8,929,245)	-
Total current liabilities	13,155,593	70,532,050	39,120,369	8,617,357	2,920,313	341,482	174,612	(11,022,909)	123,838,867
Other Liabilities:									
Construction advances	-	-	946,471	-	-	-	-	-	946,471
Notes and bonds payable, net	173,655,263	59,278,827	143,812,523	71,587,007	4,794,338	1,124,690	-	(171,217,685)	283,034,963
Capital lease obligation, net of current portion	-	-	2,746,507	-	-	-	-	-	2,746,507
Due to related parties, net of current portion	-	2,831,332	-	-	4,263,596	6,028,341	-	(13,123,269)	-
Financing obligation	-	-	-	-	-	-	20,409,760	-	20,409,760
Total liabilities	<u>186,810,856</u>	<u>132,642,209</u>	<u>186,625,870</u>	<u>80,204,364</u>	<u>11,978,247</u>	<u>7,494,513</u>	<u>20,584,372</u>	<u>(195,363,863)</u>	<u>430,976,568</u>
Net Assets:									
Without donor restrictions:									
Operating	22,031,918	1,174,241	6,049,700	(14,981)	975,973	913,067	2,554,631	-	33,684,549
Development	6,689,699	27,203,930	(14,364,955)	(134,890)	2,539,588	-	-	-	21,933,372
Property and equipment	644,920	-	6,717,961	(430,304)	2,050,998	(1,132,528)	22,812,987	(912,303)	29,751,731
Total without donor restrictions	29,366,537	28,378,171	(1,597,294)	(580,175)	5,566,559	(219,461)	25,367,618	(912,303)	85,369,652
With donor restrictions	13,002,531	-	-	-	-	-	-	-	13,002,531
Total net assets	<u>42,369,068</u>	<u>28,378,171</u>	<u>(1,597,294)</u>	<u>(580,175)</u>	<u>5,566,559</u>	<u>(219,461)</u>	<u>25,367,618</u>	<u>(912,303)</u>	<u>98,372,183</u>
Total liabilities and net assets	<u>\$ 229,179,924</u>	<u>\$ 161,020,380</u>	<u>\$ 185,028,576</u>	<u>\$ 79,624,189</u>	<u>\$ 17,544,806</u>	<u>\$ 7,275,052</u>	<u>\$ 45,951,990</u>	<u>\$ (196,276,166)</u>	<u>\$ 529,348,751</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

 Consolidating Statement of Financial Position
 June 30, 2018

Assets	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Current Assets:									
Cash and cash equivalents	\$ 25,382,385	\$ 3,736,677	\$ 3,314,539	\$ 35,687	\$ 1,830,754	\$ 601,905	\$ 2,196,757	\$ -	\$ 37,098,704
Current portion of grants and pledges receivable	3,903,531	-	-	-	-	-	-	-	3,903,531
Accounts and other receivables	6,545,989	-	-	-	391,895	-	272,665	-	7,210,549
Interest receivable	107,990	1,911,084	-	-	-	-	-	(443,684)	1,575,390
Current portion of loans receivable	2,638,477	972,812	-	-	-	-	-	(3,611,289)	-
Current portion of restricted deposits	6,283,590	-	685,409	-	-	16,448	-	-	6,985,447
Current portion of due from related parties	12,187,684	92,774	3,102,360	-	948,248	-	500,000	(16,831,066)	-
Prepaid expenses and other	909,039	94,006	91,264	-	-	-	-	-	1,094,309
Total current assets	57,958,685	6,807,353	7,193,572	35,687	3,170,897	618,353	2,969,422	(20,886,039)	57,867,930
Other Assets:									
Restricted deposits, net of current portion	34,628,387	-	19,040,552	1,766,791	22,652	121,127	-	-	55,579,509
Due from related parties, net of current portion	5,659,654	-	-	-	-	-	-	(5,659,654)	-
Grants and pledges receivable, net of current portion	350,000	-	-	-	-	-	-	-	350,000
Bonds receivable, net	-	124,873,215	-	-	-	-	-	-	124,873,215
Loans receivable, net of current portion	118,116,127	28,966,290	-	-	-	-	-	(132,153,167)	14,929,250
Property and equipment, net	425,329	-	83,241,582	14,213,055	8,486,193	6,227,955	23,662,444	(471,021)	135,785,537
Construction in process	1,416,740	-	85,047,032	22,343,905	1,059,335	-	-	(465,644)	109,401,368
Pledge receivable - property	-	-	-	-	-	-	21,587,943	-	21,587,943
Total assets	\$ 218,554,922	\$ 160,646,858	\$ 194,522,738	\$ 38,359,438	\$ 12,739,077	\$ 6,967,435	\$ 48,219,809	\$ (159,635,525)	\$ 520,374,752
Liabilities and Net Assets									
Current Liabilities:									
Current portion of notes and bonds payable	\$ 972,812	\$ 61,492,243	\$ 24,848,827	\$ -	\$ 2,349,585	\$ 4,196,233	\$ -	\$ (3,611,289)	\$ 90,248,411
Current portion of capital lease obligation	-	-	75,172	-	-	-	-	-	75,172
Accounts payable and accrued expenses	3,482,613	1,405	2,576	200	4,144	3,630	330	-	3,494,898
Current portion of accounts payable - construction	-	-	-	-	274,700	-	291,275	-	565,975
Grants payable	-	-	1,128,045	-	-	-	-	-	1,128,045
Deferred rental revenue	-	-	-	-	255,043	209,025	-	-	464,068
Accrued interest	1,812,294	1,620,249	739,350	-	-	-	-	(443,684)	3,728,209
Current portion of due to related parties	4,647,540	4,610,310	1,410,496	2,095,903	1,925,559	2,141,258	-	(16,831,066)	-
Total current liabilities	10,915,259	67,724,207	28,204,466	2,096,103	4,809,031	6,550,146	291,605	(20,886,039)	99,704,778
Other Liabilities:									
Construction advances	-	-	5,393,293	-	-	-	-	-	5,393,293
Notes and bonds payable, net	170,450,139	61,286,356	146,037,157	35,388,338	5,003,128	1,139,767	-	(132,153,167)	287,151,718
Accounts payable - construction, net of current portion	-	-	11,928,826	1,113,457	-	-	-	-	13,042,283
Capital lease obligation, net of current portion	-	-	2,825,611	-	-	-	-	-	2,825,611
Due to related parties, net of current portion	-	5,659,654	-	-	-	-	-	(5,659,654)	-
Financing obligation	-	-	-	-	-	-	21,587,943	-	21,587,943
Total liabilities	181,365,398	134,670,217	194,389,353	38,597,898	9,812,159	7,689,913	21,879,548	(158,698,860)	429,705,626
Net Assets:									
Without donor restrictions:									
Operating	23,738,692	1,518,344	2,213,263	29,849	496,153	399,174	2,677,817	-	31,073,292
Development	(525,296)	24,458,297	(8,808,672)	(157,399)	171,269	-	-	(465,644)	14,672,555
Property and equipment	425,329	-	6,728,794	(110,910)	2,259,496	(1,121,652)	23,662,444	(471,021)	31,372,480
Total without donor restrictions	23,638,725	25,976,641	133,385	(238,460)	2,926,918	(722,478)	26,340,261	(936,665)	77,118,327
With donor restrictions	13,550,799	-	-	-	-	-	-	-	13,550,799
Total net assets	37,189,524	25,976,641	133,385	(238,460)	2,926,918	(722,478)	26,340,261	(936,665)	90,669,126
Total liabilities and net assets	\$ 218,554,922	\$ 160,646,858	\$ 194,522,738	\$ 38,359,438	\$ 12,739,077	\$ 6,967,435	\$ 48,219,809	\$ (159,635,525)	\$ 520,374,752

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Net Assets Without Donor Restrictions:									
Operating revenues:									
Management fees	\$ 28,285,621	\$ -	\$ 501,368	\$ 104,059	\$ -	\$ -	\$ -	\$ (1,065,427)	\$ 27,825,621
Rental income	-	-	10,083,741	1,015,200	813,903	836,100	-	-	12,748,944
Interest and other	2,879,670	10,574,064	376,028	84,826	220	40,853	-	(4,179,987)	9,775,674
Contributions	8,070,780	-	-	-	-	-	-	-	8,070,780
Subsidy income	6,781,492	-	-	-	-	-	-	-	6,781,492
Training and program fees	4,309,154	-	-	-	-	-	-	-	4,309,154
Grants	3,351,765	-	-	-	-	-	-	-	3,351,765
Real estate reimbursements	2,010,331	-	-	-	-	-	-	-	2,010,331
Real estate development income	191,500	-	-	-	-	-	-	-	191,500
Net assets released from time restrictions	179,515	-	-	-	-	-	-	-	179,515
Net assets released from purpose restrictions	5,259,851	-	-	-	-	-	-	-	5,259,851
Total operating revenues	61,319,679	10,574,064	10,961,137	1,204,085	814,123	876,953	-	(5,245,414)	80,504,627
Operating expenses:									
Personnel and related	25,841,392	-	-	-	-	-	-	-	25,841,392
Interest	10,148,392	7,783,134	6,515,269	555,759	365,466	151,228	-	(4,081,218)	21,438,030
Program and grant expenses	12,153,742	-	542,342	104,059	-	-	-	(605,427)	12,194,716
Depreciation	233,687	-	3,809,987	849,243	218,678	177,253	824,658	(24,362)	6,089,144
Administrative	3,059,124	389,400	259,855	36,739	171,309	210,075	132,101	(558,769)	3,699,834
Occupancy	2,856,531	-	403,400	-	24,431	-	15,884	-	3,300,246
System and technology	2,238,690	-	-	-	-	-	-	-	2,238,690
Total operating expenses	56,531,558	8,172,534	11,530,853	1,545,800	779,884	538,556	972,643	(5,269,776)	74,802,052
Changes in net assets without donor restrictions from operations	4,788,121	2,401,530	(569,716)	(341,715)	34,239	338,397	(972,643)	24,362	5,702,575
Other revenue (expense):									
Gain on unwind	1,164,640	-	-	-	-	164,620	-	-	1,329,260
Forgiveness of debt	-	-	-	-	114,286	-	-	-	114,286
Grant from (to) affiliate for new initiatives	(2,491,116)	-	-	-	2,491,116	-	-	-	-
Loss on disposal of property and equipment	-	-	(536,675)	-	-	-	-	-	(536,675)
Loan extension fees	-	-	(624,288)	-	-	-	-	-	(624,288)
Net assets released from capital restrictions	2,266,167	-	-	-	-	-	-	-	2,266,167
Total other revenue (expense)	939,691	-	(1,160,963)	-	2,605,402	164,620	-	-	2,548,750
Changes in net assets without donor restrictions	5,727,812	2,401,530	(1,730,679)	(341,715)	2,639,641	503,017	(972,643)	24,362	8,251,325
Net Assets With Donor Restrictions:									
Grants and contributions	7,157,265	-	-	-	-	-	-	-	7,157,265
Net assets released from restrictions	(7,705,533)	-	-	-	-	-	-	-	(7,705,533)
Changes in net assets with donor restrictions	(548,268)	-	-	-	-	-	-	-	(548,268)
Changes in net assets	5,179,544	2,401,530	(1,730,679)	(341,715)	2,639,641	503,017	(972,643)	24,362	7,703,057
Net Assets:									
Beginning of year	37,189,524	25,976,641	133,385	(238,460)	2,926,918	(722,478)	26,340,261	(936,665)	90,669,126
End of year	\$ 42,369,068	\$ 28,378,171	\$ (1,597,294)	\$ (580,175)	\$ 5,566,559	\$ (219,461)	\$ 25,367,618	\$ (912,303)	\$ 98,372,183

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Uncommon Schools, Inc.	Uncommon Lender, Inc.	North Star Academy Foundation, Inc.	Camden Prep Foundation, Inc.	Rochester Prep Foundation, Inc.	Troy Prep Foundation, Inc.	Excellence Academies Foundation, Inc.	Eliminations	Total
Net Assets Without Donor Restrictions:									
Operating revenues:									
Management fees	\$ 25,337,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (460,000)	\$ 24,877,667
Rental income	-	-	5,563,312	259,672	792,257	551,858	-	-	7,167,099
Interest and other	1,766,638	9,487,406	311,714	63,259	28	4,833	-	(3,125,216)	8,508,662
Contributions	6,611,164	-	-	-	-	-	500,000	-	7,111,164
Subsidy income	6,272,260	-	-	-	-	-	-	-	6,272,260
Training and program fees	3,897,306	-	-	-	-	-	-	-	3,897,306
Grants	5,159,678	-	-	-	-	-	-	-	5,159,678
Real estate reimbursements	1,917,398	-	-	-	-	-	-	-	1,917,398
Real estate development income	159,500	-	-	-	-	-	-	-	159,500
Net assets released from time restrictions	762,151	-	-	-	-	-	-	-	762,151
Net assets released from purpose restrictions	1,642,257	-	-	-	-	-	-	-	1,642,257
Total operating revenues	53,526,019	9,487,406	5,875,026	322,931	792,285	556,691	500,000	(3,585,216)	67,475,142
Operating expenses:									
Personnel and related	22,542,499	-	-	-	-	-	-	-	22,542,499
Interest	9,138,106	7,043,213	2,817,266	219,325	427,972	255,790	-	(2,741,466)	17,160,206
Program and grant expenses	12,182,921	-	9,828,045	-	-	-	-	-	22,010,966
Depreciation	500,365	-	2,386,545	307,720	220,852	172,977	824,658	(14,273)	4,398,844
Administrative	2,079,476	419,640	278,463	9,259	161,379	249,266	163,074	(608,153)	2,752,404
Occupancy	2,640,759	-	504,743	-	9,042	40,314	2,687	-	3,197,545
System and technology	1,387,301	-	-	-	-	-	-	-	1,387,301
Total operating expenses	50,471,427	7,462,853	15,815,062	536,304	819,245	718,347	990,419	(3,363,892)	73,449,765
Changes in net assets without donor restrictions from operations	3,054,592	2,024,553	(9,940,036)	(213,373)	(26,960)	(161,656)	(490,419)	(221,324)	(5,974,623)
Other revenue (expense):									
Forgiveness of debt	-	-	-	-	114,286	-	-	-	114,286
Write-off of debt issuance costs	-	(131,285)	-	-	-	-	-	-	(131,285)
Grants from (to) affiliates for new initiatives	(848,172)	-	-	-	848,172	-	-	-	-
Net assets released from capital restrictions	137,532	-	-	-	-	-	-	-	137,532
Total other revenue (expense)	(710,640)	(131,285)	-	-	962,458	-	-	-	120,533
Changes in net assets without donor restrictions	2,343,952	1,893,268	(9,940,036)	(213,373)	935,498	(161,656)	(490,419)	(221,324)	(5,854,090)
Net Assets With Donor Restrictions:									
Grants and contributions	1,514,048	-	-	-	-	-	-	-	1,514,048
Capital grants	1,061,930	-	-	-	-	-	-	-	1,061,930
Net assets released from restrictions	(2,541,940)	-	-	-	-	-	-	-	(2,541,940)
Changes in net assets with donor restrictions	34,038	-	-	-	-	-	-	-	34,038
Changes in net assets	2,377,990	1,893,268	(9,940,036)	(213,373)	935,498	(161,656)	(490,419)	(221,324)	(5,820,052)
Net Assets:									
Beginning of year	34,811,534	24,083,373	10,073,421	(25,087)	1,991,420	(560,822)	26,830,680	(715,341)	96,489,178
End of year	\$ 37,189,524	\$ 25,976,641	\$ 133,385	\$ (238,460)	\$ 2,926,918	\$ (722,478)	\$ 26,340,261	\$ (936,665)	\$ 90,669,126

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Uncommon Schools, Inc.
June 30, 2019

Assets	Uncommon Schools, Inc.	Uncommon Crown Heights, LLC (Brooklyn, NY)	Roxbury Prep Belgrade Avenue, LLC (Boston, MA)	10 Vale Street, LLC (Boston, MA)	Uncommon Properties, LLC	Uncommon Properties II, LLC	Uncommon Properties III, LLC	Uncommon Properties IV, LLC	Uncommon Properties V, LLC	Uncommon Properties VI, LLC	Uncommon Properties VII, LLC	Uncommon CP Properties I, LLC	Uncommon CP Properties II, LLC	Uncommon CP Properties III, LLC	Eliminations	Total
Current Assets:																
Cash and cash equivalents	\$ 22,840,594	\$ 107,847	\$ -	\$ -	\$ 1,514,342	\$ 803	\$ -	\$ -	\$ 54,913	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,518,499
Current portion of grants and pledges receivable	4,181,351	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,181,351
Accounts and other receivables	10,123,962	92,591	-	-	-	-	-	-	-	-	-	-	-	-	-	10,216,553
Interest receivable	85,241	-	-	-	-	52,601	-	-	-	-	101,002	104,877	40,482	-	-	384,203
Current portion of loans receivable	29,969	-	-	-	-	12,958	671,014	-	-	-	177,503	-	-	-	-	891,444
Restricted deposits	-	-	-	-	-	92,081	671,343	-	-	698	540,617	490,489	311,341	6,681	-	2,113,250
Current portion of due from related parties	8,852,057	-	-	-	555,578	-	-	-	-	-	-	-	-	-	(571,164)	8,836,471
Prepaid expenses and other	318,358	-	513,548	-	-	-	-	-	-	-	-	-	-	-	-	831,906
Total current assets	46,431,532	200,438	513,548	-	2,069,920	158,443	1,342,357	-	54,913	698	819,122	595,366	351,823	6,681	(571,164)	51,973,677
Other Assets:																
Due from related parties, net of current portion	19,281,022	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,157,753)	13,123,269
Grants and pledges receivable, net of current portion	2,234,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,234,000
Investment in affiliates	-	-	-	-	65,745	-	-	-	-	-	-	-	-	-	(65,745)	-
Loans receivable, net of current portion	3,124,690	-	-	-	-	8,653,498	32,128,308	4,495,936	3,658,887	3,996,499	26,038,144	36,240,000	32,434,770	4,193,449	-	154,964,181
Property and equipment, net	644,920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	644,920
Construction in process	480,341	-	1,715,706	4,043,830	-	-	-	-	-	-	-	-	-	-	-	6,239,877
Total assets	\$ 72,196,505	\$ 200,438	\$ 2,229,254	\$ 4,043,830	\$ 2,135,665	\$ 8,811,941	\$ 33,470,665	\$ 4,495,936	\$ 3,713,800	\$ 3,997,197	\$ 26,857,266	\$ 36,835,366	\$ 32,786,593	\$ 4,200,130	\$ (6,794,662)	\$ 229,179,924
Liabilities and Net Assets																
Current Liabilities:																
Current portion of notes and bonds payable	\$ 3,700,000	\$ -	\$ -	\$ -	\$ -	\$ 113,975	\$ 172,929	\$ -	\$ -	\$ -	\$ 36,709	\$ -	\$ 59,873	\$ -	\$ -	\$ 4,083,486
Accounts payable and accrued expenses	3,118,224	150,869	129,195	216	400	1,865	1,866	-	-	1,866	1,866	-	-	-	-	3,406,367
Grants payable	3,640,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,640,251
Accrued interest	-	-	-	-	-	96,928	605,994	-	-	-	486,138	484,156	259,499	-	-	1,932,715
Current portion of due to related parties	13,996	-	-	-	300	118,255	125,953	118,443	16,834	117,652	127,857	6,564	6,064	-	-	92,774
Total current liabilities	10,472,471	150,869	129,195	216	700	331,023	906,742	118,443	16,834	119,518	652,570	490,720	325,436	12,020	(571,164)	13,155,593
Other Liabilities:																
Notes and bonds payable, net	10,850,000	-	-	-	-	8,711,268	36,622,599	4,770,906	3,858,198	4,072,121	32,252,887	36,535,503	31,907,102	4,074,679	-	173,655,263
Due to related parties, net of current portion	-	-	2,100,059	4,057,694	-	-	-	-	-	-	-	-	-	-	(6,157,753)	-
Total liabilities	21,322,471	150,869	2,229,254	4,057,910	700	9,042,291	37,529,341	4,889,349	3,875,032	4,191,639	32,905,457	37,026,223	32,232,538	4,086,699	(6,728,917)	186,810,856
Net Assets:																
Without donor restrictions:																
Operating	19,913,129	49,569	-	-	2,069,220	-	-	-	-	-	-	-	-	-	-	22,031,918
Development	17,313,454	-	-	(14,080)	65,745	(230,350)	(4,058,676)	(393,413)	(161,232)	(194,442)	(6,048,191)	(190,857)	554,055	113,431	(65,745)	6,689,699
Property and equipment	644,920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	644,920
Total without donor restrictions	37,871,503	49,569	-	(14,080)	2,134,965	(230,350)	(4,058,676)	(393,413)	(161,232)	(194,442)	(6,048,191)	(190,857)	554,055	113,431	(65,745)	29,366,537
With donor restrictions	13,002,531	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,002,531
Total net assets	50,874,034	49,569	-	(14,080)	2,134,965	(230,350)	(4,058,676)	(393,413)	(161,232)	(194,442)	(6,048,191)	(190,857)	554,055	113,431	(65,745)	42,369,068
Total liabilities and net assets	\$ 72,196,505	\$ 200,438	\$ 2,229,254	\$ 4,043,830	\$ 2,135,665	\$ 8,811,941	\$ 33,470,665	\$ 4,495,936	\$ 3,713,800	\$ 3,997,197	\$ 26,857,266	\$ 36,835,366	\$ 32,786,593	\$ 4,200,130	\$ (6,794,662)	\$ 229,179,924

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Uncommon Schools, Inc.
For the Year Ended June 30, 2019

	Uncommon Schools, Inc.	Uncommon Crown Heights, LLC (Brooklyn, NY)	10 Vale Street, LLC (Boston, MA)	Uncommon Properties, LLC	Uncommon Properties II, LLC	Uncommon Properties III, LLC	Uncommon Properties IV, LLC	Uncommon Properties V, LLC	Uncommon Properties VI, LLC	Uncommon Properties VII, LLC	Uncommon CP Properties I, LLC	Uncommon CP Properties II, LLC	Uncommon CP Properties III, LLC	Eliminations	Total
Net Assets Without Donor Restrictions:															
Operating revenues:															
Management fees	\$ 28,276,032	\$ 9,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,285,621
Interest and other	426,893	-	-	-	210,129	653,827	-	23,353	19,993	399,446	486,152	583,450	76,427	-	2,879,670
Contributions	8,070,780	-	-	-	-	-	-	-	-	-	-	-	-	-	8,070,780
Subsidy income	-	-	-	-	321,826	1,776,244	-	-	-	1,718,196	1,847,061	1,118,165	-	-	6,781,492
Training and program fees	4,309,154	-	-	-	-	-	-	-	-	-	-	-	-	-	4,309,154
Grants	3,351,765	-	-	-	-	-	-	-	-	-	-	-	-	-	3,351,765
Real estate reimbursements	-	2,010,331	-	-	-	-	-	-	-	-	-	-	-	-	2,010,331
Real estate development income	191,500	-	-	-	-	-	-	-	-	-	-	-	-	-	191,500
Net assets released from time restrictions	179,515	-	-	-	-	-	-	-	-	-	-	-	-	-	179,515
Net assets released from purpose restrictions	5,259,851	-	-	-	-	-	-	-	-	-	-	-	-	-	5,259,851
Total operating revenues	50,065,490	2,019,920	-	-	531,955	2,430,071	-	23,353	19,993	2,117,642	2,333,213	1,701,615	76,427	-	61,319,679
Operating expenses:															
Personnel and related	25,841,392	-	-	-	-	-	-	-	-	-	-	-	-	-	25,841,392
Interest	240,008	-	-	-	517,959	3,149,961	79,700	61,191	46,677	2,365,186	2,391,024	1,280,364	16,322	-	10,148,392
Program and grant expenses	12,153,742	-	-	-	-	-	-	-	-	-	-	-	-	-	12,153,742
Depreciation	233,687	-	-	-	-	-	-	-	-	-	-	-	-	-	233,687
Administrative	2,500,643	-	5,974	725	119,955	165,005	6,146	4,000	119,354	120,159	6,000	5,499	5,664	-	3,059,124
Occupancy	838,095	2,010,330	8,106	-	-	-	-	-	-	-	-	-	-	-	2,856,531
System and technology	2,238,690	-	-	-	-	-	-	-	-	-	-	-	-	-	2,238,690
Total operating expenses	44,046,257	2,010,330	14,080	725	637,914	3,314,966	85,846	65,191	166,031	2,485,345	2,397,024	1,285,863	21,986	-	56,531,558
Changes in net assets without donor restrictions from operations	6,019,233	9,590	(14,080)	(725)	(105,959)	(884,895)	(85,846)	(41,838)	(146,038)	(367,703)	(63,811)	415,752	54,441	-	4,788,121
Other revenue (expense):															
Gain on unwind	1,164,640	-	-	-	-	-	-	-	-	-	-	-	-	-	1,164,640
Grant from (to) affiliate for new initiatives	(2,491,116)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,491,116)
Net assets released from capital restrictions	2,266,167	-	-	-	-	-	-	-	-	-	-	-	-	-	2,266,167
Total other revenue (expense)	939,691	-	-	-	-	-	-	-	-	-	-	-	-	-	939,691
Changes in net assets without donor restrictions	6,958,924	9,590	(14,080)	(725)	(105,959)	(884,895)	(85,846)	(41,838)	(146,038)	(367,703)	(63,811)	415,752	54,441	-	5,727,812
Net Assets With Donor Restrictions:															
Grants and contributions	7,157,265	-	-	-	-	-	-	-	-	-	-	-	-	-	7,157,265
Net assets released from restrictions	(7,705,533)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,705,533)
Changes in net assets with donor restrictions	(548,268)	-	-	-	-	-	-	-	-	-	-	-	-	-	(548,268)
Changes in net assets	6,410,656	9,590	(14,080)	(725)	(105,959)	(884,895)	(85,846)	(41,838)	(146,038)	(367,703)	(63,811)	415,752	54,441	-	5,179,544
Net Assets:															
Beginning of year	44,463,378	39,979	-	2,135,690	(124,391)	(3,173,781)	(307,567)	(119,394)	(48,404)	(5,680,488)	(127,046)	138,303	58,990	(65,745)	37,189,524
End of year	<u>\$ 50,874,034</u>	<u>\$ 49,569</u>	<u>\$ (14,080)</u>	<u>\$ 2,134,965</u>	<u>\$ (230,350)</u>	<u>\$ (4,058,676)</u>	<u>\$ (393,413)</u>	<u>\$ (161,232)</u>	<u>\$ (194,442)</u>	<u>\$ (6,048,191)</u>	<u>\$ (190,857)</u>	<u>\$ 554,055</u>	<u>\$ 113,431</u>	<u>\$ (65,745)</u>	<u>\$ 42,369,068</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Uncommon Lender, Inc.
June 30, 2019

Assets	Uncommon Lender, Inc.	Uncommon NSA Lender, LLC	Uncommon NSA Lender II, LLC	Uncommon NSA Lender III, LLC	Uncommon NSA Lender IV, LLC	Uncommon NSA Lender V, LLC	Uncommon NSA Lender VI, LLC	Uncommon CP Lender I, LLC	Uncommon CP Lender II, LLC	Uncommon CP Lender III, LLC	Eliminations	Total
Current Assets:												
Cash and cash equivalents	\$ 1,124,846	\$ 23,784	\$ 13,198	\$ -	\$ -	\$ -	\$ 40,082	\$ 166,226	\$ 38,926	\$ -	\$ -	\$ 1,407,062
Interest receivable	110,506	96,928	605,994	-	-	-	486,138	484,156	259,499	-	(17,532)	2,025,689
Current portion of loans receivable	4,650,000	113,975	172,929	-	-	-	36,709	-	59,873	-	(4,650,000)	383,486
Due from related parties	1,608,645	-	-	-	-	-	-	-	-	-	(1,515,871)	92,774
Prepaid expenses and other	-	-	-	-	23,048	28,941	-	31,520	9,920	38,109	-	131,538
Total current assets	7,493,997	234,687	792,121	-	23,048	28,941	562,929	681,902	368,218	38,109	(6,183,403)	4,040,549
Other Assets:												
Bonds receivable, net	-	6,258,578	29,389,278	2,131,540	1,143,325	915,206	27,601,219	28,425,122	29,833,624	99,185	-	125,797,077
Investment in affiliates	5,500,000	-	-	-	-	-	-	-	-	-	(5,500,000)	-
Loans receivable, net of current portion	12,450,000	2,630,881	7,233,321	-	-	-	4,651,668	8,110,381	2,556,503	-	(6,450,000)	31,182,754
Total assets	<u>\$ 25,443,997</u>	<u>\$ 9,124,146</u>	<u>\$ 37,414,720</u>	<u>\$ 2,131,540</u>	<u>\$ 1,166,373</u>	<u>\$ 944,147</u>	<u>\$ 32,815,816</u>	<u>\$ 37,217,405</u>	<u>\$ 32,758,345</u>	<u>\$ 137,294</u>	<u>\$ (18,133,403)</u>	<u>\$ 161,020,380</u>
Liabilities and Net Assets												
Current Liabilities:												
Current portion of notes and bonds payable	\$ -	\$ 163,223	\$ 1,114,883	\$ -	\$ -	\$ -	\$ 508,049	\$ 32,590,000	\$ 32,450,000	\$ -	\$ (4,650,000)	\$ 62,176,155
Accounts payable and accrued expenses	-	-	-	-	-	-	-	31,521	9,920	-	-	41,441
Accrued interest	61,111	82,237	386,337	-	-	-	377,259	485,434	262,892	-	(17,532)	1,637,738
Current portion of due to related parties	6,433,645	237,507	66,040	1,374,897	21,470	16,170	15,968	9,575	3,590	13,725	(1,515,871)	6,676,716
Total current liabilities	6,494,756	482,967	1,567,260	1,374,897	21,470	16,170	901,276	33,116,530	32,726,402	13,725	(6,183,403)	70,532,050
Other Liabilities:												
Notes and bonds payable, net	2,000,000	7,731,957	26,795,653	-	-	-	25,551,217	3,650,000	-	-	(6,450,000)	59,278,827
Due to related parties, net of current portion	2,831,332	-	-	-	-	-	-	-	-	-	-	2,831,332
Total liabilities	<u>11,326,088</u>	<u>8,214,924</u>	<u>28,362,913</u>	<u>1,374,897</u>	<u>21,470</u>	<u>16,170</u>	<u>26,452,493</u>	<u>36,766,530</u>	<u>32,726,402</u>	<u>13,725</u>	<u>(12,633,403)</u>	<u>132,642,209</u>
Net Assets:												
Without donor restrictions:												
Operating	1,174,241	-	-	-	-	-	-	-	-	-	-	1,174,241
Development	12,943,668	909,222	9,051,807	756,643	1,144,903	927,977	6,363,323	450,875	31,943	123,569	(5,500,000)	27,203,930
Total net assets without donor restrictions	<u>14,117,909</u>	<u>909,222</u>	<u>9,051,807</u>	<u>756,643</u>	<u>1,144,903</u>	<u>927,977</u>	<u>6,363,323</u>	<u>450,875</u>	<u>31,943</u>	<u>123,569</u>	<u>(5,500,000)</u>	<u>28,378,171</u>
Total liabilities and net assets	<u>\$ 25,443,997</u>	<u>\$ 9,124,146</u>	<u>\$ 37,414,720</u>	<u>\$ 2,131,540</u>	<u>\$ 1,166,373</u>	<u>\$ 944,147</u>	<u>\$ 32,815,816</u>	<u>\$ 37,217,405</u>	<u>\$ 32,758,345</u>	<u>\$ 137,294</u>	<u>\$ (18,133,403)</u>	<u>\$ 161,020,380</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Uncommon Lender, Inc.
For the Year Ended June 30, 2019

	Uncommon Lender, Inc.	Uncommon NSA Lender, LLC	Uncommon NSA Lender II, LLC	Uncommon NSA Lender III, LLC	Uncommon NSA Lender IV, LLC	Uncommon NSA Lender V, LLC	Uncommon NSA Lender VI, LLC	Uncommon CP Lender I, LLC	Uncommon CP Lender II, LLC	Uncommon CP Lender III, LLC	Eliminations	Total
Net Assets Without Donor Restrictions:												
Operating revenues:												
Interest and other	\$ 556,454	\$ 506,586	\$ 3,160,229	\$ 169,917	\$ 102,355	\$ 83,295	\$ 2,365,186	\$ 2,391,024	\$ 1,287,487	\$ 11,488	\$ (59,957)	\$ 10,574,064
Operating expenses:												
Interest	61,111	354,868	2,045,279	-	1,487	1,346	1,872,530	2,249,469	1,255,927	1,074	(59,957)	7,783,134
Administrative	186,124	1,239	2,118	4,969	5,019	2,766	5,416	171,859	3,590	6,300	-	389,400
Total operating expenses	247,235	356,107	2,047,397	4,969	6,506	4,112	1,877,946	2,421,328	1,259,517	7,374	(59,957)	8,172,534
Changes in net assets without donor restrictions	309,219	150,479	1,112,832	164,948	95,849	79,183	487,240	(30,304)	27,970	4,114	-	2,401,530
Net Assets:												
Beginning of year	13,808,690	758,743	7,938,975	591,695	1,049,054	848,794	5,876,083	481,179	3,973	119,455	(5,500,000)	25,976,641
End of year	\$ 14,117,909	\$ 909,222	\$ 9,051,807	\$ 756,643	\$ 1,144,903	\$ 927,977	\$ 6,363,323	\$ 450,875	\$ 31,943	\$ 123,569	\$ (5,500,000)	\$ 28,378,171

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - North Star Academy Foundation, Inc.
June 30, 2019

	North Star Academy Foundation, Inc.	NSA 559 Broad Street, LLC (Newark, NJ)	NSA 10 Washington, LLC (Newark, NJ)	NSA Clinton Ave, LLC (Newark, NJ)	NSA Central Ave, LLC (Newark, NJ)	NSA Hazelwood Ave, LLC (Newark, NJ)	NSA 377 Washington, LLC (Newark, NJ)	NSA S. 9th Street & Alexander, LLC (Newark, NJ)	72 Central, LLC (Newark, NJ)	NSA Livingston Street, LLC (Newark, NJ)	NSA 18th Ave, LLC (Newark, NJ)	NSA 18 Washington Place, LLC (Newark, NJ)	Eliminations	Total
Assets														
Current Assets:														
Cash and cash equivalents	\$ 133,400	\$ 482,173	\$ 308,787	\$ 381,544	\$ 626,987	\$ 53,284	\$ 1,187,833	\$ -	\$ 327,593	\$ 23,891	\$ 2,417,477	\$ 552,143	\$ -	\$ 6,495,112
Accounts and other receivables	-	71,624	71,624	-	71,624	71,624	71,624	-	-	-	71,624	71,624	-	501,368
Current portion of restricted deposits	-	-	-	-	-	-	1,034,489	-	-	-	2,812,120	-	-	3,846,609
Prepaid expenses and other	-	-	-	-	40,787	-	-	-	-	-	-	-	-	40,787
Total current assets	133,400	553,797	380,411	381,544	739,398	124,908	2,293,946	-	327,593	23,891	5,301,221	623,767	-	10,883,876
Other Assets:														
Restricted deposits, net of current portion	-	-	92,548	60,598	299,009	-	1,165,130	-	-	-	1,994,953	157	-	3,612,395
Investment in affiliates	600,000	-	-	-	-	-	-	-	-	-	-	-	(600,000)	-
Property and equipment, net	-	7,816,890	5,691,082	7,551,571	18,879,057	26,571,925	64,489,310	-	3,761,887	-	25,495,855	10,274,728	-	170,532,305
Total assets	<u>\$ 733,400</u>	<u>\$ 8,370,687</u>	<u>\$ 6,164,041</u>	<u>\$ 7,993,713</u>	<u>\$ 19,917,464</u>	<u>\$ 26,696,833</u>	<u>\$ 67,948,386</u>	<u>\$ -</u>	<u>\$ 4,089,480</u>	<u>\$ 23,891</u>	<u>\$ 32,792,029</u>	<u>\$ 10,898,652</u>	<u>\$ (600,000)</u>	<u>\$ 185,028,576</u>
Liabilities and Net Assets														
Current Liabilities:														
Current portion of notes and bonds payable	\$ -	\$ -	\$ 88,512	\$ 135,540	\$ 651,667	\$ 671,014	\$ 30,948,323	\$ -	\$ 111,006	\$ -	\$ 412,958	\$ 141,365	\$ -	\$ 33,160,385
Current portion of capital lease obligation	-	-	-	-	-	-	-	-	79,105	-	-	-	-	79,105
Accounts payable and accrued expenses	-	1,374	160	318	280	8,481	14,500	480	210	-	-	74,628	-	100,431
Accounts payable - construction	-	-	-	-	-	-	529,875	-	-	-	2,812,120	-	-	3,341,995
Accrued interest	-	-	-	-	81,333	-	106,210	-	-	-	597,420	-	-	784,963
Due to related parties	11,143	73,172	71,624	-	72,329	71,624	1,118,327	23,462	-	103	138,518	73,188	-	1,653,490
Total current liabilities	11,143	74,546	160,296	135,858	805,609	751,119	32,717,235	23,942	190,321	103	3,961,016	289,181	-	39,120,369
Other Liabilities:														
Construction advances	-	-	27,186	-	-	-	-	-	47,854	-	871,431	-	-	946,471
Notes and bonds payable, net	-	5,228,624	3,481,204	5,341,773	17,147,000	26,326,784	31,385,135	14,364,955	2,930,376	-	27,525,646	10,081,026	-	143,812,523
Capital lease obligation, net of current portion	-	-	-	-	-	-	-	-	2,746,507	-	-	-	-	2,746,507
Total liabilities	11,143	5,303,170	3,668,686	5,477,631	17,952,609	27,077,903	64,102,370	14,388,897	5,915,058	103	32,358,093	10,370,207	-	186,625,870
Net Assets:														
Without donor restrictions:														
Operating	122,257	479,251	308,627	381,226	585,456	44,803	1,571,737	(23,942)	327,383	23,788	1,753,163	475,951	-	6,049,700
Development	600,000	-	-	-	-	-	-	(14,364,955)	-	-	-	-	(600,000)	(14,364,955)
Property and equipment	-	2,588,266	2,186,728	2,134,856	1,379,399	(425,873)	2,274,279	-	(2,152,961)	-	(1,319,227)	52,494	-	6,717,961
Total net assets without donor restrictions	722,257	3,067,517	2,495,355	2,516,082	1,964,855	(381,070)	3,846,016	(14,388,897)	(1,825,578)	23,788	433,936	528,445	(600,000)	(1,597,294)
Total liabilities and net assets	<u>\$ 733,400</u>	<u>\$ 8,370,687</u>	<u>\$ 6,164,041</u>	<u>\$ 7,993,713</u>	<u>\$ 19,917,464</u>	<u>\$ 26,696,833</u>	<u>\$ 67,948,386</u>	<u>\$ -</u>	<u>\$ 4,089,480</u>	<u>\$ 23,891</u>	<u>\$ 32,792,029</u>	<u>\$ 10,898,652</u>	<u>\$ (600,000)</u>	<u>\$ 185,028,576</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - North Star Academy Foundation, Inc.
For the Year Ended June 30, 2019

	North Star Academy Foundation, Inc.	NSA 559 Broad Street, LLC (Newark, NJ)	NSA 10 Washington, LLC (Newark, NJ)	NSA Clinton Ave, LLC (Newark, NJ)	NSA Central Ave, LLC (Newark, NJ)	NSA Hazelwood Ave, LLC (Newark, NJ)	NSA 377 Washington, LLC (Newark, NJ)	NSA S. 9th Street & Alexander, LLC (Newark, NJ)	72 Central, LLC (Newark, NJ)	NSA Livingston Street, LLC (Newark, NJ)	NSA 18th Ave, LLC (Newark, NJ)	NSA 18th Washington Place, LLC (Newark, NJ)	Eliminations	Total
Net Assets Without Donor Restrictions:														
Operating revenues:														
Management fees	\$ -	\$ 71,624	\$ 71,624	\$ -	\$ 71,624	\$ 71,624	\$ 71,624	\$ -	\$ -	\$ -	\$ 71,624	\$ 71,624	\$ -	\$ 501,368
Rental income	-	205,079	345,384	528,890	1,600,000	1,210,058	2,976,890	-	777,108	223,303	1,613,333	603,696	-	10,083,741
Interest and other	-	-	1,342	1,050	951	-	28,908	-	-	-	307,363	36,414	-	376,028
Total operating revenues	-	276,703	418,350	529,940	1,672,575	1,281,682	3,077,422	-	777,108	223,303	1,992,320	711,734	-	10,961,137
Operating expenses:														
Interest	-	110,198	222,570	340,313	737,816	594,566	2,376,883	-	342,950	-	1,398,963	391,010	-	6,515,269
Program and grant expenses	-	71,624	71,624	-	71,624	71,624	71,624	40,974	-	-	71,624	71,624	-	542,342
Depreciation	-	204,325	157,338	251,359	550,102	694,142	1,219,744	-	123,082	-	353,977	255,918	-	3,809,987
Administrative	5,228	2,550	1,318	1,142	12,650	14,289	177,536	3,960	1,320	118	15,979	23,765	-	259,855
Occupancy	-	21,760	-	-	-	-	-	-	158,337	223,303	-	-	-	403,400
Total operating expenses	5,228	410,457	452,850	592,814	1,372,192	1,374,621	3,845,787	44,934	625,689	223,421	1,840,543	742,317	-	11,530,853
Changes in net assets without donor restrictions from operations	(5,228)	(133,754)	(34,500)	(62,874)	300,383	(92,939)	(768,365)	(44,934)	151,419	(118)	151,777	(30,583)	-	(569,716)
Other expense:														
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	(536,675)	-	-	-	(536,675)
Loan extension fees	-	-	-	-	-	-	(624,288)	-	-	-	-	-	-	(624,288)
Total other expense	-	-	-	-	-	-	(624,288)	-	-	(536,675)	-	-	-	(1,160,963)
Changes in net assets without donor restrictions	(5,228)	(133,754)	(34,500)	(62,874)	300,383	(92,939)	(1,392,653)	(44,934)	151,419	(536,793)	151,777	(30,583)	-	(1,730,679)
Net Assets:														
Beginning of year	727,485	3,201,271	2,529,855	2,578,956	1,664,472	(288,131)	5,238,669	(14,343,963)	(1,976,997)	560,581	282,159	559,028	(600,000)	133,385
End of year	<u>\$ 722,257</u>	<u>\$ 3,067,517</u>	<u>\$ 2,495,355</u>	<u>\$ 2,516,082</u>	<u>\$ 1,964,855</u>	<u>\$ (381,070)</u>	<u>\$ 3,846,016</u>	<u>\$ (14,388,897)</u>	<u>\$ (1,825,578)</u>	<u>\$ 23,788</u>	<u>\$ 433,936</u>	<u>\$ 528,445</u>	<u>\$ (600,000)</u>	<u>\$ (1,597,294)</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Camden Prep Foundation, Inc.
June 30, 2019

Assets	Camden Prep Foundation, Inc.	CP Haddon & Copewood, LLC (Camden, NJ)	CP Mt. Ephraim, LLC (Camden, NJ)	Total
Current Assets:				
Cash and cash equivalents	\$ -	\$ 92,467	\$ 187,172	\$ 279,639
Accounts and other receivables	-	114,679	-	114,679
Current portion of restricted deposits	-	140,409	8,132,881	8,273,290
Total current assets	-	347,555	8,320,053	8,667,608
Other Assets:				
Restricted deposits, net of current portion	-	454,214	9,021,809	9,476,023
Property and equipment, net	-	34,537,342	883,032	35,420,374
Construction in process	-	-	26,060,184	26,060,184
Total assets	\$ -	\$ 35,339,111	\$ 44,285,078	\$ 79,624,189
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 93	\$ -	\$ -	\$ 93
Accounts payable - construction	-	140,409	8,132,881	8,273,290
Accrued interest	-	104,877	40,482	145,359
Due to related parties	10,654	106,503	81,458	198,615
Total current liabilities	10,747	351,789	8,254,821	8,617,357
Other Liabilities:				
Notes and bonds payable, net	-	35,417,289	36,169,718	71,587,007
Total liabilities	10,747	35,769,078	44,424,539	80,204,364
Net Assets:				
Without donor restrictions:				
Operating	(10,747)	(4,234)	-	(14,981)
Development	-	-	(134,890)	(134,890)
Property and equipment	-	(425,733)	(4,571)	(430,304)
Total net assets without donor restrictions	(10,747)	(429,967)	(139,461)	(580,175)
Total liabilities and net assets	\$ -	\$ 35,339,111	\$ 44,285,078	\$ 79,624,189

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Camden Prep Foundation, Inc.
For the Year Ended June 30, 2019

	<u>Camden Prep Foundation, Inc.</u>	<u>CP Haddon & Copewood, LLC (Camden, NJ)</u>	<u>CP Mt. Ephraim, LLC (Camden, NJ)</u>	<u>Total</u>
Net Assets Without Donor Restrictions:				
Operating revenues:				
Management fees	\$ -	\$ 104,059	\$ -	\$ 104,059
Rental income	-	1,015,200	-	1,015,200
Interest and other	-	46,453	38,373	84,826
	<u>-</u>	<u>1,165,712</u>	<u>38,373</u>	<u>1,204,085</u>
Total operating revenues	-	1,165,712	38,373	1,204,085
Operating expenses:				
Interest	-	515,278	40,481	555,759
Program and grant expenses	-	104,059	-	104,059
Depreciation	-	824,771	24,472	849,243
Administrative	4,909	23,825	8,005	36,739
	<u>4,909</u>	<u>1,467,933</u>	<u>72,958</u>	<u>1,545,800</u>
Total operating expenses	4,909	1,467,933	72,958	1,545,800
Changes in net assets without donor restrictions	(4,909)	(302,221)	(34,585)	(341,715)
Net Assets:				
Beginning of year	<u>(5,838)</u>	<u>(127,746)</u>	<u>(104,876)</u>	<u>(238,460)</u>
End of year	<u>\$ (10,747)</u>	<u>\$ (429,967)</u>	<u>\$ (139,461)</u>	<u>\$ (580,175)</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Rochester Prep Foundation, Inc.
June 30, 2019

	Rochester Prep Foundation, Inc.	True North Parking, LLC (Rochester, NY)	True North Rochester Real Estate, LLC (Rochester, NY)	True North Rochester Real Estate Ames Street, LLC (Rochester, NY)	Rochester Chili Ave, LLC (Rochester, NY)	True North Andrews Street, LLC (Rochester, NY)	True North St. Jacob Street, LLC (Rochester, NY)	Eliminations	Total
Assets									
Current Assets:									
Cash and cash equivalents	\$ -	\$ -	\$ 41,692	\$ 371,883	\$ 400,189	\$ 206,753	\$ 322,368	\$ -	\$ 1,342,885
Accounts and other receivables	-	-	1,096	-	-	-	-	-	1,096
Total current assets	-	-	42,788	371,883	400,189	206,753	322,368	-	1,343,981
Other Assets:									
Restricted deposits	-	-	-	14,185	11,486	-	-	-	25,671
Investment in affiliates	188,873	-	-	-	-	-	-	(188,873)	-
Property and equipment, net	-	10,000	781,741	1,114,034	4,115,645	-	2,258,283	-	8,279,703
Construction in process	-	-	-	-	-	7,895,451	-	-	7,895,451
Total assets	<u>\$ 188,873</u>	<u>\$ 10,000</u>	<u>\$ 824,529</u>	<u>\$ 1,500,102</u>	<u>\$ 4,527,320</u>	<u>\$ 8,102,204</u>	<u>\$ 2,580,651</u>	<u>\$ (188,873)</u>	<u>\$ 17,544,806</u>
Liabilities and Net Assets									
Current Liabilities:									
Current portion of notes and bonds payable	\$ -	\$ -	\$ -	\$ 59,158	\$ 46,307	\$ -	\$ -	\$ -	\$ 105,465
Accounts payable and accrued expenses	3,185	-	15,188	300	300	-	-	-	18,973
Accounts payable - construction	-	-	-	-	-	2,446,840	-	-	2,446,840
Deferred rental revenue	-	-	-	69,804	61,182	24,455	32,585	-	188,026
Current portion of due to related parties	10,409	-	30,600	30,000	30,000	30,000	30,000	-	161,009
Total current liabilities	13,594	-	45,788	159,262	137,789	2,501,295	62,585	-	2,920,313
Other Liabilities:									
Notes and bonds payable, net	-	-	-	2,449,369	2,344,969	-	-	-	4,794,338
Due to related parties, net of current portion	-	-	-	-	-	2,909,023	1,354,573	-	4,263,596
Total liabilities	<u>13,594</u>	<u>-</u>	<u>45,788</u>	<u>2,608,631</u>	<u>2,482,758</u>	<u>5,410,318</u>	<u>1,417,158</u>	<u>-</u>	<u>11,978,247</u>
Net Assets:									
Without donor restrictions:									
Operating	(13,594)	-	(3,000)	271,779	308,707	152,298	259,783	-	975,973
Development	188,873	-	-	-	-	2,539,588	-	(188,873)	2,539,588
Property and equipment	-	10,000	781,741	(1,380,308)	1,735,855	-	903,710	-	2,050,998
Total net assets without donor restrictions	<u>175,279</u>	<u>10,000</u>	<u>778,741</u>	<u>(1,108,529)</u>	<u>2,044,562</u>	<u>2,691,886</u>	<u>1,163,493</u>	<u>(188,873)</u>	<u>5,566,559</u>
Total liabilities and net assets	<u>\$ 188,873</u>	<u>\$ 10,000</u>	<u>\$ 824,529</u>	<u>\$ 1,500,102</u>	<u>\$ 4,527,320</u>	<u>\$ 8,102,204</u>	<u>\$ 2,580,651</u>	<u>\$ (188,873)</u>	<u>\$ 17,544,806</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Rochester Prep Foundation, Inc.
For the Year Ended June 30, 2019

	Rochester Prep Foundation, Inc.	True North Parking, LLC (Rochester, NY)	True North Rochester Real Estate, LLC (Rochester, NY)	True North Rochester Real Estate Ames Street, LLC (Rochester, NY)	Rochester Chili Ave, LLC (Rochester, NY)	True North Andrews Street, LLC (Rochester, NY)	True North St. Jacob Street, LLC (Rochester, NY)	Eliminations	Total
Net Assets Without Donor Restrictions:									
Operating revenues:									
Rental income	\$ -	\$ -	\$ 68,443	\$ 279,216	\$ 244,728	\$ 94,972	\$ 126,544	\$ -	\$ 813,903
Interest and other	-	-	-	130	90	-	-	-	220
Total operating revenues	-	-	68,443	279,346	244,818	94,972	126,544	-	814,123
Operating expenses:									
Interest	-	-	-	157,992	135,365	28,939	43,170	-	365,466
Depreciation	-	-	22,088	34,169	108,238	-	54,183	-	218,678
Administrative	8,495	-	30,769	30,995	32,990	36,532	31,528	-	171,309
Occupancy	-	-	24,431	-	-	-	-	-	24,431
Total operating expenses	8,495	-	77,288	223,156	276,593	65,471	128,881	-	779,884
Changes in net assets without donor restrictions from operations	(8,495)	-	(8,845)	56,190	(31,775)	29,501	(2,337)	-	34,239
Other revenue:									
Forgiveness of debt	-	-	-	-	114,286	-	-	-	114,286
Grant from (to) affiliate for new initiatives	-	-	-	-	-	2,491,116	-	-	2,491,116
Total other revenue	-	-	-	-	114,286	2,491,116	-	-	2,605,402
Changes in net assets without donor restrictions	(8,495)	-	(8,845)	56,190	82,511	2,520,617	(2,337)	-	2,639,641
Net Assets:									
Beginning of year	183,774	10,000	787,586	(1,164,719)	1,962,051	171,269	1,165,830	(188,873)	2,926,918
End of year	\$ 175,279	\$ 10,000	\$ 778,741	\$ (1,108,529)	\$ 2,044,562	\$ 2,691,886	\$ 1,163,493	\$ (188,873)	\$ 5,566,559

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Expanded - Troy Prep Foundation, Inc.
June 30, 2019

	Troy Prep Foundation, Inc.	True North Troy Real Estate, LLC (Troy, NY)	True North Tyler Street, LLC (Troy, NY)	True North River Street, LLC (Troy, NY)	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ -	\$ 6,784	\$ 425,696	\$ 781,195	\$ 1,213,675
Accounts and other receivables	-	-	-	5,085	5,085
Prepaid expenses and other	-	-	5,820	-	5,820
Total current assets	-	6,784	431,516	786,280	1,224,580
Other Assets:					
Property and equipment, net	-	31,477	4,338,175	1,680,820	6,050,472
Total assets	<u>\$ -</u>	<u>\$ 38,261</u>	<u>\$ 4,769,691</u>	<u>\$ 2,467,100</u>	<u>\$ 7,275,052</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of notes and bonds payable	\$ -	\$ -	\$ 29,969	\$ -	\$ 29,969
Accounts payable and accrued expenses	-	-	6,330	862	7,192
Deferred rental revenue	-	-	126,525	82,500	209,025
Current portion of due to related parties	10,296	-	60,000	25,000	95,296
Total current liabilities	10,296	-	222,824	108,362	341,482
Other Liabilities:					
Notes and bonds payable, net	-	-	1,124,690	-	1,124,690
Due to related parties, net of current portion	-	-	3,893,607	2,134,734	6,028,341
Total liabilities	10,296	-	5,241,121	2,243,096	7,494,513
Net Assets:					
Without donor restrictions:					
Operating	(10,296)	6,784	238,661	677,918	913,067
Property and equipment	-	31,477	(710,091)	(453,914)	(1,132,528)
Total net assets without donor restrictions	(10,296)	38,261	(471,430)	224,004	(219,461)
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 38,261</u>	<u>\$ 4,769,691</u>	<u>\$ 2,467,100</u>	<u>\$ 7,275,052</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets - Expanded - Troy Prep Foundation, Inc.
For the Year Ended June 30, 2019

	Troy Prep Foundation, Inc.	True North Troy Real Estate, LLC (Troy, NY)	True North Tyler Street, LLC (Troy, NY)	True North River Street, LLC (Troy, NY)	Total
Net Assets Without Donor Restrictions:					
Operating revenues:					
Rental income	\$ -	\$ -	\$ 506,100	\$ 330,000	\$ 836,100
Interest and other	-	1	538	40,314	40,853
Total operating revenues	-	1	506,638	370,314	876,953
Operating expenses:					
Interest	-	-	151,228	-	151,228
Depreciation	-	-	133,133	44,120	177,253
Administrative	3,606	184	173,848	32,437	210,075
Total operating expenses	3,606	184	458,209	76,557	538,556
Changes in net assets without donor restrictions from operations	(3,606)	(183)	48,429	293,757	338,397
Other revenue:					
Gain on unwind	-	-	164,620	-	164,620
Changes in net assets without donor restrictions	(3,606)	(183)	213,049	293,757	503,017
Net Assets:					
Beginning of year	(6,690)	38,444	(684,479)	(69,753)	(722,478)
End of year	<u>\$ (10,296)</u>	<u>\$ 38,261</u>	<u>\$ (471,430)</u>	<u>\$ 224,004</u>	<u>\$ (219,461)</u>

UNCOMMON SCHOOLS, INC. AND AFFILIATES

Parent Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program	General and Administrative				
	Charter Management Program	Charter School Support	CMO Support	Total General and Administrative	Fundraising	Total
Personnel and Related Costs:						
Salaries	\$ 13,543,063	\$ 1,715,780	\$ 5,860,055	\$ 7,575,835	\$ 908,338	\$ 22,027,236
Payroll taxes and employee benefits	2,345,068	297,098	1,014,706	1,311,804	157,284	3,814,156
Total payroll and related costs	15,888,131	2,012,878	6,874,761	8,887,639	1,065,622	25,841,392
Interest:						
Interest on notes and bonds payable	240,008	-	-	-	-	240,008
Program and Grant Expenses:						
Grants to schools	7,606,823	-	-	-	-	7,606,823
Other school support	2,641,462	66,991	262,429	329,420	112,291	3,083,173
Professional development	1,008,041	92,672	363,033	455,705	-	1,463,746
Total program and grant expenses	11,256,326	159,663	625,462	785,125	112,291	12,153,742
Depreciation	186,950	37,390	9,347	46,737	-	233,687
Administrative:						
Office and other	1,522,883	247,468	57,108	304,576	76,144	1,903,603
Professional services	477,632	77,615	17,911	95,526	23,882	597,040
Total administrative	2,000,515	325,083	75,019	400,102	100,026	2,500,643
Occupancy:						
Rent, utilities and maintenance	188,975	30,709	7,087	37,796	9,449	236,220
Donated space	481,500	78,244	18,056	96,300	24,075	601,875
Total occupancy	670,475	108,953	25,143	134,096	33,524	838,095
System and Technology	1,790,951	291,030	67,161	358,191	89,548	2,238,690
Total operating expenses	\$ 32,033,356	\$ 2,934,997	\$ 7,676,893	\$ 10,611,890	\$ 1,401,011	\$ 44,046,257

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APPENDIX C

CHARTER SCHOOLS IN NEW JERSEY

This Appendix is intended to provide a general overview of certain provisions of the State of New Jersey Charter School Program Act of 1995 and other provisions of law affecting charter schools in the State of New Jersey (the "State"). This Appendix provides a summary only and is for informational purposes only. Potential investors should refer to and independently evaluate applicable provisions of the Charter School Act in their entirety, with assistance from counsel as necessary, for a complete understanding of their terms. Potential investors should also note that the provisions summarized below are subject to change, and this summary only pertains to certain aspects of currently existing law. The State may enact changes to the laws governing charter schools, such as the schools operated by North Star, at any time. Neither the Borrower nor North Star can predict the nature, scope or timing of any such changes, and neither of them makes any representation with respect thereto.

GENERAL

In 1995, the State of New Jersey (the "State") enacted the Charter School Program Act of 1995, comprising New Jersey Statutes Annotated ("NJSA") 18A:36A *et seq.* (as amended, the "Charter School Act"). In enacting the Charter School Act, the New Jersey Legislature (the "State Legislature") found and declared that the establishment of charter schools as part of the State's program of public education can assist in promoting comprehensive educational reform by providing a mechanism for the implementation of a variety of educational approaches which may not be available in the traditional public school classroom.

Specifically, the State Legislature found that charter schools offer the potential to improve pupil learning; increase for students and parents the educational choices available when selecting the learning environment which they feel may be the most appropriate; encourage the use of different and innovative learning methods; establish a new form of accountability for schools; require the measurement of learning outcomes; make the school the unit for educational improvement; and establish new professional opportunities for teachers. Additionally, the State Legislature found that the establishment of a charter school program is in the best interests of the students of the State and it is therefore the public policy of the State to encourage and facilitate the development of charter schools.

Establishment of a Charter School

A charter school may be established by teaching staff members, parents with children attending the schools of the district, or a combination of teaching staff members and parents. A charter school may also be established by an institution of higher education or a private entity located within the State in conjunction with teaching staff members and parents of children attending the schools of the district. If the charter school is established by a private entity, representatives of the private entity may not constitute a majority of the trustees of the school, and the charter will specify the extent to which the private entity will be involved in the operation of the school. The name of the charter school may not include the name or identification of the private entity, and the private entity may not realize a net profit from its operation of a charter school.

A charter granted by the Commissioner pursuant to the Charter School Act will be granted for an initial four-year period.

An application to establish a charter school must be submitted to the Commissioner (the "Commissioner") of the New Jersey Department of Education (the "Department") and the local board of education or State district superintendent, in the case of a school district under full State intervention, in the school year preceding the school year in which the charter school will be established. The board of education or State district superintendent shall review the application and forward a recommendation to the

Commissioner within 60 days of receipt of the application. The Department is the sole charter school authorizer in the State.

Prior to final granting of the charter, a preparedness visit to prospective charter schools will be conducted by the Department. Prior to the granting of the charter, the Commissioner must assess the student composition of a charter school and the segregative effect that the loss of the students may have on its district of residence.

The Commissioner may approve or deny an application for a charter after review of the application submitted by an eligible applicant and the recommendation(s) from the district board(s) of education or State district superintendent(s) of the district of residence of the proposed charter school. The Commissioner has final authority to grant or reject a charter application. The local board of education or a charter school applicant may appeal the decision of the Commissioner to the Appellate Division of the New Jersey Superior Court.

An application for a charter school must include the following information:

- (a) The identification of the charter applicant;
- (b) The name of the proposed charter school;
- (c) The proposed governance structure of the charter school including a list of the proposed members of the board of trustees of the charter school or a description of the qualifications and method for the appointment or election of members of the board of trustees;
- (d) The educational goals of the charter school, the curriculum to be offered, and the methods of assessing whether students are meeting educational goals. Charter school students are required to meet the same testing and academic performance standards as established by law and regulation for public school students. Charter school students must also meet any additional assessment indicators which are included within the charter approved by the Commissioner;
- (e) The admission policy and criteria for evaluating the admission of students which shall comply with the requirements of the Charter School Act;
- (f) The age or grade range of students to be enrolled;
- (g) The school calendar and school day schedule;
- (h) A description of the charter school staff responsibilities and the proposed qualifications of teaching staff;
- (i) A description of the procedures to be implemented to ensure significant parental involvement in the operation of the school;
- (j) A description of, and address for, the physical facility in which the charter school will be located;
- (k) Information on the manner in which community groups will be involved in the charter school planning process;

- (l) The financial plan for the charter school and the provisions which will be made for auditing the school pursuant to the provisions of N.J.S.18A:23-1;
- (m) A description of and justification for any waivers of regulations which the charter school will request; and
- (n) Such other information as the Commissioner may require.

Charter Renewal

The Commissioner may grant a five-year renewal of a charter following the initial four-year charter.

A charter school must submit a renewal application to the Commissioner, the respective county superintendent of schools and the district board of education or State district superintendent of the district of residence of the charter school no later than October 15 of the last school year of the current charter, or on a date prescribed by the Commissioner. The Commissioner shall notify a charter school regarding the granting or denial of the renewal on or before February 1 of the last school year of the current charter, or on a date prescribed by the Commissioner. The notification to a charter school that is not granted a renewal shall include reasons for the denial.

The Commissioner shall grant or deny a renewal of a charter upon a comprehensive review of the school including, but not limited to:

- (a) A review of the charter school based on its charter agreement and the State's Performance Framework;
- (b) The review of a charter school's annual reports;
- (c) Comments of the annual reports from the district board(s) of education or State district superintendent(s) of the district of residence of the charter school;
- (d) Student performance on the Statewide assessment program;
- (e) Monitoring of the charter school by the executive county superintendent;
- (f) Monitoring of the charter school by the Commissioner or designee(s);
- (g) The annual assessments of student composition of the charter school;
- (h) The recommendation of the district board(s) of education or State district superintendent(s) of the district of residence forwarded to the Commissioner within 30 days of receipt of the renewal application;
- (i) A structured interview with the Commissioner or designee(s) with: (1) a member of the charter school board of trustees; (2) the lead person of the charter school; (3) a teacher at the charter school; and (4) a parent or other representative of the charter school;
- (j) The review of the charter school's educator evaluation system; and
- (k) A review to ensure the charter school has established an escrow account or posted a surety bond of no less than \$75,000 to pay for legal and audit expenses and any outstanding pension benefit(s) that would be associated with dissolution if it occurs.

Charter schools that have been deemed high performing, based upon the criteria outlined in the State's Academic Performance Framework, for three consecutive years during the most recent charter term, and have had no major fiscal or compliance issues, shall be eligible for an expedited renewal review process. The Department will notify charter schools prior to October 1 whether they qualify for an expedited review process. Within 75 days of the renewal application submission, the Commissioner shall notify such a charter school of whether it has been granted renewal of its charter.

Charter Amendments

A charter school may apply to the Commissioner for an amendment to the charter following the final granting of the charter. Examples of what a charter school may seek an amendment for include, but are not limited to, the following:

- (a) Expanding enrollment;
- (b) Expanding grade levels;
- (c) Changing or adding a district or region of residence;
- (d) Opening a new satellite campus; or
- (e) Establishing a weighted lottery.

The Commissioner shall review a charter school's performance data in assessing the need for a possible charter amendment.

Probation and Revocation of Charter

The Commissioner may place a charter school on probationary status for a period of time as determined by the Commissioner to allow the implementation of a remedial plan upon a finding that the charter school is not operating in compliance with its charter, statutes, or regulations.

A charter school must submit a remedial plan to the Commissioner within 15 days from the receipt of the notice of probationary status. The charter school must provide the specific steps, within the remedial plan, that it shall undertake to resolve the condition(s) not fulfilled and/or the violation(s) of its charter. The Commissioner may remove the probationary status of a charter school if the school provides sufficient evidence, as determined by the Commissioner, that the terms of the probation have been met and the causes for the probationary status are corrected. The Commissioner may grant extensions to the probationary status where warranted and extend the probationary period if the charter school has implemented its remedial plan but needs additional time to complete the implementation of its corrections.

The Commissioner may revoke the charter if the remedial plan is deemed to be insufficient or if probation terms have not been met. The Commissioner may revoke a school's charter following review by the Department for one or more of the following reasons:

- (a) Any condition imposed by the Commissioner in connection with the granting of the charter that has not been fulfilled by the school;
- (b) Violation of any provision of its charter by the school;
- (c) Failure of the remedial plan to correct the conditions that caused the probationary status. The Commissioner may place a school on probation before charter revocation, but probationary status is not necessary for revocation; or

- (d) Failure of the charter school to meet any standards set forth in its charter agreement or the Performance Framework.

Charter Oversight

Pursuant to the Charter School Act, the Commissioner is required to annually assess whether each charter school is meeting the goals of its charter. The county superintendent of schools of the county in which the charter school is located shall have on-going access to the records and facilities of the charter school to ensure that the charter school is in compliance with its charter and that State board regulations concerning assessment, testing, civil rights, and student health and safety are being met. Additionally, on an annual basis, the Commissioner must assess the student composition of a charter school and the segregative effect that the loss of the students may have on its district of residence.

In order to facilitate the Commissioner's review, each charter school must submit an annual report to the local board of education, the county superintendent of schools, and the Commissioner by August 1 of each year. The report must also be made available to the parent or guardian of a student enrolled in the charter school.

The Commissioner may revoke a school's charter if the school has not fulfilled any condition imposed by the Commissioner in connection with the granting of the charter or if the school has violated any provision of its charter. The Commissioner may place the charter school on probationary status to allow the implementation of a remedial plan after which, if the plan is unsuccessful, the charter may be summarily revoked.

Charter Governance and Employees

The board of trustees of a charter school has the authority to decide matters related to the operations of the school including budgeting, curriculum, and operating procedures, subject to the school's charter. The board must provide for appropriate insurance against any loss or damage to its property or any liability resulting from the use of its property or from the acts or omissions of its officers and employees.

All classroom teachers and professional support staff must hold appropriate New Jersey certification. In the case of an existing public school which becomes a charter school pursuant to the Charter School Act, all school employees of the charter school are deemed to be members of the bargaining unit defined in the applicable agreement and shall be represented by the same majority representative organization as the employees covered by that agreement. In the case of other charter schools, the board of trustees of a charter school shall have the authority to employ, discharge and contract with necessary teachers and nonlicensed employees subject to the school's charter. The board of trustees may choose whether or not to offer the terms of any collective bargaining agreement already established by the school district for its employees, but the board shall adopt any health and safety provisions of the agreement.

Charter schools and their employees are subject to the provisions of the New Jersey Employer-Employee Relations Act (NJSA C.34:13A-1 *et seq.*). A charter school may not set a teacher salary lower than the minimum teacher salary specified pursuant to NJSA C.18A:29-5.6 nor higher than the highest step in the salary guide in the collective bargaining agreement which is in effect in the district in which the charter school is located.

Employee Tenure. All teaching staff members, janitors, and secretaries shall acquire tenure in a charter school after five consecutive full academic years of effective employment as determined by the Department-approved educator evaluation system established by each charter school and in accordance with the charter school's uniform policies and procedures. Tenure policies shall be developed and adopted by each charter school's board of trustees prior to June 30, 2013.

All teaching staff members, janitors, and secretaries who have acquired tenure prior to June 30, 2013, shall retain tenure status and shall not be dismissed or reduced in compensation except for inefficiency, incapacity, or conduct unbecoming.

The Commissioner may void acquired streamline tenure status for all applicable charter school employees if stipulated in the terms of probation described under the heading “— Probation and Charter Revocation” herein.

STATE FUNDING OF CHARTER SCHOOLS

State Aid to Schools

In 1973, the Supreme Court of the State (the “Court”) first ruled in *Robinson v. Cahill* that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court’s ruling, the State Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 *et seq.* (as subsequently amended, the “Public School Education Act”), which required funding of the State’s school aid through the New Jersey Gross Income Tax Act (P.L. 1976, c. 47).

On June 5, 1990, the Court ruled in *Abbott v. Burke* that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State’s responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. For many years, aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State’s then current plan for school aid was a “constitutionally adequate scheme.” However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six (6) years and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State (“SFRA Modification Law”). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-20 school year through the 2024-25 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year.

The State provides State aid to school districts of the State in amounts provided in the State Budget each year. These include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front, and debt service aid must be appropriated annually by the State. Pursuant to the Charter School Act, a charter school shall not use public funds other than Federal funds for the construction of a facility. However, a charter school may use State and local funds for the rehabilitation or expansion of a facility, provided the charter school submits to the Department a statement assuring adequate funds are allocated to the classroom.

Per Pupil Funding Calculations

School districts use projected charter school aid as established by the Commissioner in a report distributed no later than February 15 of the pre-budget year for budget purposes and to initiate school district payments to charter schools for the subsequent year. The report establishes for each school district a per pupil amount for the local and State shares and categorical aids per student. Once the per-pupil amount is established, it is not adjusted.

Projected charter school aid is based on projected enrollments at the charter school. The number of students enrolled in the charter school is adjusted based on average daily enrollment for aid purposes throughout the school year in accordance with the prescribed adjustments listed under the heading “Enrollment Counts, Payment Process and Aid Adjustments” below. “Average daily enrollment” means the sum of the days of all students enrolled in the register(s) of the program for which the aid is being determined divided by the number of days school was actually in session.

The per-pupil amount comprises local share and State share. The local share per pupil is the part of the per pupil amount that includes the general fund tax levy of the school district of residence's or nonresident district(s) budget(s). The State share per pupil is the part of the per pupil amount that includes the equalization aid portion of the school district of residence's or nonresident district(s)' budget(s) or amounts, if any, contained in the annual appropriations act in-lieu-of or to supplement equalization aid for the corresponding fiscal year.

On or before March 30 of each year, a charter school board of trustees shall submit to the Commissioner a budget in the State-mandated format for the following fiscal year, all of which are based on the most recent enrollment projections provided to the charter school by the Commissioner.

Enrollment Counts, Payment Process and Aid Adjustments

The school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation. In addition, the school district of residence shall pay directly to the charter school the security categorical aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the charter school and, if applicable, 100% of preschool education aid. The district of residence shall also pay directly to the charter school any federal funds attributable to the student.

“Categorical aid attributable to the student” means security categorical aid attributable to the student and a percentage of the school district’s special education categorical aid equal to the percentage of the school district’s special education students enrolled in the charter school and, if applicable, 100 percent of preschool education aid attributable to the student.

Notwithstanding the above, in the case of a student who was not included in a district’s projected resident enrollment for the school year, the State shall pay 100% of the amount required above for the first year of the student’s enrollment in the charter school. The State shall make all such payments directly to the charter school.

A district board of education shall process payment(s) and payment adjustments to a charter school during the school year as follows:

1. The district of residence and non-resident school district(s) shall initiate payments to the charter school based on projected enrollment.
2. The school district of residence and non-resident school district(s) shall pay directly to a charter school the local share per pupil at the charter school rate in 12 equal installments starting July 15 and thereafter on the 15th of each month.
3. The school district shall pay directly to the charter school the following aid in 20 equal installments on the 9th and 23rd of every month starting with September 9 and ending with June 23, or as established by the State Legislature, the State share per pupil at the charter school rate and categorical aid attributable to the student.
4. The charter school shall submit to the resident school district a listing of all students on roll on October 15 in a format prescribed by the school district for purposes of determining State aid. Pursuant to the guidelines in the school register, the charter school shall also submit to the school district copies of all source documents related to the determination of State aid.
5. During the school year, a charter school board of trustees shall conduct an enrollment count on October 15 and the last day of the school year. A charter school board of trustees shall submit each count in a summary school register for the purposes of determining average daily enrollment.

All aid paid to the charter school by the school district will be adjusted accordingly from projected enrollment to average daily enrollment on October 15 and the adjustment shall be spread evenly over the remaining pay periods in the school year. A final adjustment shall be calculated at year-end to account for changes in the average daily enrollment from October 15 to the end of the school year.

The Commissioner will issue a report for the end-of-year adjustment to both the charter school and the district of residence and non-resident school district(s) after the final enrollment count. If there is a reduction in aid, the charter school shall pay the full amount to the school district no later than September 30 of the subsequent school year. If there is an increase in aid, the school district shall pay the full amount to the charter school no later than September 30 of the subsequent school year.

A district board of education and a charter school board of trustees may change the payment provisions above, if mutual agreement can be reached on an alternative payment schedule. The Commissioner may adjust the payment schedule based on the effective date of the final granting of the charter or based on significant change in enrollment during the school year.

Preschool and Special Education

A district board of education that receives full-day preschool education aid shall pay to a charter school the amount of preschool education aid attributable to a resident student attending the charter school if the charter school has a concentration of at-risk pupils that is equal to or greater than 40 percent; and the resident student is receiving appropriate services to be funded through preschool education aid.

A charter school may apply directly to the Commissioner for aid for high-cost placement for a special education student in accordance with N.J.S.A.18A:7F-55.b and c.

Historical Funding Amounts

See Table 14 in Appendix A to this Limited Offering Memorandum for a table of historical per-pupil funding rates for the schools operated by North Star.

Number of Charter Schools

There is no limit in the Charter School Act on the number of charter schools that may be approved each year, or in aggregate, by the Department. Currently, there are 88 charter schools operating in the State. The following table indicates the number of charter schools, charter school enrollment and the percentage of all New Jersey students enrolled in charter schools in 2010-11 through 2019-20.

TABLE 2
NEW JERSEY CHARTER SCHOOLS AND ENROLLMENT
2010-11 through 2019-20

<i>Year</i>	<i>Number of Charter Schools</i>	<i>Charter School Enrollment</i>	<i>Percent of Students Enrolled in Charter Schools</i>
2019-20	88	55,604	4.0%
2018-19	88	51,994	3.8
2017-18	89	49,740	3.6
2016-17	89	46,651	3.4
2015-16	89	42,117	3.1
2014-15	87	37,670	2.8
2013-14	87	33,402	2.4
2012-13	86	29,669	2.2
2011-12	76	26,266	1.9
2010-11	72	23,257	1.7

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APPENDIX D
FORM OF LOAN AGREEMENT

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LOAN AGREEMENT

By and Between

THE ESSEX COUNTY IMPROVEMENT AUTHORITY

and

NSA 377 WASHINGTON STREET, LLC

Dated as of October 1, 2020

LOAN AGREEMENT

\$29,595,000 Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc.-2020 Project))

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LOAN AGREEMENT

THIS LOAN AGREEMENT dated as of October 1, 2020 by and between **THE ESSEX COUNTY IMPROVEMENT AUTHORITY** (the “Authority”), created by resolution of the Board of Chosen Freeholders of the County of Essex, New Jersey, as a public body corporate and politic of the State of New Jersey, and its successors and assigns, and **NSA 377 WASHINGTON STREET, LLC**, a limited liability company organized and existing under the laws of the State of New Jersey and authorized to do business in the State of New Jersey (as defined below, the “Borrower”).

WHEREAS, the Authority is authorized by the County Improvement Authorities Law (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented ("Act"), to extend credit or make loans for the planning, design, acquisition, construction, improvement, renovation, installation, maintenance and operation of facilities to any corporation which is organized for any purpose under N.J.S.A. 15A:2-1, which credits or loans may be secured by loan and security agreements, mortgages, leases, and any other instruments, upon such terms and conditions as the Authority shall deem reasonable; and

WHEREAS, the Authority, to accomplish the purposes of the Act, is empowered to extend credit to such employment promoting enterprises in the name of the Authority on such terms and conditions and in such manner as it may deem proper for such consideration and upon such terms and conditions as the Authority may determine to be reasonable; and

WHEREAS, the Borrower has applied to the Authority for financial assistance in the total aggregate principal amount of up to \$40,000,000, such assistance to be used to fund the costs to (i) refinance a construction loan that was used to partially fund the construction of a public school building of 6 stories containing approximately 162,000 square feet on the land located at 359-377 Washington Street (Block 98, Lot 1), in the City of Newark, County of Essex and State of New Jersey, (ii) fund a Debt Service Reserve Fund, and (iii) pay costs of issuance of the Bonds (the “Project”); and

WHEREAS, the Authority has by resolution, duly adopted in accordance with the Act on July 28, 2020, accepted the Application for Financial Assistance of the Borrower and made certain findings and determinations with respect to the Project, authorized the issuance of up to \$40,000,000 total aggregate principal amount of its Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. – 2020 Project) for the purpose of making a loan to the Borrower to finance the costs of the Project; and

WHEREAS, the Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. – 2020 Project) will be issued on the Issue Date (as defined herein) in the aggregate principal amount of \$29,595,000; and

WHEREAS, the Authority contemporaneously with the execution and delivery of this Loan Agreement shall enter into a Trust Indenture dated as of October 1, 2020 (the “Indenture”)

wherein the Authority has assigned certain of its rights under this Loan Agreement to the Trustee under the Indenture for the benefit of the Holders from time to time of the Bonds; and

WHEREAS, the execution and delivery of this Loan Agreement have been duly authorized by the parties hereto and all conditions, acts and things necessary and required by the Constitution or statutes of the State of New Jersey or otherwise to exist, to have happened, or to have been performed precedent to or in the execution and delivery of this Loan Agreement do exist, have happened and have been performed.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and representations herein, and intending to be legally bound, the parties hereto hereby mutually agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. As used herein, the following terms shall have the following meanings unless a different meaning clearly appears from the context, and terms not otherwise defined herein shall have the meaning provided in the Indenture:

“Act” shall mean the County Improvement Authorities Law (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented;

“Additional Bonds” means any Bonds or series of Bonds, authenticated and delivered under the Indenture, other than the Series 2020 Bonds;

“Additional Indebtedness” means any additional Indebtedness incurred by the Borrower, including Indebtedness represented by Additional Bonds, subsequent to the issuance of the Bonds;

“Additional Series Note” shall mean the additional series note or notes executed and delivered by the Borrower in a principal amount equal to the corresponding series of Additional Bonds;

“Application” shall mean the Borrower’s application for financial assistance to the Authority, seeking financial assistance for the Project, and all attachments, exhibits, correspondence and modifications submitted in writing to the Authority in connection with said Application;

“Article” shall mean a specified article hereof, unless otherwise indicated;

“Authority” shall mean The Essex County Improvement Authority, created by resolution of the Board of Chosen Freeholders of the County of Essex, New Jersey, as a public body corporate and politic of the State of New Jersey, and its successors and assigns;

“Authorized Authority Representative” shall mean any officer or officers duly authorized by the Authority to act on its behalf as set forth in the definition of Authority Officer in the Indenture;

“Authorized Borrower Representative” shall mean any officer of NSAF or other Person duly authorized by the Borrower in writing to act on its behalf, including the President, any Vice President, the Secretary, the Treasurer, and the Assistant Treasurer of the Borrower, NSAF and any Person authorized or designated in writing to manage the operations of the Borrower;

“Authorized Denomination” or “Authorized Denominations” shall have the meaning set forth in Section 2.03 of the Indenture;

“Balloon Debt” means Indebtedness 25% or more of the principal amount of which comes or may come due in any one Fiscal Year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof;

“Bond” or “Bonds” shall mean the Authority’s Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. – 2020 Project) in the total aggregate principal amount of \$29,595,000, authenticated and delivered pursuant to the Indenture, any Additional Bonds authenticated pursuant to the Indenture and any Bonds issued in replacement for any Bonds issued pursuant to the Indenture;

“Bond Counsel” means Chiesa Shahinian & Giantomasi PC, or any other attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds appointed by the Authority or the Borrower and not unacceptable to the Trustee;

“Bondholder”, “Holder” or “Registered Owner” or any similar term, when used with reference to a Bond or Bonds, means any Person who shall be the registered owner of any Bond or Bonds, respectively;

“Bond Proceeds” shall mean the amount paid to the Authority by the Underwriter as the purchase price of the Bonds, and accrued interest, if any;

“Bond Purchase Agreement” shall mean the bond purchase agreement dated October 15, 2020 among the Underwriter, the Authority and the Borrower;

“Bond Redemption Fund” or “Redemption Fund” shall mean the Redemption Fund established under Section 5.06 of the Indenture;

“Bond Year” when used in the context of the rebate requirement imposed under Section 148(f) of the Code means, with respect to the first Bond Year, the period beginning on the date of issuance of the Bonds, i.e., the date of initial delivery of the Bonds in exchange for the issue price from the Underwriter, and ending on the date one (1) year later or the close of business of such earlier date selected by the Authority at the direction of the Borrower which is the last day of a compounding interval used in computing the Yield on a series of Tax Exempt Bonds. Each subsequent Bond Year begins on the day after the expiration of the preceding Bond Year;

“Borrower” shall mean NSA 377 Washington Street, LLC, a New Jersey limited liability company (and its successors or assigns);

“Borrower’s Completion Certificate” shall mean the certificate described in Section 3.04, executed by the Borrower in form and substance acceptable to the Authority, wherein the Borrower certifies as to such matters as the Authority shall require, the form of which is attached as Exhibit C hereto;

“Business Day” means any day upon which the Trustee is not authorized or required by law or executive order to remain closed and on which the New York Stock Exchange remains open;

“Certificate” means a certificate or report executed: (a) in the case of an Authority Certificate, by an Authorized Authority Representative; (b) in the case of a Borrower Certificate, by an Authorized Borrower Representative; and (c) in the case of a Certificate of any other Person, by such person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person;

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder from time to time in effect;

“Collateral” means the security for the obligations of the Borrower hereunder and under the Note, including the Mortgage and the remainder of the Trust Estate (as defined in the Indenture);

“Completion Date” shall mean the date of completion of the Project as stated in the Borrower’s Completion Certificate described in Section 3.04;

“Construction Contract” shall mean, for purposes of the Prevailing Wage Requirements, any contract or subcontract in the amount of \$2,000 or more for construction, reconstruction, demolition, alteration, repair, or maintenance work, including painting and decorating, undertaken in connection with the Project Facilities;

“Consultant” shall mean an Independent, nationally recognized consulting firm which is appointed by the Borrower for the purpose of passing on questions relating to its financial affairs, management or operations, has a favorable reputation for skill and experience in performing similar services in respect of entities of a comparable size and nature and is not unsatisfactory to the Authority;

“Consumer Price Index” means the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, New York, New York – Northeastern New Jersey Area, All Items (1996 = 100), or any successor index thereto, appropriately adjusted (the “Consumer Price Index”). In the event the Consumer Price Index shall hereafter be converted to a different standard reference base or otherwise revised, the determination of the Consumer Price Index shall be made with the use of such conversion factor, formula or table for converting the Consumer Price Index as may be published by the Bureau of Labor Statistics or, if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice Hall, Inc., or failing such publication, by any other nationally recognized publisher of similar statistical information.

“Contractor” shall mean the principal or general contractor or contractors engaged by the Borrower in the performance of a Construction Contract;

“Cost” or “Costs” means all costs and expenses as may be necessary or incident to: (i) refinance a construction loan that was used to partially fund acquiring, constructing or installing the Project Facilities, (ii) fund a Debt Service Reserve Fund, and (iii) pay costs of issuance of the Bonds;

“Costs of Issuance Fund” shall mean the fund so designated and established pursuant to Section 5.13 of the Indenture;

“Counsel for the Borrower” shall mean the law firm of Faegre Drinker Biddle & Reath LLP, Florham Park, New Jersey;

“Counsel for the School” shall mean Saiber LLC, Florham Park, New Jersey;

“County” shall mean the County of Essex, State of New Jersey;

“Debt Service” shall mean the scheduled amount of interest and amortization of principal payable for any Bond Year with respect to the Bonds as defined in Section 148(d)(3)(D) of the Code;

“Debt Service Fund” means the fund so designated and established pursuant to Section 5.04 of the Indenture;

“Debt Service Reserve Fund” means the fund so designated and established pursuant to Section 5.05 of the Indenture;

“Debt Service Requirement” with reference to a specified period, shall mean:

a. interest payable on Long-Term Indebtedness during the period, excluding interest funded from the proceeds thereof;

b. amounts required to be paid into any mandatory sinking fund account for Long-Term Indebtedness during the period and amounts required to pay the principal of Long-Term Indebtedness maturing during the period and not to be redeemed prior to maturity through any mandatory sinking fund account; and

c. in the case of Long-Term Indebtedness in the form of a lease capitalized under GAAP, the lease rentals payable during the period;

provided, however, that (i) in the case of Indebtedness which bears interest at a variable, adjustable, or floating rate, interest shall be calculated, in any projection of Debt Service Requirement for a future period, (A) if the debt has been outstanding for at least twenty-four (24) months, at 100% of the average interest rate on such debt during the most recent twenty-four (24) month period, (B) if such debt has been outstanding for at least twelve (12) months but less than twenty-four (24) months at the higher of 100% of the average interest rate on such debt for the most recent twelve (12) month period or the rate in effect on the date of calculation, and (C)

if such debt has been outstanding for less than twelve (12) months, at a rate equal to 100% of (1) the average Bond Market Association Swap Index for the preceding twenty-four (24) months, if such debt is tax-exempt debt, and (2) the average rate for one-month Secured Overnight Financing Rate (SOFR) for the preceding twenty-four (24) months, if such debt is taxable debt, (ii) in the case of Balloon Debt, such debt shall be assumed to amortize on a level debt service basis over a period of twenty-five (25) years from the date of incurrence of such Balloon Debt unless a binding commitment to refinance such debt upon maturity has been provided by a financial institution rated at least “A” from S&P or “A2” from Moody’s, in which case such debt will be assumed to mature in accordance with the terms of such binding commitment, and interest payable shall be reduced by the amount of any interest subsidy which a Federal, state or local government is irrevocably committed to pay for the period in question, and (iii) the Debt Service Requirement on any Long-Term Indebtedness in the form of a guaranty of the indebtedness of others shall be deemed equal to (A) 25% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Funds Available for Debt Service at least equal to 150% of the annual debt service on its Long-Term debt in its latest fiscal year, (B) 50% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Funds Available for Debt Service at least equal to 125% but less than 150% of the annual debt service on its Long-Term debt in its latest fiscal year, (C) 75% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Funds Available for Debt Service at least equal to 110% but less than 125% of the annual debt service on its Long-Term debt in its latest fiscal year, and (D) 100% of the annual principal and interest requirements on the indebtedness being guaranteed during each Fiscal Year if the guaranteed entity had Funds Available for Debt Service below 110% of the annual debt service on its Long-Term debt in its latest fiscal year or if the Borrower has made a payment on the guaranteed entity’s debt during any of the last three Fiscal Years.

“Determination of Taxability” means with respect to any particular series of the Bonds, the occurrence of one of the following events:

(i) The delivery of written notice (the “Audit Notice”) to the Borrower by the Authority declaring that an examination of the Bonds has been undertaken by the Internal Revenue Service (the “IRS”), such Audit Notice to be effective 30 days after the giving of the same, unless prior thereto the Borrower files written notice with the Authority that it intends to participate in the audit process, at its own expense, to obtain a written determination from the IRS affirming that the interest on the Bonds is excluded from gross income, and agrees in writing to reimburse the Authority in accordance with Section 6.07(c) hereof. In the event the final IRS determination is adverse, the Audit Notice will be effective 30 days after the receipt of such final determination;

(ii) The delivery of written notice (the “Taxability Notice”) by a Bondholder to the Authority and the Borrower declaring that the IRS has issued to such Bondholder a proposed deficiency and agrees in writing to reimburse the Authority in accordance with Section 6.07(c) hereof (the “30-day letter”), the effect of which (in the opinion of the Bondholder) is to assert that the interest on the Bonds is included in the gross income of Bondholders, such Taxability

Notice to be effective 30 days after the giving of the same, subject to a stay of such 30-day period for the period of litigation if prior thereto the Borrower agrees in writing to participate in and defend a final judicial determination (including, at the Borrower's discretion, any or all appeals) to affirm that the interest on the Bonds is excluded from gross income and agrees in writing to reimburse the Authority in accordance with Section 6.07(c) hereof. In the event the final judicial determination is adverse, the Taxability Notice will be effective 30 days after the entry of such final judicial determination; or

(iii) The delivery of written notice (the "Event Notice") by the Borrower to the Authority declaring that a violation of one of the Borrower's Tax Covenants has occurred or will occur on a specified date (other than by reason of any of the events described in the foregoing subparagraphs (i) and (ii)), which the Borrower has determined (with the assistance of counsel) cannot be cured by appropriate remedial action under Treasury Regulation 1.141-12 or other IRS remedial relief, and describing the violation, such Event Notice to become effective 30 days after the giving of same;

"Disclosure Agreement" shall have the meaning given such term in Section 6.17 hereof;

"Environmental Indemnity Agreement" shall mean the Environmental Indemnity Agreement, together with any amendment or supplement thereto, executed by the Borrower, as Indemnitor, and given to the Authority and the Trustee, as Indemnitees, with respect to the Mortgaged Property, dated the Issue Date;

"Event of Default" shall mean any event of default as defined in Section 8.01;

"Fiscal Year" means the period of twelve (12) months beginning July 1 of each year, or such other period of twelve (12) months hereafter established by the Borrower as its Fiscal Year;

"Funds" shall mean, collectively, the Costs of Issuance Fund, the Project Fund, Revenue Fund, Rebate Fund, Redemption Fund, Debt Service Fund and Debt Service Reserve Fund;

"Funds Available for Debt Service" shall mean, in any Fiscal Year, the sum of the following: (i) Net Income for such Fiscal Year, (ii) all interest expense with respect to any outstanding Long-Term Indebtedness for such Fiscal Year; (iii) all depreciation expense, and amortization of financing charges and (iv) other non-cash expenses deducted from revenues in determining Net Income for such Fiscal Year, all as determined in accordance with GAAP;

"GAAP" shall mean generally accepted accounting principles, as in effect from time to time;

"General Certificate of the Authority" shall mean the General Certificate of the Authority which is made a part of the Record of Proceedings;

"Gross Proceeds" shall with respect to the Tax Exempt Bonds have the meaning given it in Section 148(f)(6)(B) of the Code, presently including, without limitation, the original proceeds of the Bonds, investment proceeds, amounts held in a sinking fund, amounts invested in a

Reasonably Required Reserve or Replacement Fund (as defined in Section 148(d) of the Code), any amounts used to pay Debt Service on the Tax Exempt Bonds and any amounts received as a result of investing any of the foregoing. Gross Proceeds shall not include Gross Proceeds held in a bona fide debt service fund to the extent that the earnings on such fund do not exceed \$100,000 in any one Bond Year;

“Indebtedness” means all obligations for payment of principal and interest with respect to money borrowed, incurred or assumed by the Borrower, and all purchase money mortgages, financing or capital leases, installment purchase contracts, or other similar instruments in the nature of a borrowing by which the Borrower will be unconditionally obligated to pay;

The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, and any similar terms, refer to this Loan Agreement; the term “heretofore” means before the date of execution of this Loan Agreement; and the term “hereafter” means after the date of execution of this Loan Agreement;

“Indemnified Parties” shall mean the County, the Authority, the Underwriter, the Trustee, the Paying Agent, any Person who “controls” the County, the Authority, the Underwriter, the Trustee or the Paying Agent within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, and any member, officer, official, director, employee, agent or attorney of the County, the Authority, the Underwriter, the Trustee or the Paying Agent;

“Indenture” shall mean the Trust Indenture dated as of October 1, 2020 by and between the Authority and the Trustee with respect to the Bonds;

“Independent” means (a) in the case of an individual, one who is not a member of the governing body of the Authority or the Borrower or an officer or employee of the Authority or the Borrower, and (b) in the case of a limited liability company, partnership, corporation or association, one which does not have a member, partner, director, officer or substantial stockholder who is a member of the governing body of the Authority or the Borrower or an officer or employee of the Authority or the Borrower; provided, however, that the fact that a Person is retained regularly by or transacts business with the Authority or the Borrower shall not make such Person an employee within the meaning of this definition;

“Interest Payment Date” shall be mean each January 15 and July 15, commencing January 15, 2021;

“Investment Obligations” shall have the meaning given in the Indenture;

“Issue Date” shall mean October 29, 2020;

“Leases” shall mean, collectively, the “Equipment Lease Agreement” dated as of April 21, 2016, and the “Amended and Restated Lease Agreement” for the Mortgaged Property dated as of October 1, 2020, by and between the Borrower and the School, and all extensions,

renewals, amendments, modifications and replacements thereof, and any options, rights of first refusal or guarantees relating thereto, as amended and restated on the Issue Date;

“Lien” means any mortgage, pledge, security interest, lien, judgment lien, easement, or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any Property of the Borrower which secures any Indebtedness or any other obligation of the Borrower, or which secures any obligation of any Person other than an obligation to the Borrower, excluding liens applicable to Property in which the Borrower has only a leasehold interest unless the lien secures Indebtedness of the Borrower or an obligation of any Person other than an obligation to the Borrower;

“Limited Offering Memorandum” shall collectively mean the Preliminary Limited Offering Memorandum of the Authority dated October 7, 2020, and the final Limited Offering Memorandum of the Authority relating to the Bonds dated October 15, 2020;

“Loan” shall mean the loan from the Authority to the Borrower in the aggregate principal amount of \$29,595,000, under the terms and conditions provided for herein;

“Loan Agreement” or “Agreement” shall mean this Loan Agreement;

“Loan Documents” shall mean any or all of this Loan Agreement, the Indenture, the Note, the Mortgage, the Environmental Indemnity Agreement and the Leases, together with any amendments or supplements thereto;

“Long-Term Indebtedness” shall mean all obligations for the payment of money (including, without limitation, all Bonds), incurred, assumed or guaranteed by the Borrower, whether due and payable in all events, or upon the performance of work, the possession of property as lessee or the rendering of services by others, except (i) Short-Term Indebtedness, (ii) current obligations payable out of current revenues, (iii) obligations under contracts for supplies, services, and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered, or the pensions paid and (iv) rentals payable in future years under leases not required to be capitalized under GAAP;

“Mortgage” shall mean the Mortgage, Security Agreement, Assignment of Leases, and Fixture Filing, together with any amendment or supplement thereto, executed by the Borrower, as Mortgagor, and given to the Authority, as Mortgagee, granting the Authority a pari passu first lien on the Borrower’s fee interests in the Mortgaged Property, and all the improvements on the land and any buildings located on the Mortgaged Property, described in Schedule A hereto, dated the Issue Date;

“Mortgaged Property” shall mean the land, improvements and buildings located at 359-377 Washington Street, Newark, New Jersey (Block 98, Lot 1), as more fully described in Schedule A hereto, being leased to and used by the School;

“Net Proceeds” shall mean the Bond Proceeds less any amounts placed in a Reasonably Required Reserve or Replacement Fund (as defined in Section 148(d) of the Code);

“Non-Purpose Investment” shall mean any “investment property” (within the meaning of Section 148(b)(2) of the Code) which is (i) acquired with the Gross Proceeds of the Tax Exempt Bonds and (ii) not acquired in order to carry out the governmental purpose of the Tax Exempt Bonds;

“Note” shall mean the Series 2020 Note given by the Borrower to the Authority on the Issue Date, substantially in the form of Exhibit A attached hereto, and any Additional Series Notes delivered to the Authority in conjunction with the issuance of Additional Bonds;

“Net Income” shall mean, for any Fiscal Year, the total of all revenues, gains and other support less all expenses and losses (calculated in accordance with GAAP). In calculating Net Income, there shall be excluded: all extraordinary gains and losses; any item classified as the cumulative effect of a change in accounting principles; gains and losses resulting from the sale of capital assets; proceeds of insurance policies (excluding business interruption), condemnation awards, gifts, donations, grants, pledges, devises, legacies, bequests and contributions to the extent that they may be restricted as to their use by their terms and such amounts are unavailable for the payment of debt service or operating expenses; unrealized gains and losses from investments; asset impairment losses; pension settlement losses; changes in the funded status of defined benefit plans; and losses on the early extinguishment of debt;

“NSAF” shall mean North Star Academy Foundation, Inc., a New Jersey nonprofit corporation, the sole member of the Borrower, its successors and assigns;

“Obligations” shall mean the obligations of the Borrower created pursuant to the Loan Documents and secured by the Loan Documents;

“Other Lenders” means PNC CDE 66, LP, LIIF Sub-CDE XXXVI, LLC, NJCC CDE Monmouth LLC, Business Loan Conduit No. 23, LLC, and Uncommon Properties VII, LLC;

“Other Mortgages” has the meaning provided in the Mortgage;

“Outstanding” shall have the meaning set forth in the Indenture;

“Paragraph” shall mean a specified paragraph of a Section, unless otherwise indicated;

“Permitted Loans” means collectively, the loans made by Other Lenders to Borrower and secured by Other Mortgages;

“Person” or “Persons” shall mean any individual, corporation, limited liability company, partnership, joint venture, trust, or unincorporated organization, or a governmental agency or any political subdivision thereof;

“Prevailing Wage Requirements” means the requirements set forth in N.J.S.A. 40:37A-55.2, and the regulations of the New Jersey Department of Labor applicable thereto, as the same may from time to time be revised, amended or supplemented;

“Project” shall have the meaning set forth in the recitals hereto;

“Project Facilities” means the land, improvements and buildings located at 359-377 Washington Street (Block 98, Lot 1), in the Project Municipality, as more fully described in Schedule A hereto;

“Project Fund” shall mean the fund so designated and established pursuant to Section 4.01 of the Indenture;

“Project Intercreditor and Subordination Agreement” shall mean the Amended and Restated Project Lenders Subordination and Intercreditor Agreement, dated as of the Issue Date, by and among the Other Lenders, Trustee, Prudential Impact Investments Private Debt LLC and Borrower

“Project Municipality” shall mean the City of Newark, County of Essex, State of New Jersey;

“Proper Charge” means: (i) costs of issuance of the Bonds, attorneys’ fees, printing costs, Trustee’s fees and expenses, and similar expenses, paid in connection with the Project Facilities, not exceeding 2% of the aggregate face amount of the Bonds; and (ii) with respect to the proceeds of Tax Exempt Bonds (a) an expenditure to refinance a construction loan that was used to partially fund the acquisition, construction and expansion of the Project Facilities or (b) an expenditure for the acquisition, construction or expansion of the Project Facilities paid and incurred within the period commencing not earlier than 60 days prior to July 28, 2020 (unless an expenditure is a “preliminary expenditure” as defined in Treasury Regulations Section 1.150-2), including for the acquisition or improvement of land or the acquisition, construction, reconstruction or improvement of land and property;

“Property” means any and all rights, titles and interests of the Borrower in and to any and all property whether real or personal, tangible or intangible and wherever situated at the Project Facilities;

“Property, Plant and Equipment” means all Property of the Borrower which is plant, property and equipment under generally accepted accounting principles;

“Purpose Investment” shall mean any “investment property” (within the meaning of Section 148(b)(2) of the Code) which is (i) acquired with the Gross Proceeds of the Tax Exempt Bonds and (ii) acquired in order to carry out the governmental purpose of the Tax Exempt Bonds;

“Qualified Administrative Costs” means, with respect to the proceeds of Tax Exempt Bonds, all reasonable, direct administrative costs (other than carrying costs) such as separately stated brokerage or selling commissions, but not legal and accounting fees, record keeping, custody and similar costs. General overhead costs and similar indirect costs of the Borrower such as employee salaries and office expenses and costs associated with computing the Rebate Amount are not Qualified Administrative Costs. In general, administrative costs are not reasonable unless they are comparable to administrative costs that would be charged for the same Investment or a reasonably comparable Investment if acquired with a source of funds other than gross proceeds of Tax-Exempt bonds;

“Rating Agency” or “Rating Agencies” means Standard & Poor’s Ratings Group, Inc. (“S&P”), Moody’s Investors Service, Inc. (“Moody’s”) and Fitch Rating Services, Inc. (“Fitch”) or any successor thereto;

“Rebate Expert” means any of the following chosen by the Borrower: (a) Bond Counsel, (b) any nationally recognized firm of certified public accountants, (c) any reputable firm which offers to the tax-exempt bond industry rebate calculation services and holds itself out as having expertise in that area, or (d) such other Person as is approved by Bond Counsel;

“Rebate Fund” shall mean the special fund maintained by the Trustee at its offices and established for the deposit of the amounts to be paid to the United States on behalf of the Authority pursuant to Section 3.06 hereof and described in Section 5.10 of the Indenture;

“Record of Proceedings” shall mean the Loan Documents, the Bond Purchase Agreement, certificates, affidavits, opinions and other documentation executed in connection with the sale of the Bonds and the making of the Loan;

“Regulations” shall mean the regulations (whether permanent or temporary) promulgated by the Internal Revenue Service and Department of the Treasury pursuant to the Code;

“Related Person” shall mean a related person within the meaning Section 147(a) of the Code;

“Requisition Form” shall mean the form of requisition required by Section 3.02(a) as a condition precedent to the disbursement of moneys from the Project Fund and the Costs of Issuance Fund, in substantially the form attached hereto as Exhibit B and made a part of the Record of Proceedings;

“Reserved Rights” means the rights of the Authority to receive payments and notices under the Loan Agreement or any other Loan Document, to consent to any amendments, modifications or supplements to the Loan Agreement or any other Loan Document, to enforce pursuant to Article VIII hereof the Defaults and Remedies herein and the covenants or other provisions in the Loan Agreement under the following Sections of the Loan Agreement: 2.01(d) (Payments Under Agreement), 2.04 (Assignment of Authority’s Rights), 3.03 (No Liability of Authority or Trustee), 5.06 (Important Inducement), 5.07 (No Untrue Statements), 5.08 (No

Action), 6.01 (Access to the Project and Inspection), 6.02 (Further Assurance and Corrective Instruments), 6.03 (Recording and Filing; Other Instruments), 6.04 (Compliance with Code, Arbitrage and Rebate Regulations), 6.05 (Administrative Expenses), 6.06 (Indemnity Against Claims), 6.07 (Indemnification of The Indemnified Parties), 6.08 (Additional Information), 6.09 (Maintain Existence), 6.10 (Use of Project), Section 6.11 (Change in Location), 6.12 (Additional Reporting Requirements), 6.13 (Observe Laws), 6.15 (Maintain Existence, Merge, Sell, Transfer), 6.16 (Leasing, Subleasing or Assigning Leases), 6.17 (Continuing Disclosure), 6.18 (Brokerage Fee), 6.19 (Perform Covenants Under Indenture), 7.01 (Preservation of Corporate Existence, Business and Property), 7.02 (Insurance Required), 7.03 (General Requirements Applicable to Insurance), 7.04 (Payment of Taxes), 7.05 (Compliance with Applicable Laws), 7.06 (Financial Statements), 7.08 (Assignment of Loan Agreement), 7.09 (Transfer of Project Facilities), 7.11 (Covenant by the Company as to Compliance with the Indenture), 7.12 (Payment of Prevailing Wage), 7.13 (Compliance with the Prevailing Wage Requirements), 8.01 (Events of Default), 8.02 (Remedies), 8.05 (Agreement to Pay Attorney's Fees and Expenses), 8.07 (Authority May File Claim in Bankruptcy), 9.01 (Notices), 9.03 (Expenses and Fees), 9.05 (Modification or Amendment in Writing), 9.07 (Assignment of Loan Documents), 9.08 (Further Assurances and Corrective Instruments); the environmental indemnities and environmental representations, warranties and covenants contained in the Environmental Indemnity Agreement; and the right to redeem the Bonds in accordance with the Loan Agreement and the Indenture. These Reserved Rights have been assigned to the Trustee but are also held and retained by the Authority concurrently with the Trustee and may be exercised and enforced whether or not the Trustee shall have exercised or shall have purported to exercise such rights and remedies, without limiting the obligation of the Trustee to do so;

“Resolution” shall mean the resolution of the Authority dated July 28, 2020, accepting the Application for Financial Assistance and making certain findings and determinations with respect to the Project, and authorizing the issuance and sale of the Bonds and determining other matters in connection therewith;

“Revenue Fund” shall mean the fund so designated and established pursuant to Section 5.03 of the Indenture;

“School” shall mean North Star Academy Charter School of Newark, Inc. and its successors and assigns;

“Section” shall mean a specified section hereof, unless otherwise indicated;

“Short-Term Indebtedness” shall mean all obligations of the Borrower for the repayment of borrowed money having a final maturity of less than one year from the date incurred, which meets the requirements of Section 6.20(c) hereof, excluding the current portion of any Long-Term Indebtedness;

“State” shall mean the State of New Jersey;

“Series 2020 Bonds” shall mean the Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. – 2020 Project) in the aggregate principal amount of \$29,595,000 issued under the Indenture;

“Series 2020 Note” shall mean the Note from the Borrower to the Authority, dated the Issue Date, in the principal amount of \$29,595,000;

“Subcontractor” shall mean any Person engaged by a Contractor or a Subcontractor in the performance of any Construction Contract;

“Tax Certificate” shall mean the certificate executed by the Borrower in form and substance acceptable to the Authority, wherein the Borrower certifies as to such matters as the Authority shall require;

“Tax Covenants” means the representation, warranties and covenants of the Borrower contained in Sections 3.04 (final sentence), 3.07 (third paragraph), 5.01, 5.10, 5.11, 5.12, 5.13, 6.04, 6.07(c), 6.09, 6.10 and 6.24 of this Agreement, in any provision wherein the Borrower covenants to comply with Section 103 and Sections 141-150 of the Code and in the Tax Certificate.

“Tax Exempt Bonds” shall mean any series of Bonds issued under the Indenture the interest income on which, in the opinion of Bond Counsel provided at the time such series is issued, is not includable in the gross income of the recipients thereof under the Code;

“Trustee” shall mean Zions Bancorporation, National Association, or any successor thereto appointed under the terms of the Indenture;

“Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated;

“Yield” shall mean a yield as shall be determined under Section 1.148-4 of the Treasury Regulations;

“Yield Reduction Payments” means payments made to the United States with respect to any Nonpurpose Investment allocated to the Tax Exempt Bonds that (i) are paid at the same time and in the same manner as Rebate Amounts are required to be paid and (ii) are paid with respect to Investments that are allocable to Gross Proceeds that previously qualified for a temporary investment period that has since expired.

ARTICLE II

PAYMENTS UNDER LOAN AGREEMENT

Section 2.01. Payments Under this Agreement. The Borrower agrees to pay to the Trustee, as the assignee of the Authority, the following sums at the following times:

(a) On or before the fifteenth day of July, 2021 and the fifteenth day of each July thereafter, the amount which is necessary for the payment of the principal of the Bonds becoming due on such principal maturity or mandatory redemption payment date, subject to credit for other available funds in the manner provided in the Indenture. In lieu of the portion of the payments due hereunder, the Borrower may or, at its discretion, cause the Authority or the Trustee to, purchase for cancellation Bonds of the maturity next becoming due, subject to the applicable requirements set forth in Section 5.04 of the Indenture.

(b) On or before January 15, 2021 and the fifteenth day of each July and January thereafter, the amount which is necessary for the payment of the interest on the Bonds becoming due on such Interest Payment Date, subject to credit for other available funds in the manner provided in the Indenture.

(c) At the times required under the Indenture, such additional amounts as are required to make up any deficiency which may occur in any of the funds established under the Indenture, including the Debt Service Reserve Fund, the Debt Service Fund, the Rebate Fund and the Redemption Fund.

(d) The Borrower also agrees to pay to the Authority, the Paying Agent and the Trustee (1) on the Issue Date (i) the initial acceptance fee of the Trustee and the costs and expenses, including reasonable attorneys fees, incurred by the Trustee in entering into and executing the Indenture, (ii) the Bond issuance fee due the Authority, and (2) during the term of this Agreement (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee, as trustee, rendered and its ordinary charges and expenses incurred under the Indenture, including attorneys' fees, as and when the same become due, (ii) the fees, charges and expenses of the Paying Agent, as and when the same become due, and (iii) the annual fee of the Authority, and the fees, charges and expenses of the Authority, as and when the same become due (including the annual audit fee), and the fees, charges and expenses of the Authority for any necessary extraordinary services required of the Authority under the Indenture or the Loan Agreement, including attorneys' fees incurred by the Authority, as and when the same become due and (iv) the fees, charges and expenses of the Trustee for the necessary extraordinary services rendered by the Trustee and extraordinary expenses incurred by the Trustee under the Indenture or the Loan Agreement, including attorneys' fees incurred by the Trustee, as and when the same become due.

(e) In anticipation of the payments required by Sections 2.01(a) and 2.01(b) hereof:

(i) On or before the first day of each quarter (being January 1, April 1, July 1 and October 1), commencing April 1, 2021, the Borrower shall make quarterly payments equal to one-fourth ($1/4^{\text{th}}$) of the amount which is necessary for the payment of the principal of the Series 2020 Bonds coming due on the following July 15th, subject to credit for other available funds in the manner provided in the Indenture;

(ii) On January 1, 2021, the Borrower shall make a payment equal to the amount which is necessary for the payment of the interest of the Bonds coming due on January 15, 2021. On or before the first day of each quarter thereafter, commencing April 1, 2021, the Borrower shall make quarterly payments (being January 1, April 1, July 1 and October 1) equal to one-half ($1/2$) of the amount which is necessary, for the payment of the interest of the Bonds coming due on each July 15 and January 15, thereafter, subject to credit for any other available funds in the manner provided in the Indenture; and

(iii) It is the intent of the payment schedule in (i) and (ii) above that the full amount necessary to pay the principal of and interest on the Bonds on an Interest Payment Date shall be on deposit with the Trustee fifteen (15) days prior to each such Interest Payment Date.

(iv) Upon the issuance of Additional Bonds, the provisions of Sections 2.01(a) and 2.01(b) shall be amended and supplemented to provide for the payment of the principal of and interest on such Additional Bonds.

(f) Any amounts withdrawn from the Debt Service Reserve Fund shall be reinstated through two payments made by the Borrower to the Trustee commencing on or before the first day of the quarter following each withdrawal (being January, April, July and October), in increments of at least $1/2$ of the amount withdrawn, in order that the amount on deposit in the Debt Service Reserve Fund shall equal the Reserve Fund Requirement on or prior to the next Interest Payment Date following the Interest Payment Date on which the withdrawal is made.

(g) If, for any reason, amounts paid to the Trustee on the Note, together with other moneys held by the Trustee and then available, would not be sufficient to make payments of principal or redemption price of, and interest on, the Bonds and all other amounts due and owing under the Indenture when such payments are due, the Borrower will, immediately upon notice thereof, pay the amounts required to make up any such deficiency.

If the date when any of the payments required to be made by this Section 2.01 is not a Business Day, then such payments may be made on the next Business Day with the same force and effect as if made on the nominal due date, and no interest shall accrue for the period after such date.

Section 2.02. Acceleration of Payment to Redeem Bonds. Whenever the Bonds are subject to optional redemption pursuant to the Indenture, the Borrower on behalf of the Authority may direct the Trustee to call the same for redemption as provided in the Indenture. Whenever the Bonds are subject to mandatory redemption pursuant to the Indenture, the Borrower will

cooperate with the Authority and the Trustee in effecting such redemption. In the event of any mandatory or optional redemption of the Bonds, the Borrower will pay or cause to be paid in accordance with the terms of the Indenture an amount equal to the applicable redemption price as a prepayment of that portion of the Loan corresponding to the Bonds to be redeemed, together with applicable premium (if any) and interest accrued to the date of redemption.

Section 2.03. Unconditional General Obligations of Borrower. The obligations of the Borrower to make or cause to be made payments of the Loan or to pay any other sums due hereunder or under any other Loan Document to the Authority, the Trustee or any other Indemnified Party are and shall be the unconditional general obligations of the Borrower and shall be absolute and unconditional without defense or set-off by reason of any default by the contractors under the Contracts or by the Authority under this Agreement or under any other agreement between the Borrower and the Authority or for any other reason, failure to complete the Project Facilities, any acts or circumstances that may constitute failure of the Borrower to complete the Project Facilities, commercial frustration of purpose, or failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that the payments required of the Borrower hereunder will be paid in full when due without any delay or diminution whatsoever. Repayments of the Loan and additional sums required to be paid by or on behalf of the Borrower hereunder shall be received by the Authority or the Trustee as net sums and the Borrower agrees to pay or cause to be paid all charges against or which diminish such net sums.

Section 2.04. Assignment of Authority's Rights. As security for the payment of the Bonds, the Authority will assign to the Trustee all the Authority's rights under this Agreement, except the Reserved Rights of the Authority. The Authority retains the right, jointly and severally with the Trustee, to specifically enforce the provisions contained in the Loan Documents. The Borrower consents to such assignment and agrees to make or cause to be made payments of the Loan under Section 2.01 and the Note directly to the Trustee, except those Authority fees, costs and expenses which are payable directly to the Authority, without defense or set-off by reason of any dispute between the Borrower and the Authority or the Trustee. Whenever the Borrower is required to obtain the consent of the Authority hereunder, the Borrower shall also obtain the consent of the Trustee and whenever the Borrower is required to provide notice to the Authority hereunder, the Borrower shall also provide notice to the Trustee.

Section 2.05. Opinions of Counsel. (i) At the time of closing the Loan, the Authority and the Trustee shall receive the opinion of Counsel for the Borrower reasonably satisfactory in form and substance to Bond Counsel and Underwriter's Counsel:

(a) confirming the substance of the representations and warranties set forth in Section 5.01, 5.02 and 5.03; and

(b) to the effect that the Loan Documents and the Bond Purchase Agreement have been duly executed and delivered by the Borrower, and constitute the valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except to the extent that the

enforceability of such documents may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally or by general principles of equity or other customary exceptions to enforceability.

- (ii) At the time of closing the Loan, the Authority and the Trustee shall receive the opinion of Counsel for the School reasonably satisfactory in form and substance to Bond Counsel and Underwriter's Counsel in the form attached as Exhibit E to the Bond Purchase Agreement
- (iii) At the time of closing the Loan, the Authority and the Trustee shall receive the opinion of Counsel for NSAF reasonably satisfactory in form and substance to Bond Counsel and Underwriter's Counsel in the form attached as Exhibit D to the Bond Purchase Agreement.

Section 2.06. Opinion of Bond Counsel. At the time of closing the Loan, the Authority and the Trustee shall receive the opinion of Bond Counsel to the effect that:

(a) interest income on the Series 2020 Bonds is not includable in gross income under the Code; provided that ownership of tax exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such Series 2020 Bonds;

(b) interest income on the Bonds is not includable as gross income under the New Jersey Gross Income Tax Act (P.L. 1976, Chapter 47);

(c) The offering of the Bonds is not required to be registered under the Securities Act of 1933, as amended, or under the rules and regulations promulgated thereunder; and

(d) the Bonds have been duly authorized and issued under the provisions of the Act.

Section 2.07. Loan and Other Documents. At the time of closing the Loan, the Authority and the Trustee shall receive:

- (a) the Loan Documents duly executed by all parties thereto;
 - (b) certificates, in form and substance reasonably acceptable to the Authority and the Trustee, evidencing the insurance required to be maintained by this Agreement;
 - (c) the Tax Certificate, in form and substance reasonably satisfactory to Bond Counsel;
 - (d) all other documents reasonably required by the Authority and the Underwriter;
- and

(e) an opinion of Counsel to the Underwriter that since the Bonds are subject to the disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the contractual undertakings of the Borrower in the Disclosure Agreement among the Borrower, the School, and the Trustee comply with the disclosure requirements of such Rule.

Section 2.08. Excess Funds. After all of the Bonds have been retired and all interest and applicable premiums, if any, due thereon have been paid or provision for such retirement and payment has been made in accordance with the Indenture, and all amounts due and owing to the Authority and the Trustee have been paid, excess moneys in the Funds and accounts established under the Indenture from whatever source derived will be paid to the Borrower as an adjustment of the amounts payable hereunder. This paragraph shall survive the termination of this Agreement.

Section 2.09. Manner of Payment. The payments provided for herein shall be paid in immediately available funds, free of deductions and without any abatement, recoupment, diminution or set-off whatsoever, on the date on which such payment is due, directly to the Trustee for the account of the Authority and shall be deposited in the Revenue Fund, except that payments made pursuant to Sections 2.01(d), 6.04, 6.05, 6.06, 6.07, 6.18, 8.05 and 9.03 hereof and Section 8.06 of the Indenture shall be made directly to the party to whom such payment is due and owing.

Section 2.10. Security for Borrower's Obligations.

(a) In addition to the security interest granted pursuant to the Mortgage, and subject to the requirements and conditions of the Project Intercreditor and Subordination Agreement, the Borrower hereby grants the Authority a pari passu first lien security interest in and lien upon the Trust Estate, and all moneys and funds (including the investment obligations in which such moneys and funds are invested) in the Funds (except the Rebate Fund). This Loan Agreement shall constitute a security agreement within the meaning of the New Jersey Uniform Commercial Code. In addition to all other rights and remedies hereunder, the Authority and the Trustee as its assignee shall have all rights and remedies of a secured party under the New Jersey Uniform Commercial Code. The Borrower shall also provide for the filing of all financing statements, continuation statements and other documents as may be necessary from time to time to perfect or continue the perfection of the security interests granted hereunder, all of which shall clearly indicate that they are filed in connection with a public-finance transaction pursuant to the New Jersey Uniform Commercial Code, as from time to time in effect.

(b) As further security for the repayment of the Loan, the Borrower shall furnish the Authority with the Mortgage and the Leases. The Borrower shall be responsible for ensuring that the Authority and the Trustee have a pari passu first lien upon the Mortgaged Property, subject to the terms and conditions of the Project Intercreditor and Subordination Agreement.

ARTICLE III

PROJECT FUND AND COSTS OF ISSUANCE FUND

Section 3.01. Application of Bond Proceeds. In order to provide funds to make the Loan, the Authority concurrently with the execution and delivery of this Loan Agreement, will sell, issue and deliver the Bonds to the Underwriter and cause the Underwriter to transfer the proceeds of the Bonds to the Trustee for deposit in accordance with Section 3.01(i) of the Indenture in the various Funds established under the Indenture. Moneys in the Project Fund and the Costs of Issuance Fund shall be disbursed as hereinafter provided and as provided in Article IV of the Indenture. The Authority reserves the right to request a record of all disbursements from and/or investments of the Project Fund and the Costs of Issuance Fund.

Section 3.02. Disbursements from the Project Fund and the Costs of Issuance Fund. The Authority authorizes and directs the Trustee to make disbursements of Bond Proceeds from the Project Fund for the repayment of the construction loan used to partially fund the acquisition, construction and expansion of the Project Facilities and from the Costs of Issuance Fund for costs related to the issuance of the Bonds. Each disbursement shall constitute a Proper Charge and shall be disbursed only after performance of the following by the Borrower:

(a) Delivery to the Trustee of a Requisition Form in substantially the form attached hereto as Exhibit B signed by an Authorized Borrower Representative. The Requisition Form shall state whether the payment sought is from the Project Fund or the Costs of Issuance Fund and: (i) the requisition number; (ii) the name and address of the Person to whom payment is to be made by the Trustee or, if the payment is to be made to the Borrower for a reimbursable advance, a summary of the Borrower's disbursements; (iii) the amount to be paid; (iv) that each obligation for which payment is sought is a Proper Charge against the Project Fund or the Costs of Issuance Fund, is unpaid or unreimbursed, and has not been the basis of any previously paid requisition; (v) if any such amount is for a payment from the Project Fund to the Borrower to reimburse it for costs or expenses incurred by reason of work performed or supervised by officers or employees of the Borrower or any of its affiliates, the amount to be paid does not exceed the actual cost thereof to the Borrower or any of its affiliates, (vi) that no Event of Default has occurred and is continuing under this Loan Agreement or has otherwise been waived; and (vii) other than with respect to Permitted Loans, that the Borrower has received no written notice of any lien, right to lien or attachment upon, or other claim affecting the right to receive payment of, any of the moneys payable under such Requisition Form to any of the Persons named therein or, if any of the foregoing has been received, it has been released or discharged or will be released or discharged upon payment of the Requisition Form.

(b) The Borrower shall comply with the Prevailing Wage Requirements.

(c) Delivery to the Trustee of the Leases, the Environmental Indemnity Agreement, the Mortgage covering all the parcels of land constituting the Project or, if all the parcels are not initially included in the Mortgage, delivery to the Trustee of amendments to the

Mortgage, which extend the lien of the Mortgage to each parcel of land for which the Borrower seeks the expenditure of Bond Proceeds, which is not subject to the Mortgage.

(d) Delivery of such additional documents, affidavits, certificates and opinions as the Authority or the Trustee may reasonably require to carry out the terms of this Agreement, the Indenture or any other Loan Document; but the Authority and the Trustee shall have no obligation to require any such additional items.

Subject to the terms and conditions of the Project Intercreditor and Subordination Agreement, the Authority is hereby granted a security interest in the amounts on deposit in the Project Fund and the Costs of Issuance Fund as security for the payment of the Bonds; however, notwithstanding such security interest, as long as there exists no Event of Default that is continuing, the Borrower shall have the right to require disbursement from the Project Fund and the Costs of Issuance Fund, to the extent of amounts then in the Project Fund and the Costs of Issuance Fund, upon compliance with the procedures set forth in this Section 3.02. Upon an Event of Default and the acceleration of the obligations of the Borrower hereunder, the Trustee shall apply any amounts on deposit in the Project Fund and the Costs of Issuance Fund to the prepayment of the principal of and interest on the Loan, and, hence, to the payment of the Bonds, in accordance with Section 9.10 of the Indenture.

Section 3.03. No Liability of Authority or Trustee. Nothing contained herein or in any documents and agreements contemplated hereby or in any other Loan Document shall impose upon the Trustee or the Authority any obligation to ensure the proper application of such disbursements by the Borrower or any other recipient thereof, and, in making such disbursements from the Project Fund and the Costs of Issuance Fund, the Trustee may conclusively rely on such Requisition Forms and any other proof complying with the terms of this Agreement delivered to it. The Trustee and the Authority shall be relieved of any liability with respect to making such disbursements in accordance with the foregoing.

Section 3.04. Establishment of Completion Date. Completion of the Project shall be evidenced by delivery to the Authority and the Trustee of the Borrower's Completion Certificate (attached as Exhibit C) signed by an Authorized Borrower Representative stating the date of completion of the Project and that, as of such date, except for amounts retained by the Trustee at the Borrower's direction for any cost of the Project not then due and payable or, if due and payable, not then paid: (i) that portion of the Project Facilities to be acquired and/or renovated with the proceeds of the Bonds has been completed; (ii) the cost of all Costs used in the acquisition and/or renovation of the Project has been paid, or will be paid from amounts retained by the Trustee at the Borrower's direction for any cost of the Project Facilities not then due and payable or, if due and payable, not then paid; (iii) the Project Facilities have been acquired and/or renovated to the Borrower's satisfaction, and such Project Facilities are suitable and sufficient for the efficient operation of the Project and for their intended purposes and all Costs incurred in the acquisition and/or renovation of the Project have been paid, or will be paid from amounts retained by the Trustee at the Borrower's direction for any Cost of the Project not then due and payable or, if due and payable, not then paid; (iv) the Project Facilities are being operated as a facility for which the Authority is authorized under the Act to issue Bonds and

substantially as proposed in the Application; and (v) the Borrower has required in all Construction Contracts, if any, that wages paid to workers employed in the performance of such Construction Contracts be paid, or determined that such workers were paid, at a rate not less than the rate required by the Prevailing Wage Requirements.

Section 3.05. Borrower Required to Pay if Project Fund Insufficient. In the event the moneys in the Project Fund available for payment of the costs of the Project are not sufficient to pay all costs of the Project in full, the Borrower agrees to complete the Project and to pay that portion of the cost in excess of the moneys available therefor in the Project Fund. The Authority and the Trustee make no warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the costs of the Project will be sufficient to pay all of such costs. The Borrower agrees that if, after disbursement of all the money in the Project Fund available for payment of costs of the Project, the Borrower should pay any portion of the costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Authority or the Trustee.

Section 3.06. Rebate Fund. The Indenture requires the Trustee to deposit all moneys paid by the Borrower pursuant to Section 6.04 hereof in the Rebate Fund. Investment earnings on all amounts so deposited in the Rebate Fund shall also be deposited in the Rebate Fund immediately upon receipt.

The Indenture provides that the Trustee shall make payments from the Rebate Fund to the United States on behalf of the Authority upon the written direction of the Borrower in accordance with Section 6.04. The Borrower hereby confirms its covenant in Section 6.04 hereof to give the Trustee all such required written directions.

Section 3.07. Investment of the Funds. Any moneys held as a part of the Funds shall be invested and reinvested by the Trustee, only as directed in writing by the Borrower, in Investment Obligations. The Trustee may make any and all such investments through its own investment department.

The Borrower shall direct investments of amounts in the Funds as provided in Section 6.02 of the Indenture so that such Investment Obligations shall mature in such amounts and at such times or shall be redeemable by the Trustee at such times as may be necessary to provide funds when, at the time of the investment, it is anticipated the same will be needed to make payments from the Funds in accordance with the provisions of Section 4.02 of the Indenture or to make payments from the Rebate Fund in accordance with the provisions of Section 3.06 hereof and Section 5.10 of the Indenture. To the extent required for payments from the Funds, the Trustee may, at any time, sell any of such Investment Obligations. The proceeds of any such sale, all payments at maturity and all payments upon redemption of such Investment Obligations shall be held in the respective Funds in which such investment income was derived and, as to the Project Fund and the Costs of Issuance Fund, accounted for separate and apart from the proceeds from the sale of the Bonds.

Interest and other income received on Investment Obligations in the Project Fund allocated to Tax Exempt Bonds shall, within the later of (i) three (3) years from the date of issuance of the respective series of Tax Exempt Bonds or (ii) one (1) year after receipt of such investment income, be used to pay interest accruing on the Tax Exempt Bonds during the construction period or otherwise spent on other costs of the Project as directed by Requisition by the Borrower. The moneys in the Project Fund allocated to a series of Tax Exempt Bonds shall be spent within three (3) years from the date of issuance of the Tax Exempt Bonds.

In making such investments as described in this Section, the Trustee may rely upon the written direction of the Borrower as to the investment purchased; and the Trustee shall be and hereby is relieved of all liability with respect to making, redeeming and selling such investments, so long as the Trustee has acted in accordance with the foregoing directions. In the absence of investment instructions, the Trustee shall not make any investment of such moneys.

The Borrower shall be entitled to receive from the Trustee monthly and at such other times as the Borrower may reasonably request, a statement of account of any moneys held in the Funds by the Trustee. Unless otherwise confirmed in writing, an account statement delivered periodically by the Trustee to the Borrower shall be deemed written confirmation by the Borrower that the investment transactions identified therein accurately reflect the investment directions given to the Trustee by the Borrower unless the Borrower notifies the Trustee in writing to the contrary within thirty (30) days of the date of such statement.

Section 3.08. The Trustee. The Trustee shall act on behalf of the Bondholders under the Indenture and this Loan Agreement as specifically provided for herein and in the Indenture only insofar as its duties are expressly set forth and shall not have any implied duties but may exercise such additional powers as are reasonably incidental thereto. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct. The Trustee shall not be under a duty to examine or pass upon the validity, effectiveness or genuineness of any Loan Document or any direction, report, affidavit, certificate, opinion or other instrument, document or agreement related thereto, and shall be entitled to assume that the same are valid, effective, genuine and what they purport to be. The Trustee may consult with legal counsel selected by it, and any action taken or suffered by it in accordance with the opinion of such counsel shall be full justification and protection to it. The Trustee shall have the same rights and powers as any other bank or lender and may exercise the same as though it were not the Trustee; and it may accept deposits from, lend money to and generally engage in any kind of business with the Borrower as though it were not the Trustee.

ARTICLE IV

REPRESENTATIONS OF THE AUTHORITY

Section 4.01. Representations. The Authority hereby represents and agrees that:

(a) The Authority is a duly constituted public body corporate and politic, duly created and existing as an instrumentality of the State with the power and authority set forth in the Act, including the power and authority to authorize the issuance of the Bonds under the Act. The Authority is enabled under the Act to extend credit or make loans for the planning, design, acquisition, construction, improvement, renovation, installation, maintenance and operation of facilities to any corporation which is organized for any purpose under N.J.S.A. 15A:2-1, which credits or loans may be secured by loan and security agreements, mortgages, leases, and any other instruments, upon such terms and conditions as the Authority shall deem reasonable.

(b) Under the provisions of the Act, the Authority is duly authorized to enter into, execute and deliver the Loan Documents to which it is a party and the Bond Purchase Agreement, to undertake the transactions contemplated by the Loan Documents to which it is a party and the Bond Purchase Agreement, and to carry out its obligations hereunder and thereunder.

(c) The Authority proposes to issue the Bonds in the total aggregate principal amount of \$29,595,000 to finance all or a portion of the Project.

(d) By duly adopted resolution, the Authority has duly authorized the execution and delivery of the Loan Documents to which it is a party, including the borrowing under, issuance and sale of the Bonds and (as security for the Bonds) the pledge of the Note, to the Trustee. The Authority also has duly authorized the execution, delivery and performance of the Bond Purchase Agreement and has approved the Section entitled the "AUTHORITY" and the Section entitled "LITIGATION-The Authority" in the Limited Offering Memorandum.

(e) The Bonds will be issued under and pursuant to the Indenture and will mature, bear interest and have the other terms and provisions set forth or provided for in the Indenture.

(f) To the best knowledge of the Authority, the execution and delivery of and performance by the Authority of the Loan Documents to which the Authority is a party, including the Bond Purchase Agreement, under the circumstances contemplated thereby and hereby, do not and will not conflict with, or constitute a breach of or default under any indenture, deed of trust, mortgage, agreement or other instrument to which the Authority is a party, or conflict with, violate or result in a breach of, any existing law or public administrative rule or regulation, judgment, court order or consent decree presently applicable to the Authority (except for such consents and approvals as have heretofore been obtained).

(g) When duly executed and delivered on behalf of the Authority, and assuming the due authorization, execution and delivery by the Borrower of this Loan Agreement, and assuming the due authorization, execution and delivery by the Trustee of the Indenture, and assuming the due authorization, execution and delivery by the Borrower and the Underwriter of the Bond Purchase Agreement, each of the Loan Documents to which the Authority is a party and the Bond Purchase Agreement shall constitute a valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, provided that the enforceability of the Loan Documents and the Bond Purchase Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors' rights generally and the application of general principles of equity.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower hereby represents, covenants and warrants to the Authority that:

Section 5.01. Organization, Powers, etc. The Borrower is a limited liability company duly organized validly existing and in good standing under the laws of the State of New Jersey, has the power and authority to do business in the State of New Jersey, to own its properties and assets and to carry on its business as now being conducted (and as now contemplated by the Borrower) and has the power to perform all the undertakings of the Loan Documents and the Bond Purchase Agreement, to borrow hereunder and to execute and deliver the Loan Documents and the Bond Purchase Agreement. The Borrower is exempt from Federal income tax under Section 501(c)(3) of the Code, by virtue of being a disregarded entity of NSAF, who is recognized as a public charity described in Section 501(c)(3) of the Code, and no action is pending or, to the best of its knowledge, threatened which questions NSAF's status as a 501(c)(3) organization.

Section 5.02. Execution of Loan Documents. The execution, delivery and performance by the Borrower of the Loan Documents, the Bond Purchase Agreement and other instruments required by this Loan Agreement:

- (a) have been duly authorized by all requisite action of the Borrower;
- (b) do not and will not conflict with or violate any provision of law, rule or regulation, any order of any court or other agency of government applicable to the Borrower;
- (c) do not and will not conflict with or violate any provision of any charter document or operating agreement of the Borrower;
- (d) do not and will not violate or result in a default under any provision of the Indenture or result in any material default under any other indenture, agreement or other instrument to which the Borrower is a party;
- (e) do not and will not result in the creation or imposition of any lien, charge or encumbrance of any nature on the assets of the Borrower, other than the liens created by the Loan Documents and those associated with the Permitted Loans; and
- (f) have been duly executed and delivered by the Borrower and are enforceable against the Borrower in accordance with their terms, subject to the limitation that the enforceability of such documents may be limited by bankruptcy or other laws relating to or limiting creditors' rights generally and the application of general principles of equity.

Section 5.03. Litigation. Except as disclosed by the Borrower in the Limited Offering Memorandum, there is no action, suit or proceeding at law or in equity or by or before any

governmental instrumentality or other agency now pending or, to the knowledge of the Borrower, threatened against or affecting it, or any of its properties or rights which, if adversely determined, would (i) affect the transactions contemplated by the Loan Documents and the Bond Purchase Agreement, (ii) affect the validity or enforceability of the Loan Documents or the Bond Purchase Agreement, (iii) affect the ability of the Borrower to perform its obligations under the Loan Documents or the Bond Purchase Agreement, (iv) materially impair the value of the Collateral, (v) materially impair the Borrower's right to carry on its business substantially as now conducted (and as now contemplated by the Borrower) or (vi) have a material adverse effect on the Borrower's financial condition.

Section 5.04. No Defaults. The Borrower, to the best of its knowledge, is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party or by which it is bound.

Section 5.05. No Material Adverse Change. There has been no material adverse change in the financial condition of the School since the date of the School's financial statements contained in the Limited Offering Memorandum.

Section 5.06. Important Inducement. The availability of the financial assistance by the Authority as provided herein has been an important inducement to the Borrower to engage in the Project and to locate the Project in the County.

Section 5.07. No Untrue Statements. The Loan Documents, the Application, the Bond Purchase Agreement and any other document, certificate or statement furnished to the Trustee or the Authority by or on behalf of the Borrower are true, correct and complete and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, when made, contained herein and therein not misleading or incomplete. It is specifically represented that the Borrower is not a party to any litigation nor, to the best of its knowledge, is the subject of any investigation or administrative proceeding, except as disclosed in the Application and the Limited Offering Memorandum. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Authority as an inducement to make the Loan and that if any such statements, representations and warranties were false at the time they were made, the Authority may, in its sole discretion, consider any such misrepresentation or breach of warranty an Event of Default as defined in Section 8.01(a) and exercise the remedies provided for in this Loan Agreement.

Section 5.08. No Action. The Borrower has not taken and will not take any action and knows of no action that any other Person has taken or intends to take, which would cause interest income on the Series 2020 Bonds to be includable in the gross income of the recipients thereof under the Code.

Section 5.09. Design of the Project Facilities. The operation of the Project Facilities in the manner presently contemplated and as described in the Application will not conflict in any material respect with any current zoning, water, air pollution or other ordinances, orders, laws or

regulations applicable thereto. The Project Facilities are, or will upon completion be, substantially in compliance with all Federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality. The Borrower will complete the refinancing of the Project Facilities substantially in accordance with this Loan Agreement.

Section 5.10. Commencement of Project. Except as otherwise disclosed in the Application, the constituent parts of the Project as described in the Application were not commenced prior to the effective date of the construction loan being refinanced with the proceeds of the Series 2020 Bonds. The Borrower has not incurred any expense prior to such date for which it shall seek reimbursement from the Project Fund and the Costs of Issuance Fund, other than a Proper Charge.

Section 5.11. No Common Plan of Financing. Except for the Bonds and as disclosed in the Tax Certificate subsequent to the date fifteen (15) days prior to the date hereof, the Borrower or any Related Person (or group of Related Persons which includes the Borrower) has not borrowed the proceeds of, or leased facilities financed by obligations issued under Section 103 of the Code by any state or local governmental unit or any constituted authority empowered to issue obligations by or on behalf of any state or local governmental unit, other than the Authority, pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of the same source of funds) as the Bonds or will be paid directly or indirectly from the proceeds of the Bonds. During the period commencing on the date of issuance of the Bonds and ending fifteen (15) days thereafter, there will be no obligations issued under Section 103 of the Code which are payable or guaranteed by the Borrower or any Related Person (or group of Related Persons which includes the Borrower) and which are issued pursuant to a common plan of financing and will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of the same source of funds) as the Bonds or will be paid directly or indirectly from the proceeds of the Bonds without the written opinion of Chiesa Shahinian & Giantomasi PC, Esqs. or other Bond Counsel acceptable to Chiesa Shahinian & Giantomasi PC, Esqs., to the effect that the issuance of such obligation will not adversely affect the exemption from present Federal income taxes of interest on the Bonds.

Section 5.12. Use of Proceeds. No portion of the Bond Proceeds will be used to provide any airplane, skybox (or other private luxury box), gambling facility or liquor store. At least ninety-five per centum (95%) of the Net Proceeds of the Series 2020 Bonds will be used by the Borrower to finance the costs to (i) refinance a construction loan that was used to partially fund the acquisition, construction and expansion of the Project Facilities, (ii) fund the Debt Service Reserve Fund, and (iii) pay costs of issuance of the Bonds. The Project shall be used only for 501(c)(3) purposes within the meaning of Section 145 of the Code, which do not give rise to unrelated business taxable income within the meaning of Section 512(a)(1) of the Code.

Section 5.13. Economic Life. The information contained in the Tax Certificate, setting forth the respective cost, economic life, ADR midpoint life, if any, under Rev. Proc. 87-56, Rev. Proc. 72-10, 1972-1 C.B. 721, as supplemented and amended from time to time, and guideline

life, if any, under Rev. Proc. 62-21, 1962-2 C.B. 118, as supplemented and amended from time to time, of each asset constituting the Project Facilities financed with the Bond Proceeds is true, accurate and complete.

ARTICLE VI

SPECIAL COVENANTS

The Borrower covenants and agrees, so long as this Loan Agreement shall remain in effect or the Bonds shall be Outstanding, as follows:

Section 6.01. Access to the Project and Inspection. The Trustee and the Authority and their duly authorized agents shall have the right, at all reasonable times upon the furnishing of reasonable notice to the Borrower under the circumstances, to enter upon the Project Facilities and to examine and inspect the Project Facilities. The Trustee and the Authority and their duly authorized agents shall also have such right of access upon reasonable notice and at reasonable times (defined as regular business hours) to the Project Facilities as may be reasonably necessary for the proper maintenance of the Project Facilities, but only in the event of failure by the Borrower to perform its obligations relating to maintenance under this Loan Agreement, provided that the foregoing rights shall not be deemed to create an obligation on the Trustee or the Authority to maintain the Project Facilities. The Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary to grant to the Authority Representative and the Trustee such right of entry. Until payment of the Bonds shall have occurred, the Borrower shall promptly, from time to time, deliver to the Authority and the Trustee such information and materials relating to the Project and information and materials required under the Disclosure Agreement relating to the Borrower as the Authority or the Trustee may reasonably request. An Authorized Authority Representative and the Trustee shall also be permitted, at all reasonable times, to examine the books and records of the Borrower with respect to the Project Facilities and the obligations of the Borrower hereunder, but none of them shall be entitled to access to trade secrets or other proprietary information (other than financial information) of the Borrower.

Section 6.02. Further Assurances and Corrective Instruments. Subject to the provisions of the Indenture, the Authority and the Borrower each agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements and amendments hereto and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of this Loan Agreement. All such supplements, amendments and further instruments shall not modify the substantive terms of this Agreement, unless otherwise mutually agreed by the parties hereto in writing.

Section 6.03. Recording and Filing; Other Instruments.

(a) The Borrower covenants that it will, at its expense, take all steps as are reasonably necessary to provide that all financing statements, continuation statements, notices and other instruments required by applicable law shall be recorded or filed or re-recorded or re-filed in such manner and in such places required by law in order fully to preserve and protect the rights of the Trustee in the granting by the Authority of certain rights of the Authority, pursuant to the Indenture, under this Loan Agreement and the Note. All financing statements, continuation statements, notices and other instruments recorded or filed or re-recorded or re-filed shall clearly

indicate that they are filed in connection with a public-finance transaction pursuant to the New Jersey Uniform Commercial Code, as from time to time in effect. The Borrower further covenants that it shall promptly notify the Trustee and the Authority of any information, action or development which would cause any financing statement or related continuation statement to be or become materially misleading.

(b) The Borrower and the Authority shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary by the Borrower or advisable by its counsel and the Borrower shall file and re-file and record and re-record or cause to be filed and re-filed and recorded and re-recorded all instruments required to be filed and re-filed and recorded or re-recorded pursuant to the opinion of its Counsel or Counsel employed by the Authority or the Trustee to perfect all security interests created pursuant to the terms of this Loan Agreement and the Indenture and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be outstanding, except as otherwise required by this Agreement. The Authority shall have no responsibility for such filings or refilings whatsoever, other than executing and delivering the documents requested by the Borrower.

Section 6.04. Compliance with Code, Arbitrage and Rebate Regulations. (a) The Borrower shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on each series of Tax Exempt Bonds shall, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation. The Borrower shall direct all investments of the Gross Proceeds of each series of Tax Exempt Bonds. The Borrower shall direct the Trustee to make investments of amounts in the Project Fund only at market prices within the meaning of Treasury Regulations Section 1.148-1. In addition, any and all actions to be undertaken by the Borrower or by any other Person as to which the Authority or the Trustee must, pursuant to the terms hereof, consent or approve in advance, shall be deemed to be the actions of the Borrower or such other Person (and not the actions of the Authority or the Trustee).

(b) The Borrower shall not permit at any time or times any of the Gross Proceeds from the sale of a series of Tax Exempt Bonds or other of its funds to be used, directly or indirectly, to acquire any Investment Property (within the meaning of Section 148(b)(2) of the Code) the acquisition of which would cause such Bonds to be “arbitrage bonds” for the purposes of Section 148 of the Code. The Borrower shall utilize the Bond Proceeds from the sale of each series of Tax Exempt Bonds so as to satisfy the reasonable expectations of the Borrower set forth in the Tax Certificate of the Borrower furnished to Bond Counsel and the Authority.

(c) The Borrower shall use the Net Proceeds of each series of Tax Exempt Bonds to refinance the construction loan that was used to acquire, construct and expand the Project in the manner and as specifically set forth in the Tax Certificate furnished to Bond Counsel and the Authority. The Borrower shall not expend the Bond Proceeds on assets other than those listed in the Tax Certificate without the express written consent of Bond Counsel.

(d) The Borrower will provide a written certification to the Authority and the Trustee indicating whether the Borrower complied with the six-month or eighteen month

exceptions to the arbitrage rebate requirement set forth in Section 148(f)(4)(B) of the Code as are set forth in paragraph (o) below.

(e) Unless the Borrower has complied with the six-month rebate exception or the eighteen month exception to the rebate requirement in Section 148(f)(4)(B) of the Code with respect to each series of Tax Exempt Bonds, as are set forth in paragraph (o) below, the Borrower will retain a Rebate Expert, on or no later than 30 days before the Initial Rebate Computation Date (as defined below) and on each rebate Computation Date (as defined below) thereafter, (A) to compute the Rebate amount (the “Rebate Amount”) with respect to each series of Tax Exempt Bonds for the period ending on such rebate Computation Date, (B) to deliver an opinion to the Authority and Trustee concerning its conclusions with respect to the amount (if any) of such Rebate Amount together with a written report providing a summary of the calculations relating thereto and (C) to deliver an opinion to the Authority and Trustee that all of the Gross Proceeds of such Bonds (within the meaning of Section 148(f) of the Code), other than Gross Proceeds of such Bonds on deposit in a Bona Fide Debt Service Fund (within the meaning of Section 148(F)(4) of the Code), have been expended on or prior to the initial Rebate Computation Date. The Computation Date shall include (i) the final maturity of the Tax Exempt Bonds, (ii) if such Tax Exempt Bonds are redeemed prior to maturity, the date on which such Tax Exempt Bonds are redeemed, (iii) the first day of the fifth anniversary of the date of issuance of such Tax Exempt Bonds (the “Initial Rebate Computation Date”) and each fifth anniversary thereafter, and (iv) any other date that may be required by the Code.

(f) The Borrower shall direct the Trustee in writing to rebate the Rebate Amount to the United States on behalf of the Authority. The Rebate Amount as of any Computation Date is the excess of the future value of all receipts on Nonpurpose Investments (“Nonpurpose Receipts”) over the future value of all payments on Nonpurpose Investments (“Nonpurpose Payments”). To the extent amounts received from Nonpurpose Investments are reinvested, these amounts may be netted against each other and not taken into account in the computation of the Rebate Amount. Nonpurpose Receipts and Nonpurpose Payments shall be determined as described below.

- (1) Nonpurpose Payments. Nonpurpose Payments include actual payments (amounts of Gross Proceeds actually or constructively paid to acquire a Nonpurpose Investment including Qualified Administrative Costs); “allocation” payments (for a Nonpurpose Investment that is allocated to each series of Tax Exempt Bonds after already having been acquired by the Borrower (e.g., sinking fund proceeds), an amount equal to the Value of the Investment on the allocation date); Computation Date payments (for a Nonpurpose Investment allocated to each series of Tax Exempt Bonds at the end of the preceding Computation Period, the Value of the Investment at the beginning of the Computation Period); Yield Reduction Payments, if any; and the Computation Date credit equal to \$1,000.

- (2) Nonpurpose Receipts. Nonpurpose Receipts include actual receipts (amounts actually or constructively received with respect to a Nonpurpose Investment, such as earnings and return of principal, reduced by Qualified Administrative Costs); “deallocation” receipts (for a Nonpurpose Investment that ceases to be allocated to each series of Tax Exempt Bonds or subject to rebate, the Value of the Investment on the “deallocation” date); Computation Date receipts (the Value of any Nonpurpose Investment held at the end of any Computation Period); and rebate receipts (any recovery of an overpayment of rebate).

Investments of amounts held in a Bona Fide Debt Service Fund for each series of Tax Exempt Bonds will be excepted from the rebate requirement but only if the gross earnings on such fund for such Bond Year do not exceed \$100,000.

(g) For each investment of Gross Proceeds in a Non-Purpose Investment, the Borrower shall direct the Trustee to record, without limitation, the following information: purchase date, purchase price, face amount, stated interest rate, any accrued interest due on its purchase date, disposition date, disposition price and any accrued interest due on the disposition date. The Yield to maturity for an investment presently means that discount rate, based on a compounding frequency the same as the Tax Exempt Bonds (or such other compounding permitted by the Code), which when used to determine the present worth, on the purchase date of such investment or the date on which the investment becomes a Non-Purpose Investment, whichever is later, of all payments of principal and interest on such investment gives an amount equal to the fair market value of such investment including accrued interest due on such date.

(h) On each Computation Date, if such Rebate Amount payable exceeds the amount then on deposit in the Rebate Account, the Borrower shall within ten (10) days of the receipt of the report furnished by the Rebate Expert pursuant to paragraph (e) of this Section, pay to the Trustee, the amount necessary to make up such deficiency and direct the Trustee to pay the same to the United States within sixty (60) days of the Computation Date. The Borrower shall, in a timely fashion, give all written notices and directions to the Trustee as are called for under Section 5.10 of the Indenture for the payment of the Rebate Amount. Any sums remaining in the Rebate Account following such payments shall be returned to the Borrower. When due, the Authority shall have the right, but shall not be required, to make such payment to the Trustee on behalf of the Borrower. Any amount advanced by the Authority pursuant to this paragraph (h) shall be added to the moneys owing by the Borrower under this Loan Agreement and shall be payable on demand with interest at the rate of twelve percent (12%) per annum.

(i) The rebate shall be paid in installments, which shall be made at least once every fifth Bond Year. The first such installment shall be due to the United States on behalf of the Authority not later than sixty (60) days after the end of the fifth (5th) Rebate Year and shall be in an amount which ensures that the Rebate Amount due under the Code with respect to the Tax Exempt Bonds is paid. Each subsequent payment shall be made not later than five (5) years after the date the preceding payment was due. Within sixty (60) days after the retirement of the

Tax Exempt Bonds at final maturity or upon earlier redemption, the Borrower shall direct the Trustee to pay to the United States on behalf of the Authority the aggregate Rebate Amount due under the Code with respect to the Tax Exempt Bonds not theretofore paid.

(j) Each payment shall be accompanied by Form 8038-T (or such other form required by the Internal Revenue Service to be prepared by the Borrower, a Rebate Expert or Bond Counsel) and a statement identifying the Authority, the date of the issue, the CUSIP number for the Bond with the longest maturity and a copy of the applicable Form 8038.

(k) The Borrower acknowledges that the Authority shall have the right at any time and in the sole and absolute discretion of the Authority to obtain from the Borrower and the Trustee the information necessary to determine the Rebate Amount required to be paid to the United States pursuant to Section 148(f) of the Code. Additionally, the Authority may, with reasonable cause, (i) review or cause to be reviewed any determination of the amount to be paid to the United States made by or on behalf of the Borrower and (ii) make or retain a Rebate Expert to make the determination of the amount to be paid to the United States. The Borrower hereby agrees to be bound by any such review or determination, absent manifest error, to pay the costs of such review, including without limitation the reasonable fees and expenses of counsel or a Rebate Expert retained by the Authority, and to pay to the Trustee any additional amounts for deposit in the Rebate Account required as the result of any such review or determination.

(l) Except as may be permitted pursuant to Section 148(c) of the Code (relating to certain temporary periods for investment), at no time during the term of a series of Tax Exempt Bonds shall the amount invested by the Borrower in Non-Purpose Investments with a Yield higher than the Yield on the Tax Exempt Bonds exceed 10% of the then outstanding principal amount of the Tax Exempt Bonds. The aggregate amount invested in Non-Purpose Investments shall be promptly and appropriately reduced as the outstanding principal of the Tax Exempt Bonds is reduced.

(m) Notwithstanding any provision of this Section to the contrary, the Borrower shall be liable, and shall indemnify and hold the Authority and the Trustee harmless against any liability, for payments due to the United States pursuant to Section 148(f) of the Code. Further, the Borrower specifically agrees that neither the Authority nor the Trustee shall be held liable, or in any way responsible, and the Borrower shall indemnify and hold harmless the Trustee and the Authority against any liability, for any mistake or error in the filing of the payment or the determination of the Rebate Amount due to the United States or for any consequences resulting from any such mistake or error. The provisions of this paragraph shall survive termination of this Agreement. In the event of a conflict between the provisions of this Agreement and the Code, the provisions of the Code shall control.

(n) The Authority, the Trustee and the Borrower acknowledge that the provisions of this Section 6.04 are intended to comply with Section 148(f) of the Code and the regulations promulgated thereunder and if as a result of a change in such Section of the Code or the promulgated regulations thereunder or in the interpretation thereof, a change in this Section 6.04 shall be permitted or necessary to assure continued compliance with Section 148(f) of the

Code and the promulgated regulations thereunder, then with written notice to the Trustee, the Authority and the Borrower shall be empowered to amend this Section 6.04 and the Authority may require, by written notice to the Borrower and the Trustee, the Borrower to amend this Section 6.04 to the extent necessary or desirable to assure compliance with the provisions of Section 148 of the Code and the regulations promulgated thereunder; provided that either the Authority or the Trustee shall require, prior to any such amendment becoming effective, at the sole cost and expense of the Borrower, an opinion of Bond Counsel satisfactory to the Authority to the effect that either (i) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid and payable on each series of Tax Exempt Bonds or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of the interest paid or payable on each series of Tax Exempt Bonds.

(o) (i) The obligation to pay any Rebate Amount with respect to each series of Tax Exempt of Bonds shall be treated as satisfied if the following requirements are met (the “six month exception”):

(A) Gross Proceeds of the Tax Exempt Bonds (as modified below) are expended by no later than the date which is six (6) months after the Issue Date; and

(B) the rebate requirement is met for amounts not required to be spent within the six (6) month period (excluding earnings on a bona fide debt service fund).

The requirement described above will be treated as satisfied if no more than the lesser of 5% of the Issue Price of the Tax Exempt Bonds or \$100,000 are unexpended at the end of the six (6) month period after the Issue Date and such amount is expended no later than the date which is one year after the Issue Date.

(ii) The obligation to pay any Rebate Amount with respect to the Tax Exempt Bonds shall be treated as satisfied if all of the following requirements are satisfied (the “eighteen month exception”):

(A) Gross Proceeds of the Tax Exempt Bonds (as modified below) are expended in accordance with the following schedule:

(1) At least 15% within six (6) months of the Issue Date,

(2) At least 60% within twelve (12) months of the Issue Date, and

(3) 100% within eighteen (18) months of the Issue Date; provided, however, the Tax Exempt Bonds will not fail to satisfy this requirement as a result of unspent proceeds for reasonable retainage (as

defined below), if the reasonable retainage is spent within thirty (30) months of the Issue Date;

(B) The rebate requirement is met with respect to all amounts not required to be spent in accordance with the foregoing schedule (other than earnings in a bona fide debt service fund); and

(C) The Gross Proceeds of the Tax Exempt Bonds qualify for an initial three (3) year (or five (5) year) temporary period.

(iii) For purposes of subsections (i) and (ii), Gross Proceeds do not include (A) amounts held in a bona fide debt service fund, (B) amounts held in a reasonably required reserve or replacement fund, (C) amounts that, as of the Issue Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the applicable (i.e., 6 month or 18 month) spending period, (D) sales or investment proceeds derived from payments under any Purpose Investment of the Tax Exempt Bonds and (E) amounts representing repayments of grants.

(p) The Borrower will adopt and implement written tax compliance procedures to assure compliance with its Tax Covenants sufficient (i) to monitor the requirements of Section 148 of the Code; and (ii) to ensure that all nonqualified bonds are remediated in accordance with requirements of the Code and the regulations thereunder.

Section 6.05. Administrative Expenses. The Borrower shall pay to or for the account of the Authority and the Trustee within 30 days after notice thereof all reasonable costs and expenses incurred by the Authority and the Trustee in connection with the financing and administration of the Project, including, without limitation, any fees associated with the calculation of rebate, except such as may be paid out of the proceeds of the Tax Exempt Bonds, including, without limitation, the costs of administering this Loan Agreement and the fees and expenses of attorneys, consultants and others.

Section 6.06. Indemnity Against Claims. The Borrower will pay and discharge and will indemnify and hold harmless the Authority and the Trustee from (a) any lien or charge upon amounts payable hereunder by the Borrower to the Authority or the Trustee, as the case may be, (other than the lien of the Indenture or the Permitted Loans), and (b) any taxes, assessments, impositions and other charges in respect of the Project Facilities. If any claim of any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Authority or the Trustee, as the case may be, will give prompt notice to the Borrower, and the Borrower shall have the sole right and duty to assume, and shall assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

Section 6.07. Indemnification of the Indemnified Parties. The Borrower agrees, whether or not the transactions contemplated by this Agreement and the Indenture shall be consummated:

(a) to pay, and save the Authority and the Trustee harmless against liability for the payment of, all out-of-pocket expenses arising in connection with said contemplated transactions, including the reasonable fees and expenses of the Authority's Counsel and the Trustee's Counsel; and

(b) to protect, indemnify and save Indemnified Parties harmless from and against all liabilities, losses, damages, costs, expenses, (including reasonable attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of any nature or form, (including all costs, expenses and reasonable counsel fees incurred in investigating or defending such claim, whether asserted against the Trustee by any Bondholder, the Authority, the Borrower or otherwise or against the Authority by any Bondholder, the Trustee, the Borrower or otherwise) by or on behalf of any Person, arising in any manner from the transactions of which this Agreement is a part or arising in any manner in connection with the Project or the financing of the Project including, without limiting the generality of the foregoing, caused by, relating to, arising out of, resulting from, or in any way connected with (1) the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation, financing or sale of the Project or any part thereof, including the obligation to pay rebate to the Federal government; or (2) any untrue statement of a material fact contained in information submitted or to be submitted by the Borrower with respect to the transactions contemplated hereby; or (3) any omission of a material fact necessary to be stated therein in order to make such statement not misleading or incomplete; or (4) any breach or default by the Borrower of or in any of its obligations hereunder, under the Indenture or any other Loan Document; or (5) the acceptance, administration or performance of any of the rights and duties of any said Indemnified Party under the Indenture, this Agreement or any related document; or (6) any accident, injury or damage whatsoever to any Person occurring in or about the Project. In case any action shall be brought against one or more of the Indemnified Parties based upon any of the above and in respect to which indemnity may be sought against the Borrower, such Indemnified Parties shall promptly notify the Borrower in writing, and the Borrower shall assume the defense thereof, including the employment of counsel satisfactory to the Indemnified Parties, the payment of all costs and expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel at the Borrower's expense in any such action and to participate in the defense thereof if, in the opinion of the Indemnified Party, a conflict of interest could arise out of the representation of the separate parties by one counsel. The Borrower shall not be liable for any settlement of any such action effected without the Borrower's consent, but if settled with the consent of the Borrower, or if there is a final judgment for the claimant on any such action, the Borrower agrees to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment.

(c) The Borrower agrees to and does hereby indemnify and hold harmless the Indemnified Parties against any and all losses, claims, damages or liabilities (including all costs, expenses, and reasonable counsel fees incurred in investigating or defending such claim) suffered by any of the Indemnified Parties and caused by, relating to, arising out of, resulting from, or in any way connected to an examination, investigation, audit or litigation by the IRS with respect to the tax-exempt status of interest on the Tax-Exempt Bonds or any other bonds

financing the Project Facilities. In the event of such examination, investigation, audit, or litigation involving the Indemnified Parties, the Indemnified Parties shall have the right to employ counsel reasonably satisfactory to the Borrower at the Borrower's expense. In such event, the Borrower shall assume the primary role in responding to and negotiating with the IRS, but shall inform the Indemnified Parties of the status of the investigation. In the event the Borrower fails to respond adequately and promptly to any such examination, investigation, audit, or litigation, the Authority shall have the right to assume the primary role in responding to and negotiating with the IRS and shall have the right to enter into a closing agreement or settlement, for which the Borrower shall be liable.

(d) Notwithstanding anything in this Agreement to the contrary which may limit recourse to the Borrower or may otherwise purport to limit the Borrower's liability, the provisions of this Section shall control the Borrower's obligations and shall survive the termination of this Agreement and the repayment of all the Tax Exempt Bonds.

As to the Trustee, the provisions of this Section 6.07 shall not apply to any liabilities, losses, damages, costs, expenses, taxes, causes of action, suits, claims, demands or judgments resulting from the Trustee's own negligence, willful misconduct or fraudulent actions or from a breach of covenant, default or violation by the Trustee under the Indenture or hereunder. As to the Authority, the provisions of this Section 6.07 shall not apply to any liabilities, losses, damages, costs, expenses, taxes, causes of action, suits, claims, demands or judgments resulting from the Authority's own gross negligence, willful misconduct or fraudulent actions.

Notwithstanding the fact that it is the intention of the parties that the Authority shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the Authority hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture, by reason of the performance of any act requested of it by the Borrower, or by reason of the operation of the Project by the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the Authority should incur any such pecuniary liability (except liability resulting from the Authority's gross negligence, willful misconduct or fraudulent actions) then in such event the Borrower shall indemnify and hold harmless the Authority against all claims by or on behalf of any Person, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Authority, the Borrower shall defend the Authority in any such action or proceeding.

Section 6.08. Additional Information. Until payment of the Bonds in full shall have occurred, the Borrower shall promptly deliver to the Trustee and upon the request of the Authority, to the Authority, the following:

(a) the annual and quarterly financial and other information set forth in Section 7.06 hereof; and

(b) such information regarding the operations, business affairs and financial condition of the Borrower as the Trustee (or the Authority) may reasonably request.

At the expense of the Borrower, the Trustee is hereby authorized, upon receipt of a written request therefor, to deliver a copy of any such financial information delivered hereunder to any Bondholder or prospective Bondholder, to any regulatory authority having jurisdiction over the Trustee and to any other Person as may be required by law. The Trustee is authorized to provide information concerning the outstanding principal amount and payment history of, and other information pertaining to, the Bonds or the Note to any agency or regulatory authority of the State requesting such information.

Section 6.09. Maintain Existence. The Borrower covenants that it will maintain its existence and the location of the Project within the County of Essex, will preserve and maintain its existence as a limited liability company and not approve any corporate action that will jeopardize its organization as a limited liability company under the laws of the State of New Jersey and its authority to do business within the State of New Jersey, and preserve and maintain its authority to operate and will operate the Project Facilities as a facility for which the Authority is authorized under the Act to issue Bonds. The Borrower will take all appropriate action to preserve and maintain its exemption under Section 501(c)(3) of the Code by either (1) remaining a disregarded entity of NSAF, so long as NSAF remains a eligible for 501(c)(3) entity status, or (2) independently satisfying the requirements of Section 501(c)(3) and filing for such status with the United States Department of Treasury. The Borrower will at all times preserve and protect the Project in good repair, working order and safe condition, and from time to time will make, or will cause to be made, all needed and proper repairs, renewals, replacements, betterments and improvements thereto including those required after a casualty loss. The Borrower shall pay or cause to be paid all operating costs, utility charges and other costs and expenses arising out of ownership, possession, use or operation of the Project. The Authority shall have no obligation and makes no warranties respecting the condition or operation of the Project.

The Borrower will not use the financing under this Agreement or the issuance of the Bonds by the Authority as a basis for contesting any assessment or levy of any tax and, if any administrative body or court of competent jurisdiction shall hold for any reason that the Project Facilities are exempt from taxation by reason of the financing under this Agreement or the issuance of the Bonds by the Authority or other Authority action in respect thereto, the Borrower covenants to make payments in lieu of all such taxes in an amount equal to such taxes, and, if applicable, interest and penalties.

Section 6.10. Use of Project. The Borrower shall use or cause the Project to be used as a facility for which the Authority is authorized under the Act to issue Bonds and for the use set forth in the Application to the Authority until payment of the Bonds in full. The Project is of a character included within the definition of "project" in the Act, and its estimated cost was at least \$68,900,000. The Borrower will continue to operate the Project substantially in the form represented in the Application and will neither (a) materially alter the operation of the Project without prior written notice to the Authority and receipt of an opinion of Bond Counsel that the alteration will not affect the tax-exempt status of interest on the Tax Exempt Bonds, nor (b)

cause a change in the use of the Project such that the portion of the Project financed with the proceeds of the Bonds would not qualify as a facility for which the Authority is authorized under the Act to issue Bonds.

Section 6.11. Change in Location. The Borrower shall not relocate the Project or any part thereof out of the County. The Borrower shall not relocate the Project within the County without the prior written notice to the Authority and receipt of an opinion of Bond Counsel that the relocation will not affect the tax-exempt status of interest on the Tax Exempt Bonds.

Section 6.12. Additional Reporting Requirements. (i) Upon the request of the Authority, the Borrower shall furnish to the Authority the following:

(a) a certification indicating whether or not the Borrower is aware of any condition, event or act which constitutes an Event of Default, or which would constitute an Event of Default with the giving of notice or passage of time, or both, under any of the Loan Documents;

(b) a written description of the present use of the Project and a description of any anticipated material change in the use of the Project or in the number of employees employed at the Project;

(c) a report from every entity that leases, subleases or occupies space at the Project location indicating the number of persons the entity employs at the Project location; and

(d) a tax compliance certificate as set forth under Section 6.24(ii) hereof.

(ii) Upon the request of the Authority, the Borrower shall furnish to the Authority such financial information as the Authority may reasonably request.

Section 6.13. Observe Laws. The Borrower shall observe all material applicable laws, regulations and other valid requirements of any regulatory authority with respect to its operations at the Project Facilities and any violation of laws, regulations or other valid requirement shall, in the discretion of the Authority, be deemed an Event of Default.

Section 6.14. Reserved.

Section 6.15. Authority Consent to Sale of Assets. The Borrower shall maintain its existence as a legal entity and shall not sell, assign, transfer or otherwise dispose of the Project or substantially all of its assets, provided, however, that the Borrower may merge with or into or consolidate with another entity, or this Agreement may be transferred pursuant to such merger or consolidation without violating this Section 6.15 provided: (1) the Borrower causes the proposed surviving, resulting or transferee Borrower to furnish the Authority with a Change of Ownership Information Form then in use by the Authority; (2) the net worth of the surviving, resulting or

transferee Borrower following the merger, consolidation or transfer is equal to or greater than the net worth of the Borrower immediately preceding the merger, consolidation or transfer as verified by the independent auditors of the Borrower; (3) any litigation or investigations in which the surviving, resulting or transferee Borrower or its principals, officers and directors are involved at the time of such merger, and any court, administrative or other orders to which the surviving resulting or transferee Borrower or its officers and directors are subject, relate to matters arising in the ordinary course of business; (4) the surviving, resulting or transferee Borrower assumes in writing the obligations of the Borrower under this Loan Agreement and the other Loan Documents; (5) after the merger, consolidation or transfer, the Project shall continue to be operated as a facility for which the Authority is authorized under the Act to issue Bonds; and (6) the merger, consolidation or transfer shall not impair the excludability of interest paid on the Tax Exempt Bonds from gross income of the Owners thereof for federal income taxation as substantiated by an opinion of Bond Counsel. The Borrower shall, prior to the taking of any of the foregoing proposed actions, deliver to the Authority and the Trustee an opinion of Bond Counsel to the effect that the proposed action will not cause the interest on the Tax Exempt Bonds to become includable in the gross income of the registered owners of the Tax Exempt Bonds for Federal income tax purposes.

Section 6.16. Leasing, Subleasing or Assigning Leases. Prior to leasing, subleasing or consenting to the subleasing or assigning of any lease of all or any part of the Project, the Borrower shall cause notice of such event to be furnished to the Authority. In any event, the Borrower shall not permit any such leasing, subleasing or assigning of leases that would impair the excludability of interest paid on any Tax Exempt Bond from the gross income of the holders thereof for purposes of federal income taxation, or that would impair the ability of the Borrower to operate the Project or cause the Project not to be operated as a facility for which the Authority is authorized under the Act to issue Bonds. If required by the Authority the Borrower shall furnish a written opinion of Bond Counsel confirming that such leasing, subleasing or assigning of leases will not impair the such excludability of interest or that the proposed operation of the Project will continue to be an operation for which the Authority is authorized under the Act to issue Bonds.

Section 6.17. Continuing Disclosure. The Bonds are subject to the continuing disclosure requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended and supplemented. To that end, the Borrower and the School are entering into a continuing disclosure agreement with the Trustee and the School. The Borrower hereby covenants and agrees with the Bondholders that it will comply with and carry out all of the provisions of such continuing disclosure agreement, as amended from time to time, applicable to it. Notwithstanding any other provision of this Loan Agreement, failure of the Borrower to comply with such continuing disclosure agreement shall not be considered a default or an event of default under this Loan Agreement and the rights and remedies provided by this Loan Agreement upon the occurrence of an Event of Default shall not apply to any such failure, but the continuing disclosure agreement may be enforced only as provided therein.

Section 6.18. Brokerage Fee. The Authority shall not be liable to the Borrower for any brokerage fee, finder's fee, or loan servicing fee and the Borrower shall hold the Authority harmless from any such fees or claims.

Section 6.19. Borrower to Perform Certain Covenants Under Indenture. The Borrower acknowledges that it has received an executed copy of the Indenture, and that it is familiar with its provisions, and agrees to be bound to the fullest extent permitted by law to all provisions thereof directly or indirectly relating to it, and that, in consideration of the Loan made hereunder, it will take all such actions as are required or contemplated of it under the Indenture to preserve and protect the rights of the Trustee and of the Bondholders thereunder and that it will not take or effect any action which would cause a default thereunder or jeopardize such rights. The Borrower hereby assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approval or consents permitted or required to be given by the Authority thereunder, and those covenants contained in Article VIII of the Indenture which are not within the control of the Borrower. However, nothing contained herein shall prevent the Authority from choosing from time to time, in its sole discretion, to perform any of the covenants or other obligations hereby assumed by the Borrower.

Section 6.20. Limitation on Incurrence of Additional Indebtedness. Other than the Permitted Loans, the Borrower agrees that it will not incur or assume any Additional Indebtedness except as set forth in this Section 6.20. Provided no Event of Default under this Agreement shall have occurred and be continuing, the Borrower may incur or assume:

(a) Long-Term Indebtedness, incurred for the purpose of repairs, additional renovations or other capital projects related to the Project Facilities, provided that immediately upon incurring such Additional Indebtedness the Borrower delivers to the Trustee a Certificate stating that upon incurrence of such Additional Indebtedness the Borrower is still in compliance with the requirements set forth in Section 6.21 hereof;

(b) Long-Term Indebtedness incurred for the purpose of refunding or refinancing other Long-Term Indebtedness; and

(c) Short-Term Indebtedness; provided that any such Short-Term Indebtedness must, for a period of 14 consecutive days during each Fiscal Year, be reduced to \$0; provided further, that such "clean-down" requirement shall be waived upon delivery by the Borrower to the Trustee of a Certificate stating that the Short-Term Indebtedness cannot be paid down a result of delays in the receipt of public funds, either directly or indirectly (in the case of rent due from a tenant).

Subject to the requirements of the Project Intercreditor and Subordination Agreement, any Additional Indebtedness hereafter incurred or assumed as provided in this Section 6.20 that is secured by a lien on and security interest in the Mortgaged Property and rent due under the Leases may be secured by a lien on and security interest in the Mortgaged Property and rent due under the Leases ranking either on a parity with or subordinate to the lien and security interest granted under the Mortgage.

Section 6.21. Lease Ratio. The Borrower covenants that it will at all times establish Base Rent (as such term is defined in the Lease) such that the ratio of Base Rent to the Debt Service Requirement in each Fiscal Year is at least 1.15.

Section 6.22. Notice of Default. Immediately upon receipt of any oral or written knowledge thereof, the Borrower shall give notice to the Trustee and to the Authority of any event or condition that has occurred and is continuing which constitutes an “Event of Default” as defined in this Loan Agreement or which, after notice or lapse of time, or both, would constitute such an Event of Default, or of any event or condition that has occurred and is continuing which constitutes a default under Section 11 of the Leases and, if any such condition or event exists, specifying the nature and period of existence thereof, and what action the Borrower is taking and proposes to take with respect thereto.

Section 6.23. Enforcement of the Leases. The Borrower shall observe any all requirements imposed upon the Borrower under the Leases. In addition, the Borrower shall take any and all actions reasonably required to enforce performance and observance of any material obligation, agreement or covenant of the School under the Leases.

Section 6.24. Post Issuance Tax Compliance.

(i) The Borrower shall follow its tax procedures adopted pursuant to Section 6.04(p) in order to satisfy its Tax Covenants.

(ii) Upon the request of the Authority, the Borrower will file with the Authority and the Trustee a certification to the effect that it is in compliance with its Tax Covenants.

(iii) The Borrower shall notify the Authority and the Trustee of a Determination of Taxability by reason of an Event Notice (as defined in the definition of Determination of Taxability) as soon as practicable after the determination that a violation of a Tax Covenant has occurred.

(iv) If pursuant to the Borrower’s procedures the Borrower determines that it must take remedial action to cure a violation of a Tax Covenant, it will promptly notify the Authority as to the action to be taken.

(v) In the event the Authority becomes aware of a possible violation of a Tax Covenant, the Authority shall have the right, upon notice to the Borrower, to conduct its own investigation, and at the sole cost or expense of the Borrower, to retain Bond Counsel to determine any and all actions required to remediate such violation.

ARTICLE VII

COVENANTS OF THE BORROWER

The Borrower covenants and agrees, so long as this Loan Agreement shall remain in effect or the Bonds or any Note shall be Outstanding, as follows:

Section 7.01 Preservation of Corporate Existence, Business and Property. The Borrower will at all times preserve and maintain its existence, rights, privileges and franchises, necessary to conduct its existing business and will preserve and protect the Project Facilities and will keep the Project Facilities in good repair, working order and condition, and from time to time will make, or will cause to be made, all needed and proper repairs, renewals, replacements, betterments and improvements to the Project Facilities.

Section 7.02. Insurance Required. Until payment of the Bonds shall be made in full, the Borrower will keep, or cause the School to keep, the Project Facilities continuously insured against such risks as are required by the Authority and including, without limiting the generality of the foregoing:

(a) Property insurance covering the personal property, improvements, betterments, trade fixtures, equipment and other property of every description and kind owned, leased, rented or borrowed by the Borrower and/or the School or for which the Borrower and/or the School is legally liable and located on the Project Facilities (including, without limitation, furniture and equipment) against loss or damage from such causes of loss as are embraced by insurance policies of the type now known as "All Risks" or "Special Form" property insurance including, without limitation, insurance against loss or damage by fire, lightning, windstorm, civil commotion, smoke, hail, aircraft, vandalism, explosion, riot, strike, water damage, sprinkler leakage, collapse and malicious mischief, on a replacement cost basis with an agreed value endorsement waiving co-insurance, all in an amount not less than one hundred per cent (100%) of the then full insurable value, without deduction for physical depreciation thereof and having a maximum deductible of \$5,000 per occurrence;

(b) Flood insurance if required by law, which shall cover the entire land and building constituting the Project Facilities (including all buildings located on such land (including any contents therein), fixtures and personal property) and which shall be in an amount equal to the lesser of the following: (a) the insurable value of the land and building(s); or (b) the maximum amount available through the National Flood Insurance Program;

(c) Boiler and machinery insurance insuring against loss or damage to the Project Facilities and to the major components of any heating, air-conditioning or other ventilation systems and/or such other machinery or apparatus as may be now or hereafter installed in the Project Facilities, in such amounts as the Borrower may from time to time reasonably require under the Lease;

(d) Comprehensive General Liability Insurance insuring the Borrower and/or the School including "XCU Coverage", bodily injury, property damage liability and any other

liability arising out of the lease, use, occupancy or maintenance of the Project Facilities and all areas appurtenant thereto (including, without limitation, any sidewalks, driveways, parking areas adjoining the Project Facilities), including, without limitation, all legal liability to the extent insurable. Such insurance shall be in the amount of not less than (A) \$1,000,000 per accident or occurrence for personal injury, (B) \$2,000,000 per accident or occurrence for injury to property and (C) \$3,000,000 general aggregate limit, for injuries to, or illness or death of, persons and damage to property, with such liability amount to be adjusted from year to year to reflect increases in the Consumer Price Index¹. The policy shall insure the hazards of the Project Facilities and the School's operations thereon, independent contractors, contractual liability (covering the indemnity contained in Article 6 of the Lease) and shall (1) include a physical/sexual abuse/misconduct endorsement, (2) name Landlord as an additional insured, (3) contain a cross liability provision, and (4) contain a provision that the insurance provided Landlord hereunder shall be primary and non-contributing with any other insurance available to Landlord;

(e) Worker's Compensation and Employer's Liability Insurance (as required by law) with respect to any work on or about the Land and Building;

(f) If the School utilizes owned, hired, or non-owned vehicles in its operations, then the School shall be required to maintain Commercial Automobile Liability (owned, non-owned, hired) with limits of not less than \$1,000,000 for bodily injury and property damage each accident;

(g) The Borrower shall maintain, or cause to be maintained, business/rental interruption insurance insuring the tenant of the Project Facilities to cover loss, total or partial, of the use of any structures constituting any part of the Project Facilities as the result of any of the hazards covered by the insurance required by Section 7.02(a) of this Loan Agreement in an amount at least equal to twenty-four (24) months maximum annual debt service payments on the Series 2020 Bonds and shall contain an agreed amount endorsement waiving any coinsurance penalty; and

(h) Such other insurance, and in such amounts, as may from time to time be reasonably required by the Borrower or the Authority against other insurable hazards which at the time are commonly insured against in the case of premises similarly situated.

¹ In the event the Consumer Price Index shall hereafter be converted to a different standard reference base or otherwise revised, the determination of the Consumer Price Index shall be made with the use of such conversion factor, formula or table for converting the Consumer Price Index as may be published by the Bureau of Labor Statistics or, if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice Hall, Inc., or failing such publication, by any other nationally recognized publisher of similar statistical information.

Section 7.03. General Requirements Applicable to Insurance.

(a) Each insurance policy obtained in satisfaction of the requirements of Section 7.02 hereof:

(i) shall be by such insurer (or insurers) as shall be financially responsible, qualified to do business in the State and of recognized standing or its equivalent;

(ii) shall be in such form and have such provisions (including, without limitation, the lenders long-form loss payable clause, the waiver of subrogation clause, the deductible amount, if any, and the standard mortgagee endorsement clause), as are generally considered standard provisions for the type of insurance involved and conform to all requirements of the Authority;

(iii) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days' prior written notice to the Authority and the Trustee; and

(iv) without limiting the generality of the foregoing, all insurance policies carried on the Project Facilities shall name the Borrower, the Authority and the Trustee as parties insured thereunder as the respective interests of each may appear and all liability insurance shall name the Authority and the Trustee as additional insureds.

(b) Prior to expiration of any such policy, the Borrower shall furnish the Authority and the Trustee with evidence satisfactory to the Authority and the Trustee that the policy or certificate has been renewed or replaced in compliance with this Loan Agreement or is no longer required by this Loan Agreement.

(c) Upon request therefor, the Borrower shall furnish the Authority and the Trustee with copies of any policy requested and proof of the coverages required under Section 7.02 above.

(d) In the event the Borrower shall fail to maintain the insurance coverage required by this Loan Agreement, the Authority or the Trustee may (but shall be under no obligation to), after ten (10) days written notice to the Borrower unless cured within such ten (10) days, contract for the required policies of insurance and pay the premiums on the same and the Borrower agrees to reimburse the Authority or the Trustee to the extent of the amounts so advanced with interest thereon at the maximum rate permitted by law.

Section 7.04. Payment of Taxes, etc. The Borrower will promptly pay and discharge or cause to be promptly paid and discharged all, if applicable, taxes, assessments and governmental charges or levies imposed upon it or in respect of any of its property and assets, except for any tax, assessment and governmental charge or levy that is being contested in good faith provided that during such contest the same will not result in a lien upon the Collateral or for which an appropriate bond or surety is posted to assure payment of such lien.

The Borrower agrees to cause any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Trustee under the Indenture to be discharged, vacated, bonded or stayed within ninety (90) days after such filing (or such longer period if the Borrower is contesting such process in good faith), but in any event not later than five (5) days prior to any proposed execution or enforcement with respect to such filing or any transfer of moneys or investments pursuant to such filing.

Section 7.05. Compliance with Applicable Laws. The Borrower agrees to construct, operate and maintain the Project and its business in accordance with all material applicable Federal, State, county and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter including, but not limited to such public safety, workers' compensation, sanitary, safety, non-discrimination and zoning laws, ordinances, rules and regulations as shall be binding upon the Borrower and, specifically, without limitation, with respect to environmental protection laws, ordinances, rules and regulations as shall be binding upon the Borrower, as provided in the Mortgage and the Environmental Indemnity Agreement.

Section 7.06. Financial Statements. The Borrower agrees that, so long as any of the Bonds remain Outstanding, it will deliver, or cause to be delivered, to the Trustee and, upon the request of the Authority, to the Authority: on behalf of the Borrower and the School:

(a) as soon as practicable, and in any event within one hundred eighty (180) days after the end of each Fiscal Year, audited balance sheets, as at the end of such year; and audited income and expense statements and statements of cash flows for such year, in reasonable detail, certified by independent accountants selected by the Borrower as having been prepared in accordance with generally accepted accounting principles, consistently applied except as otherwise stated; and

(b) with the submission of each financial report required in (a) above, to the Trustee and to the Authority a certificate signed by an Authorized Borrower Representative or a principal accounting officer of the Borrower which shall state whether or not, to the best of the knowledge of the signers, any condition has occurred and is continuing which constitutes an "Event of Default" as defined in this Loan Agreement or which, after notice or lapse of time, or both, would constitute such an Event of Default, and, if any such condition or event exists, specifying the nature and period of existence thereof, and what action the Borrower is taking and proposes to take with respect thereto.

The Trustee shall make copies of the financial statements and certificates required under this Section 7.06 available to the Bondholders upon written request. The Trustee shall have no obligation or duty to review and/or analyze any financial statements delivered to it pursuant to this Section.

Section 7.07. Reserved.

Section 7.08. Assignment of Loan Agreement. Subject to the provisions of Section 6.15, the Borrower may not assign or transfer the whole or any part of this Loan Agreement without prior written notice to the Authority and receipt of an opinion of Bond Counsel that the assignment will not affect the tax-exempt status of interest on the Tax Exempt Bonds. Any assignment of this Loan Agreement by the Borrower without the meeting this requirement shall be null and void.

Section 7.09. Transfer of Project Facilities. The Borrower shall not sell or otherwise dispose of any possessory interest in whole or part of the Project Facilities without complying with the provisions of Section 6.15, except for worn out or obsolete equipment, provided the equipment or fixtures which are worn out or obsolete are replaced with items of equal or greater utility and value. The Borrower shall take all action necessary to include such replacement equipment or fixtures to be included as part of the Collateral.

Section 7.10. Reserved.

Section 7.11. Covenant by Borrower as to Compliance with Indenture. The Borrower covenants and agrees that it will not interfere with the exercise of the power and authority granted to the Trustee in the Indenture. The Borrower further agrees to aid in furnishing to the Authority or the Trustee any documents, certificates or opinions that may be required under the Indenture and to comply with the provisions thereof to the extent applicable to the Borrower.

Section 7.12. Payment of Prevailing Wage. The Borrower shall, in every Construction Contract to which it is a party or by other means satisfactory to the New Jersey Department of Labor, require the Contractor to pay workers engaged in the performance of such Construction Contract a wage rate not less than the rate required by the Prevailing Wage Requirements. The Borrower shall further require that the Contractor execute the Contractor's Certificate and Agreement, submit certified copies of payroll records to the Authority, as required by the New Jersey Department of Labor, and execute and file the Contractor's Completion Certificate. The Borrower shall cooperate with the New Jersey Department of Labor in securing the compliance of the Contractor and any Subcontractor with the foregoing.

Section 7.13. Compliance with the Prevailing Wage Requirements. The Borrower shall comply with the Prevailing Wage Requirements.

Section 7.14. Insurance Proceeds and Condemnation Awards. The Borrower shall notify the Authority and the Trustee promptly of the occurrence of any damage to or destruction, condemnation or conveyance in lieu of condemnation of all or any portion of the Project Facilities. All insurance proceeds, condemnation award or other similar sums received as a result of any such occurrence shall be applied as set forth in Section 3(b) of the Mortgage and the Project Intercreditor and Subordination Agreement.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Any one or more of the following events shall constitute an Event of Default with respect to the Bonds hereunder:

(a) if any representation or warranty made by the Borrower herein or in any other Loan Document, the Bond Purchase Agreement or in any report, certificate, financial statement or other instrument furnished in connection with this Loan Agreement shall prove to be false or misleading in any material respect when made;

(b) default in the payment of any installment of the principal or interest on the Note within five (5) Business Days of the date when due;

(c) (reserved);

(d) default in the due observance or performance of any material covenant, condition or agreement on the part of the Borrower to be observed or performed pursuant to the terms of the Loan Documents, other than the payment of principal and interest which shall be governed by (b) and (c) above, and such default shall continue unremedied for sixty (60) days after written notice thereof given by the Authority or the Trustee, provided that in the event such default cannot be reasonably cured within such sixty (60) day period, the Borrower shall be permitted such additional period as may be necessary to cure such default provided the Borrower is diligently pursuing a cure of such default;

(e) default in the performance or breach of any covenant or warranty of the Borrower in this Loan Agreement relating to the discharge, vacation, bonding or stay of any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Trustee under the Indenture;

(f) the Borrower shall have applied for or consented to the appointment of a custodian, receiver, trustee or liquidator of all or a substantial part of its assets; or shall generally not be paying its debts as they become due; or shall have made a general assignment for the benefit of creditors; or shall have submitted a petition or an answer seeking reorganization or an arrangement with creditors; or shall have taken advantage of any insolvency law, or submitted an answer admitting the material allegations of a petition in bankruptcy, reorganization or insolvency proceeding; or an order, judgment or decree shall have been entered, without the application, approval or consent of the Borrower, by any court of competent jurisdiction approving a petition seeking reorganization of the Borrower, or appointing a custodian, receiver, trustee or liquidator of the Borrower or of a substantial part of any of its assets and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days; or the Borrower shall have filed a voluntary petition in bankruptcy; or if any order for relief has been entered against the Borrower under the Federal Bankruptcy Code; or

- (g) a Determination of Taxability shall have occurred.

Section 8.02. Remedies. (i) Whenever any Event of Default referred to in Section 8.01 hereof shall have occurred and be subsisting, provided that written notice of the default, when required, has been given to the Borrower by the Authority or the Trustee and the Event of Default has not theretofore been cured, and such declaration shall not have been rescinded by the Authority, any one or more of the following remedial steps may be taken:

(a) The principal of the Note may be accelerated, together with interest then due thereon, by delivery of written notice of the Authority's or the Trustee's exercise of such right to the Borrower, such payments to be immediately due and payable; and

(b) The Authority may take any action at law or in equity to collect the payments then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement.

(ii) Notwithstanding any other provision in this Loan Agreement, without the necessity of obtaining the consent of the holders of the Bonds: (a) if the Borrower commits a breach, or threatens to commit a breach of the Authority's Reserved Rights, the Authority shall have the right and remedy, without posting bond or other security, to have the applicable provisions of this Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause immediate and irreparable injury to the Authority and that money damages will not provide an adequate remedy therefor; (b) if a payment default occurs under Section 8.01(b) or(c) hereof, the Authority may cause the Borrower's payment obligations under this Loan Agreement and under the Note to be accelerated, together with interest then due thereon, by delivery of written notice of the Authority's exercise of such option to the Trustee and the Borrower, such payments to be immediately due and payable or (c) if any representation or warranty made by the Borrower in this Agreement or in any report, certificate, financial statement or other instrument furnished by the Borrower in connection with this Agreement shall prove to be false or misleading in any material respect when made, the Authority may cause the mandatory redemption of the Bonds in accordance with the Indenture.

Section 8.03. No Remedy Exclusive. No remedy herein conferred or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article, it shall not be necessary to give notice, other than such notice as may be required in this Article.

Section 8.04. Additional Remedies. In addition to the above remedies, if the Borrower commits a breach or threatens to commit a breach of this Loan Agreement, the Trustee shall have the right and remedy, without posting bond or other security, to have the provisions of this Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Trustee and that money damages will not provide an adequate remedy therefor.

Section 8.05. Agreement to Pay Attorneys' Fees and Expenses. In the event the Borrower should default under any of the provisions of this Loan Agreement or other Loan Documents and either the Authority or the Trustee shall require and employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Borrower or enforcement of the Bonds under any Loan Document, the Borrower agrees that it will, on demand therefor, pay to the Authority or the Trustee, as the case may be, the reasonable fees and expenses of such attorneys and such other expenses so incurred by the Authority or the Trustee.

Section 8.06. No Additional Waiver Implied by One Waiver. In the event any agreement contained in any Loan Document should be breached by any party and thereafter such breach should be waived by any party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.07. Authority May File Claim in Bankruptcy. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Borrower or any other obligor upon the Loan Agreement or the Bonds or to property of the Borrower, or such other obligor or the creditors of any of them, the Authority (or the Trustee in the name of the Authority) (irrespective of whether the principal of the Note shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether demand shall have been made on the Borrower for the payment on the Note of an amount equal to overdue principal or interest or additional interest) shall be entitled and empowered, by intervention in such proceeding or otherwise to:

- (i) file and prove a claim for the reasonable compensation, expenses, disbursements and advances of the Authority, its agents and counsel allowed in such judicial proceeding; and

- (ii) file and prove a claim arising out of a claim for indemnification by or on behalf of the Authority, any Person who "controls" the Authority (within the meaning of Section 15 of the Securities Act of 1933, as amended and Section 20 of the Securities Exchange Act of 1934, as amended) and members, officers, directors, officials, employees, agents and attorneys of the Authority and the County and their respective agents and counsel allowed in such judicial proceeding; and

(iii) file and prove a claim for funds held in, or which should have been held in, the Rebate Account or the payment of the Rebate Amount due under Section 6.04 hereof; and

(iv) collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Notices. Any notice to the parties to this Loan Agreement shall be conclusively deemed to have been received by, and to be effective on the date on which sent by electronic or facsimile transmission or delivered to it, at the address listed below or, if sent by nationally recognized overnight courier, on the next business day after the day on which so sent or, if sent by certified mail, postage prepaid, on the third business day after the day on which mailed, addressed to the party at said address:

Authority: The Essex County Improvement Authority
27 Wright Way, Fairfield, New Jersey 07004
Attn: Executive Director
Telephone: (973) 575-0952
Email: lsapinski@ecia.essexcountynj.org;srother@postpolak.com

Borrower: NSA 377 Washington Street, LLC
826 Broadway, 9th Floor
New York, N.Y 10003
Attn: Chief Financial Officer
Telephone No. (212) 844-7905
Email: Jennifer.Consilvio@uncommonschoools.org

Trustee: Zions Bancorporation, National Association
Corporate Trust, Zions Bank Division
225 Peachtree Street NE; Suite #1450
Atlanta, GA. 30303
Attention: Ryan M. Pollihan, Vice President
Telephone: (470) 437-3936
E-mail: ryan.pollihan@zionsbancorp.com

The addresses set forth hereinabove may be changed pursuant to notice given in accordance with this Section 9.01.

Section 9.02. Concerning Successors and Assigns. All covenants, agreements, representations and warranties made herein by the Borrower, in the other Loan Documents and in the certificates delivered pursuant hereto and thereto, including the Borrower's covenant to indemnify the Authority and Trustee pursuant to Section 6.07 hereof, shall survive the making of the Loan herein contemplated and the execution and delivery of the Note and shall continue in full force and effect so long as the Obligations are outstanding and unpaid. Whenever in this Loan Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by

or on behalf of the Borrower which are contained in this Loan Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Authority.

Section 9.03. Expenses and Fees. All expenses in connection with the preparation, execution, delivery, recording and filing of this Loan Agreement, and the other Loan Documents and in connection with the preparation, issuance and delivery of the Bonds, the Authority's fees, the fees and expenses of Chiesa Shahinian & Giantomasi PC, the fees and expenses of the Trustee, the fees and expenses of Trustee's counsel and the fees and expenses of counsel to the Underwriter shall be payable by the Borrower. The Borrower shall also pay throughout the term of the Bonds the Authority's fees and expenses and the Trustee's annual and extraordinary fees and expenses under the Indenture, the Loan Agreement and the other Loan Documents, including, but not limited to, reasonable attorney's fees and expenses, and all costs of issuing, collecting payment on and redeeming the Bonds thereunder, and any costs and expenses of any Bondholder (or beneficial owner) in connection with any approval, consent or waiver under, or modification of, any such document.

Section 9.04. New Jersey Law Governs. This Loan Agreement and the other Loan Documents shall be construed in accordance with and governed by the laws of the State.

Section 9.05. Modification in Writing. The waiver or amendment of any provision of this Loan Agreement or any other Loan Document, or consent to any departure by the Borrower therefrom shall, in no event, be effective unless the same shall be in writing and signed by the Authority and the Borrower. Any such waiver or amendment shall be effective only in the specific instance and for the purpose for which given. No notice to or demand upon the Borrower in any case shall entitle it to any other further notice or demand in the same circumstances. Any amendment of this Loan Agreement shall be effected only in the manner provided in Article XII of the Indenture.

Section 9.06. Failure to Exercise Rights. Neither any failure nor any delay on the part of the Authority in exercising any right, power or privilege hereunder or under any other Loan Document shall operate as a waiver hereof or thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege.

Section 9.07. Assignment of Loan Documents. The Borrower acknowledges that with the exception of the Authority's Reserved Rights, the Loan Documents, including the Note, shall be assigned by the Authority to the Trustee as security for the Bonds pursuant to the terms of the Indenture. The Authority retains the right, jointly and severally with the Trustee, to specifically enforce the provisions contained in the Loan Documents.

The Borrower assents to such assignment and hereby agrees that, as to the Trustee, its obligation to make payments under the Loan Documents and the Note shall be absolute, and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority of any duty or obligation to the Borrower, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Borrower by the Authority.

Section 9.08. Further Assurances and Corrective Instruments. The Authority and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or for carrying out the intention of or facilitating the performance of this Loan Agreement in the manner provided in Article XII of the Indenture.

Section 9.09. Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Loan Agreement.

Section 9.10. Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render any other provision hereof unenforceable.

Section 9.11. Counterparts. This Loan Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.12. Effective Date and Term. This Loan Agreement shall become effective upon its execution and delivery by the parties hereto, and all representations and warranties of the Borrower shall be deemed to have been made as of such date of execution and delivery and shall remain in full force and effect from the date hereof and, subject to the provisions hereof, shall expire on such date as the Bonds and the interest thereon, the Note and the interest thereon and all other expenses, penalties, fees, additions to tax or sums to which the Authority and the Trustee are entitled, have been fully paid and retired.

Section 9.13. Incorporation of Terms. The other Loan Documents shall be made subject to all the terms and conditions contained in this Loan Agreement to the same extent and effect as if this Loan Agreement were fully set forth in and made a part of the other Loan Documents. This Loan Agreement is made subject to all the conditions, stipulations, agreements and covenants contained in the other Loan Documents to the same extent and effect as if the other Loan Documents were fully set forth herein and made a part hereof. Notwithstanding any of the foregoing, if any provisions in the other Loan Documents (other than the Indenture and the Bonds) are inconsistent with covenants contained within this Loan Agreement, to that extent this Loan Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement and, where applicable, caused it to be attested, as of the day first written above.

ATTEST:

THE ESSEX COUNTY IMPROVEMENT
AUTHORITY

Lucy Sapinski
Secretary

By: _____
Steven C. Rother
Executive Director

WITNESS:

NSA 377 WASHINGTON STREET, LLC

By: _____
Jennifer Consilvio, Authorized Signatory

SCHEDULE A TO LOAN AGREEMENT

Property Description

ALL that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Newark, in the County of Essex, State of New Jersey:

BEGINNING at a point formed by the intersection of the northeasterly line of Court Street and the northwesterly line of Washington Street, running; thence

- (1) North 73 degrees 39 minutes West, along the northeasterly line of Court Street, a distance of 263.64 feet to a point in the southeasterly line of University Avenue (formerly Plane Street); thence
- (2) North 18 degrees 21 minutes East, along the southeasterly line of University Avenue, a distance of 255.83 feet to a point; thence
- (3) South 71 degrees 29 minutes East, a distance of 293.47 feet to a point in the northwesterly line of Washington Street; thence
- (4) South 18 degrees 09 minutes West, along the northwesterly line of Washington Street, a distance of 44.97 feet to an angle point; thence
- (5) South 23 degrees 21 minutes West, continuing along the northwesterly line of Washington Street, a distance of 32.67 feet to an angle point; thence
- (6) South 27 degrees 34 minute West, continuing along the northwesterly line of Washington Street, a distance of 170.46 feet to a point, said point being the point and place of BEGINNING.

FOR INFORMATION PURPOSES ONLY: BEING known as 359-377 Washington Street, Tax Lot 1, Tax Block 98 on the Official Tax Map of City of Newark, NJ.

EXHIBIT A TO LOAN AGREEMENT

FORM OF SERIES 2020 NOTE

AFTER THE ENDORSEMENT OF THIS NOTE AS HEREIN PROVIDED, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO A SUCCESSOR OF THE TRUSTEE UNDER THE TRUST INDENTURE REFERRED TO IN THE LOAN AGREEMENT REFERRED TO HEREIN.

SERIES 2020 NOTE

\$29,595,000

West Orange, New Jersey
Dated: October 29, 2020

FOR VALUE RECEIVED, NSA 377 WASHINGTON STREET, LLC (the “Borrower”) promises to pay to the order of **THE ESSEX COUNTY IMPROVEMENT AUTHORITY** (the “Authority”) at its offices located at 27 Wright Way, Fairfield, New Jersey 07004, the sum of TWENTY-NINE MILLION FIVE HUNDRED NINETY-FIVE THOUSAND and 00/100 DOLLARS (\$29,595,000) in lawful money of the United States, together with interest thereon as set forth on the attached Schedule A.

This Note shall be payable in such manner and upon such terms so as to provide for the timely payment of the principal and interest of the Authority’s \$29,595,000 Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. - 2020 Project) (the “Bonds”), as set forth on the attached Schedule A, and any other sums due and owing from the Authority under the Trust Indenture dated as of October 1, 2020, by and between the Authority and Zions Bancorporation, National Association, as Trustee (the “Indenture”), including any Additional Bonds issued by the Authority pursuant to such Indenture (all words and terms not defined herein shall have the respective meanings and be construed herein as provided in the Indenture). It is the intent of the parties that the Trustee shall have on deposit the sums to pay the amounts due on the Bonds fifteen (15) days prior to their respective due dates. To that end, the Borrower shall make the following payments to the Trustee for the account of the Authority:

On or before the first day of each quarter (being January 1, April 1, July 1 and October 1), commencing April 1, 2021, the Borrower shall make quarterly payments equal to one-fourth (1/4th) of the amount which is necessary for the payment of the principal of the Series 2020 Bonds coming due on the following July 15th, subject to credit for other available funds in the manner provided in the Indenture

On January 1, 2021, the Borrower shall make a payment equal to the amount which is necessary for the payment of the interest of the Bonds coming due on January 15, 2021. On or before the first day of each quarter thereafter, commencing April 1, 2021, the Borrower shall make quarterly payments (being January 1, April 1, July 1 and October 1) equal to one-half (1/2) of the amount which is necessary, for the payment of the interest of the Bonds coming due on each July 15 and January 15, thereafter, subject to credit for any other available funds in the manner provided in the Indenture.

In any event, on July 15, 2060 all unpaid principal and accrued interest on the Bonds shall be due and payable hereunder.

This Note is the Note referred to in the Indenture and is subject to all the terms and provisions of said Indenture and a Loan Agreement dated as of October 1, 2020 by and between the Authority and the Borrower (the "Agreement"). This Note is secured by a Mortgage, Security Agreement, Assignment of Leases, and Fixture Filing from the Borrower dated the date of this Note (the "Mortgage"). This Note, the Agreement and the Mortgage have been assigned by the Authority to the Trustee in accordance with the terms of the Indenture.

In the event of a Determination of Taxability with respect to interest on the Bonds issued by the Authority in connection with the Project, this Note shall become subject to acceleration and shall be due and payable in an amount equal to the Redemption Price of the Bonds, plus accrued interest to the date set for redemption of the Bonds as a result of a Mandatory Redemption, as such term is used in the Indenture.

This Note is subject to prepayment, by the Borrower on or after July 15, 2030, at the option of the Borrower, in whole at any time or in part on any Interest Payment Date at the redemption price and in accordance with the redemption schedule set forth in the Bonds.

In the event that any of the Bonds may be subject to Extraordinary Redemption, Extraordinary Mandatory Redemption or Mandatory Sinking Fund Redemption, as such terms are used in the Indenture, the amount necessary to pay the Redemption Price of the Bonds shall become due and payable hereunder, together with interest accrued to the date set for redemption of the Bonds.

If any Event of Default (as defined in the Agreement) occurs, the principal of and interest on this Note may become payable at the times, in the manner, with the effect and subject to the conditions provided in the Indenture and the Agreement.

Undersigned and all endorser (if any) of this Note waive presentment, demand for payment, protest and notice of dishonor of this Note, and authorize the holder, without notice or further consent, to grant extensions of time in the payment of any moneys payable under this Note, to waive compliance with any of the provisions of this Note or the Agreement, and to release all or any part of the Collateral subject to the Agreement from the lien thereof or the Mortgage.

IN WITNESS WHEREOF, the undersigned has caused this Note to be duly executed by its proper member as of the day and year first above written.

WITNESS:

NSA 377 WASHINGTON STREET, LLC

By: _____
Jennifer Consilvio, Authorized Signatory

ENDORSEMENT

Pay to the order of Zions Bancorporation, National Association, as Trustee for the benefit of the Bondholders under the Trust Indenture between the Authority and the Trustee, without recourse. This endorsement is given and made without any warranty as to the authority and genuineness of the signature of the maker of the foregoing Note.

Dated as of the date first above written.

THE ESSEX COUNTY IMPROVEMENT
AUTHORITY

By: _____
Steven C. Rother
Executive Director

SCHEDULE A TO NOTE

Date	Principal	Interest	Debt Service	Annual Debt Service
1/15/2021	-	249,913.33	249,913.33	-
7/15/2021	-	591,900.00	591,900.00	841,813.33
1/15/2022	-	591,900.00	591,900.00	-
7/15/2022	325,000.00	591,900.00	916,900.00	1,508,800.00
1/15/2023	-	585,400.00	585,400.00	-
7/15/2023	340,000.00	585,400.00	925,400.00	1,510,800.00
1/15/2024	-	578,600.00	578,600.00	-
7/15/2024	355,000.00	578,600.00	933,600.00	1,512,200.00
1/15/2025	-	571,500.00	571,500.00	-
7/15/2025	370,000.00	571,500.00	941,500.00	1,513,000.00
1/15/2026	-	564,100.00	564,100.00	-
7/15/2026	385,000.00	564,100.00	949,100.00	1,513,200.00
1/15/2027	-	556,400.00	556,400.00	-
7/15/2027	400,000.00	556,400.00	956,400.00	1,512,800.00
1/15/2028	-	548,400.00	548,400.00	-
7/15/2028	415,000.00	548,400.00	963,400.00	1,511,800.00
1/15/2029	-	540,100.00	540,100.00	-
7/15/2029	430,000.00	540,100.00	970,100.00	1,510,200.00
1/15/2030	-	531,500.00	531,500.00	-
7/15/2030	450,000.00	531,500.00	981,500.00	1,513,000.00
1/15/2031	-	522,500.00	522,500.00	-
7/15/2031	465,000.00	522,500.00	987,500.00	1,510,000.00
1/15/2032	-	513,200.00	513,200.00	-
7/15/2032	485,000.00	513,200.00	998,200.00	1,511,400.00
1/15/2033	-	503,500.00	503,500.00	-
7/15/2033	505,000.00	503,500.00	1,008,500.00	1,512,000.00
1/15/2034	-	493,400.00	493,400.00	-
7/15/2034	525,000.00	493,400.00	1,018,400.00	1,511,800.00
1/15/2035	-	482,900.00	482,900.00	-
7/15/2035	545,000.00	482,900.00	1,027,900.00	1,510,800.00
1/15/2036	-	472,000.00	472,000.00	-
7/15/2036	565,000.00	472,000.00	1,037,000.00	1,509,000.00
1/15/2037	-	460,700.00	460,700.00	-
7/15/2037	590,000.00	460,700.00	1,050,700.00	1,511,400.00
1/15/2038	-	448,900.00	448,900.00	-
7/15/2038	615,000.00	448,900.00	1,063,900.00	1,512,800.00
1/15/2039	-	436,600.00	436,600.00	-
7/15/2039	640,000.00	436,600.00	1,076,600.00	1,513,200.00
1/15/2040	-	423,800.00	423,800.00	-
7/15/2040	665,000.00	423,800.00	1,088,800.00	1,512,600.00

1/15/2041	-	410,500.00	410,500.00	-
7/15/2041	690,000.00	410,500.00	1,100,500.00	1,511,000.00
1/15/2042	-	396,700.00	396,700.00	-
7/15/2042	715,000.00	396,700.00	1,111,700.00	1,508,400.00
1/15/2043	-	382,400.00	382,400.00	-
7/15/2043	745,000.00	382,400.00	1,127,400.00	1,509,800.00
1/15/2044	-	367,500.00	367,500.00	-
7/15/2044	775,000.00	367,500.00	1,142,500.00	1,510,000.00
1/15/2045	-	352,000.00	352,000.00	-
7/15/2045	805,000.00	352,000.00	1,157,000.00	1,509,000.00
1/15/2046	-	335,900.00	335,900.00	-
7/15/2046	840,000.00	335,900.00	1,175,900.00	1,511,800.00
1/15/2047	-	319,100.00	319,100.00	-
7/15/2047	870,000.00	319,100.00	1,189,100.00	1,508,200.00
1/15/2048	-	301,700.00	301,700.00	-
7/15/2048	905,000.00	301,700.00	1,206,700.00	1,508,400.00
1/15/2049	-	283,600.00	283,600.00	-
7/15/2049	945,000.00	283,600.00	1,228,600.00	1,512,200.00
1/15/2050	-	264,700.00	264,700.00	-
7/15/2050	980,000.00	264,700.00	1,244,700.00	1,509,400.00
1/15/2051	-	245,100.00	245,100.00	-
7/15/2051	1,020,000.00	245,100.00	1,265,100.00	1,510,200.00
1/15/2052	-	224,700.00	224,700.00	-
7/15/2052	1,060,000.00	224,700.00	1,284,700.00	1,509,400.00
1/15/2053	-	203,500.00	203,500.00	-
7/15/2053	1,105,000.00	203,500.00	1,308,500.00	1,512,000.00
1/15/2054	-	181,400.00	181,400.00	-
7/15/2054	1,150,000.00	181,400.00	1,331,400.00	1,512,800.00
1/15/2055	-	158,400.00	158,400.00	-
7/15/2055	1,195,000.00	158,400.00	1,353,400.00	1,511,800.00
1/15/2056	-	134,500.00	134,500.00	-
7/15/2056	1,240,000.00	134,500.00	1,374,500.00	1,509,000.00
1/15/2057	-	109,700.00	109,700.00	-
7/15/2057	1,290,000.00	109,700.00	1,399,700.00	1,509,400.00
1/15/2058	-	83,900.00	83,900.00	-
7/15/2058	1,345,000.00	83,900.00	1,428,900.00	1,512,800.00
1/15/2059	-	57,000.00	57,000.00	-
7/15/2059	1,395,000.00	57,000.00	1,452,000.00	1,509,000.00
1/15/2060	-	29,100.00	29,100.00	-
7/15/2060	1,455,000.00	29,100.00	1,484,100.00	1,513,200.00
Total	29,595,000.00	30,175,413.33	59,770,413.33	59,770,413.33

EXHIBIT B TO LOAN AGREEMENT
FORM OF REQUISITION

TO: Zions Bancorporation, National Association
Corporate Trust, Zions Bank Division
225 Peachtree Street NE; Suite #1450
Atlanta, GA. 30303

The Essex County Improvement Authority
27 Wright Way, Fairfield, New Jersey 07004
Attn: Executive Director

**Re: The Essex County Improvement Authority
\$29,595,000 Charter School Revenue Bonds
(North Star Academy Charter School of Newark, Inc. - 2020 Project)**

REQUISITION NO. ____

PAYMENT FROM THE [PROJECT FUND][COSTS OF ISSUANCE FUND]

The undersigned, an Authorized Borrower Representative of NSA 377 Washington Street, LLC (the "Borrower"), pursuant to the Loan Agreement by and between The Essex County Improvement Authority (the "Authority") and the Borrower, dated as of October 1, 2020 (the "Loan Agreement") makes the following requisition for payment from the Project Fund or the Costs of Issuance Fund (as set forth above), established pursuant to the Loan Agreement entered into with regard to the North Star Academy Charter School of Newark, Inc. – 2020 Project Bonds (all words and terms not defined herein shall have the respective meanings and be construed herein as provided in the Loan Agreement).

The Schedule A attached to this requisition includes information regarding to whom payment is to be made, the amounts being requested and the reasons for payment.

If this requisition is for payment to be made to the Borrower for a reimbursable advance, included with this requisition is proof of payment of the amount for which reimbursement is sought.

We hereby certify that (a) the obligation to make such payment was incurred by the Borrower in connection with the refinancing of a construction loan that was used to partially fund the acquisition, construction and expansion of the Project Facilities, is a Proper Charge, including costs related to the issuance of the Bonds, as the case may be, is unpaid or unreimbursed, and has not been the basis for any prior requisition which has been paid; (b) other than with respect to Permitted Loans, the Borrower has received no written notice of any lien, right to lien or attachment upon, or claim affecting the right of such payee to receive payment of,

any of the money payable under this requisition to any of the Persons named herein, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released, discharged or will be released or discharged upon payment of this requisition; (c) this requisition contains no items representing payment on account of any retained percentages which the Borrower are required to retain at this date; (d) this requisition contains no items which are not a Proper Charge; (e) no Event of Default or event of default which after notice or lapse of time or both would constitute an Event of Default has occurred and not been waived; and (f) the amount requisitioned hereby is being expended in a manner consistent in all material respects with the representations and warranties of the Borrower set forth in the Loan Agreement.

If this requisition is for payment to the Borrower to reimburse it for costs or expenses incurred by reason of work performed or supervised by officers or employees of the Borrower or any of its affiliates, the amount to be paid does not exceed the actual cost thereof to the Borrower or any of its affiliates.

I hereby certify that insofar as any amount covered by the above requisition from the Project Fund includes payments to be made for labor or to contractors, builders or materialmen, including payment for equipment, materials or supplies, in connection with the acquisition of the Project: (i) all obligations to make such payments have been properly incurred, (ii) any such labor was actually performed and any such equipment, materials or supplies were actually furnished or installed on or about the Project and are a proper charge against the Costs of acquisition of the Project, (iii) such equipment, materials or supplies either are not subject to any lien or security interest or, if the same are so subject, such lien or security interest will be released or discharged upon payment of this requisition. I hereby certify that the Amount of this Requisition set forth above represents 100% of the amount due on account of a payment to a Contractor or Subcontractor on account of a Construction Contract.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of October, 2020.

NSA 377 WASHINGTON STREET, LLC

By: _____
Authorized Borrower Representative

SCHEDULE A

EXHIBIT C TO LOAN AGREEMENT

TO: Zions Bancorporation, National Association
Corporate Trust, Zions Bank Division
225 Peachtree Street NE; Suite #1450
Atlanta, GA. 30303

The Essex County Improvement Authority
27 Wright Way, Fairfield, New Jersey 07004
Attn: Executive Director

**Re: The Essex County Improvement Authority
\$29,595,000 Charter School Revenue Bonds
(North Star Academy Charter School of Newark, Inc. – 2020 Project)**

BORROWER'S COMPLETION CERTIFICATE

Pursuant to Section 3.04 of the Loan Agreement by and between the Authority and NSA 377 Washington Street, LLC (the "Borrower") dated as of October 1, 2020 (the "Loan Agreement"), the undersigned, an Authorized Borrower Representative (all words and terms not defined herein shall have the respective meanings and be construed herein as provided in the Loan Agreement), as of the date hereof, certifies that:

(i) that portion of the Project Facilities to be financed with the proceeds of the Authority's Bonds were completed as of the Issue Date;

(ii) the cost of all labor, services, materials and supplies used in the Project have been paid, or will be paid from amounts retained by Zions Bancorporation, National Association, the Trustee, at the Borrower's direction for any cost of the Project not now due and payable or, if due and payable, not presently paid;

(iii) the Project Facilities necessary for the Project, if any, have been installed to the Borrower's satisfaction; such Project Facilities so installed are suitable and sufficient for the efficient operation of the Project for the intended purposes and all costs and expenses, if any, incurred in the acquisition and installation of such Project Facilities have been paid, or will be paid from amounts retained by the Trustee at the Borrower's direction for any cost of the Project not now due and payable or, if due and payable, not presently paid;

(iv) the Project is being operated as a facility for which the Authority is authorized under the Act to issue Bonds and substantially as proposed in the Application of the Borrower.

(v) The Borrower has complied with the Prevailing Wage Requirements in using the proceeds of the Authority's Bonds, or, if applicable, insurance or condemnation awards for the restoration of the Project.

This certificate is given without prejudice to any rights against third parties which exist on the date hereof or which may subsequently come into being.

NSA 377 WASHINGTON STREET, LLC

By: _____
Authorized Borrower Representative

Dated: October __, 2020

APPENDIX E
FORM OF INDENTURE

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TRUST INDENTURE

By and Between

THE ESSEX COUNTY IMPROVEMENT AUTHORITY

and

ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Trustee

Relating to the issuance of:

The Essex County Improvement Authority
\$29,595,000 Charter School Revenue Bonds
(North Star Academy Charter School of Newark, Inc.-2020 Project)

Dated as of October 1, 2020

TRUST INDENTURE

(North Star Academy Charter School of Newark, Inc.-2020 Project)

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Exhibit A	Form of Bonds
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TRUST INDENTURE

THIS INDENTURE, dated as of October 1, 2020, by and between **THE ESSEX COUNTY IMPROVEMENT AUTHORITY** (the “Authority”), a public body corporate and politic of the State that has been created by resolution of the Board of Chosen Freeholders of the County of Essex, New Jersey, as a public body corporate and politic of the State of New Jersey, and **ZIONS BANCORPORATION, NATIONAL ASSOCIATION**, as Trustee (the “Trustee”), a national banking association having trust and fiduciary powers in New Jersey, having its corporate trust office and place of business in Atlanta, Georgia.

WITNESSETH:

WHEREAS, the Authority is authorized by the County Improvement Authorities Law (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented (“Act”), to extend credit or make loans for the planning, design, acquisition, construction, improvement, renovation, installation, maintenance and operation of facilities to any corporation which is organized for any purpose under N.J.S.A. 15A:2-1, which credits or loans may be secured by loan and security agreements, mortgages, leases, and any other instruments, upon such terms and conditions as the Authority shall deem reasonable; and

WHEREAS, the Authority, to accomplish the purposes of the Act, is empowered to extend credit to such employment promoting enterprises in the name of the Authority, on such terms and conditions and such manner as it may deem proper for such consideration and upon such terms and conditions as the Authority may determine to be reasonable; and

WHEREAS, NSA 377 Washington Street, LLC (the “Borrower”) has applied to the Authority for financial assistance in the amount of up to \$40,000,000, to be used to fund the costs to (i) refinance a construction loan that was used to partially fund the construction of a public school building of 6 stories containing approximately 162,000 square feet on the land located at 359-377 Washington Street (Block 98, Lot 1), in the City of Newark, County of Essex and State of New Jersey (the “Construction Loan”), (ii) fund a Debt Service Reserve Fund, and (iii) pay costs of issuance of the Bonds (collectively the “Project”); and

WHEREAS, by resolution adopted by the Authority on July 28, 2020, the Authority determined to loan the Borrower up to \$40,000,000 from the sale of its Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc.-2020 Project); and

WHEREAS, to finance the Project, the Authority’s Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc.-2020 Project) (the “Series 2020 Bonds”) will be issued on the Issue Date (as defined herein) in the aggregate principal amount of \$29,595,000; and

WHEREAS, the Authority at a meeting thereof duly convened and held on July 28, 2020, has by resolution duly authorized the execution and delivery of this Indenture and the

issuance hereunder of the Series 2020 Bonds upon and subject to the terms and conditions hereinafter set forth; and

WHEREAS, the Authority will loan the Borrower the net proceeds from the sale of its \$29,595,000 Series 2020 Bonds, pursuant to a Loan Agreement by and between the Authority and the Borrower dated as of October 1, 2020 (the “Loan Agreement”); and

WHEREAS, all acts and things have been done and performed, which are necessary to make the Series 2020 Bonds when executed and issued by the Authority, authenticated by the Trustee and delivered, the valid and binding legal obligations of the Authority in accordance with their terms and to make this Indenture a valid and binding agreement for the security of the Bonds authenticated and delivered under this Indenture;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That, to provide for the payment of principal or Redemption Price (as the case may be) and interest in respect of all Bonds issued and outstanding under this Indenture, the rights of the Bondholders (as hereinafter defined) and the performance of the covenants contained in said Bonds and herein, and the payment of all other amounts due under this Indenture, and all Additional Bonds, if any, issued hereunder, the Authority has caused the Borrower to deliver to the Trustee, in addition to the Loan Agreement, the Series 2020 Note in the principal amount of the net proceeds from the sale of its \$29,595,000 Bonds (the “Note”) secured by a Mortgage (as defined in the Loan Agreement) with the respect to the property described in Schedule A to the Mortgage from the Borrower to the Authority for the term of the Bonds, and does hereby sell, assign, transfer, set over and pledge unto the Trustee, its successors in trust and its assigns forever, all the right, title and interest of the Authority in and to, and remedies under, the Note, the Mortgage and the other Loan Documents (as such terms are defined in the Loan Agreement) and the Loan Agreement (except for the Reserved Rights of the Authority under the Loan Agreement and the Environmental Indemnity Agreement (as defined in the Loan Agreement)) as the same relate to the Bonds issued under the Indenture, as the same may be amended and supplemented and all the right, title and interest of the Authority in and to the Revenues, the Project Fund, the Costs of Issuance Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Redemption Fund (as such terms are hereinafter defined) (collectively, the “Trust Estate”);

TO HAVE AND TO HOLD all and singular said right, title and interest of the Authority granted, bargained, sold, assigned, transferred, enfeoffed, conveyed, mortgaged, pledged, alienated, remised, released, confirmed and set over by the Authority as aforesaid or intended so to be, unto the said Trustee, its successors and assigns, forever.

IN TRUST, NEVERTHELESS, under and subject to the terms and conditions hereinafter set forth, for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which regardless of the time or times of their issuance or maturity, shall be of equal rank, without preference, priority or distinction of any of the Bonds over any other thereof, except as otherwise provided in or pursuant to this Indenture, and for securing the observance and performance of all the conditions, covenants, promises, stipulations, agreements and terms and provisions of this Indenture and the uses and purposes herein expressed and declared.

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. As used or referred to in this Indenture, the following terms shall have the following meanings unless a different meaning clearly appears from the context, and terms not otherwise defined herein shall have the meaning provided in the Loan Agreement:

“Account” or “Accounts” means any or all of the accounts created pursuant to this Indenture;

“Act” means the County Improvement Authorities Law (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented;

“Additional Bonds” means any Bonds or series of Bonds, authorized pursuant to Section 3.02(ii) hereof, and authenticated and delivered under this Indenture, other than the Series 2020 Bonds;

“Additional Series Note” shall mean the additional series note or notes executed and delivered by the Borrower in a principal amount equal to the corresponding series of Additional Bonds;

“Articles” and “Sections” mentioned by number are the respective Articles and Sections of this Indenture so numbered, unless the context already indicates otherwise;

“Authorized Denomination” or “Authorized Denominations” shall have the meaning set forth in Section 2.03 hereof;

“Authority” means The Essex County Improvement Authority, created by resolution of the Board of Chosen Freeholders of the County of Essex, New Jersey, as a public body corporate and politic of the State of New Jersey, and its successors and assigns;

“Authority Officer” means the Chairman, Vice-Chairman, Executive Director, Secretary or Assistant Secretary and, when used with reference to an act or document, also means any other person authorized by resolution of the Authority to perform such act or sign such document;

“Bond” or “Bonds” shall mean the Series 2020 Bonds in the aggregate principal amount of \$29,595,000, and any Additional Bonds issued hereunder, all of which shall be substantially in the form annexed hereto as Exhibit A and authenticated in accordance with this Indenture, as well as such Bonds issued in replacement for mutilated, destroyed, lost or stolen Bonds pursuant to Section 2.09 of this Indenture, and any written amendments thereto, and any renewals and extensions thereof, permitted by this Indenture.

“Bondholder”, “Holder” or “Registered Owner” or any similar term, when used with reference to a Bond or Bonds, means any Person who shall be the registered owner of any Outstanding Bond or Bonds, respectively;

“Bond Counsel” means Chiesa Shahinian & Giantomasi PC, or any other attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds appointed by the Authority or the Borrower and not unacceptable to the Trustee;

“Bond Year” with respect to a series of Tax Exempt Bonds, when used in the context of the rebate requirement imposed under Section 148(f) of the Code means, with respect to the first Bond Year, the period beginning on the date of issuance of the Bonds, i.e., the date of initial delivery of the Tax Exempt Bonds in exchange for the issue price from the Underwriter, and ending one (1) year later or the close of business of such earlier date selected by the Authority at the direction of the Borrower which is the last day of a compounding interval used in computing the Yield on the Tax Exempt Bonds. Each subsequent Bond Year begins on the day after the expiration of the preceding Bond Year;

“Borrower” shall mean NSA 377 Washington Street, LLC, a New Jersey limited liability company (and its successors or assigns) authorized to do business in the State of New Jersey;

“Business Day” means any day upon which the Trustee is not authorized or required by law or executive order to remain closed and on which the New York Stock Exchange remains open;

“Certificate” means a certificate or report executed: (a) in the case of an Authority Certificate, by an Authority Officer; (b) in the case of a Borrower Certificate, by an Authorized Borrower Representative; and (c) in the case of a Certificate of any other Person, by such Person, if an individual, and otherwise by an officer, partner or other authorized representative of such Person.

“Certified Resolution” means a copy of one or more resolutions or amending resolutions certified by the Secretary or Assistant Secretary of the Authority to have been duly adopted by the Authority and to be in effect on the date of such certification;

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder from time to time in effect;

“Corporate Trust Office” means the office of the Trustee at which at any particular time its corporate trust business in relation to this Indenture shall be principally administered;

“Cost” or “Costs” means all costs and expenses as may be necessary or incident to: (i) refinance a construction loan that was used to partially fund acquiring, constructing or installing the Project Facilities, (ii) fund a Debt Service Reserve Fund, and (iii) pay costs of issuance of the Bonds;

“Costs of Issuance Fund” shall mean the fund so designated and established pursuant to Section 5.13 hereof;

“Counsel” means an attorney at law or law firm designated by the party for which it is offering an opinion as its counsel, and not unsatisfactory to the Trustee;

“County” shall mean the County of Essex, State of New Jersey;

“Debt Service Fund” means the fund so designated and established pursuant to Section 5.04 hereof;

“Debt Service Reserve Fund” means the fund so designated and established pursuant to Section 5.05 hereof;

“Determination of Taxability” shall have the meaning set forth in the Loan Agreement;

“DTC” shall mean The Depository Trust Company, having a principal business office at 55 Water Street, New York, New York 10041;

“Environmental Indemnity Agreement” shall mean the Environmental Indemnity Agreement, together with any amendment or supplement thereto, executed by the Borrower, as Indemnitor, and given to the Authority and the Trustee, as Indemnitees, with respect to the Mortgaged Property, dated the Issue Date;

“Event of Default” means any of the events specified in Section 9.01 hereof to be an Event of Default;

“Fiscal Year” means the twelve months ending June 30 or such other twelve month period as the Borrower may determine;

“Funds” shall mean the Project Fund, Revenue Fund, Redemption Fund, Rebate Fund, Debt Service Fund, Debt Service Reserve Fund and the Costs of Issuance Fund;

“Government Obligations” means

- (i) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (ii) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including, but not limited to:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing

- Government National Mortgage Association (GNMA)
 - State and Local Government Series
- (iii) Obligations of Government – Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government including, but not limited to:
- Federal Home Loan Mortgage Corp. (FHLMC) Debt obligations
 - Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives)
 - Federal Home Loan Banks (FHL Banks)
 - Federal National Mortgage Association (FNMA) Debt obligations
 - Financing Corp. (FICO) Debt obligations
 - Resolution Funding Corp. (REFCORP) Debt obligations
 - U.S. Agency for International Development (U.S. A.I.D) Guaranteed Note

“Indenture” means this Trust Indenture, as amended or supplemented;

“Interest Payment Date” shall mean each successive January 15 and July 15, commencing January 15, 2021;

“Investment Obligations” means those investments described in N.J.S.A. 40A:5-15.1 (which, although not applicable to the Borrower, is referenced herein for purposes of identifying the types of permitted investments) or such other investments determined by the Borrower to be prudent, but only to the extent rated AA- or higher by a nationally recognized credit rating agency, except that for purposes of Section 13.01 hereof, only those obligations which constitute direct and general obligations of the United States or are otherwise fully and unconditionally guaranteed by the United States shall be considered Investment Obligations;

“Issue Date” shall mean October 29, 2020;

“Leases” shall have the meaning set forth in the Loan Agreement;

“Loan Agreement” means the Loan Agreement dated as of October 1, 2020 between the Authority and the Borrower, as so amended or supplemented;

“Loan Documents” shall mean any or all of this Indenture, the Loan Agreement, the Note, the Mortgage, the Environmental Indemnity Agreement and the Leases;

“Mortgaged Property” shall have the meaning set forth in the Loan Agreement;

“Note” shall mean the Series 2020 Note executed and delivered by the Borrower on the Issue Date in the principal amount of \$29,595,000 and any Additional Series Note.

“Other Lenders” shall have the meaning set forth in the Loan Agreement;

“Outstanding”, when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (a) any Bond cancelled by the Trustee at or before said date, (b) any Bond for the payment or redemption of which either (i) cash, equal to the principal amount or Redemption Price (as defined below) thereof, as the case may be, with interest to the date of maturity or redemption date, or (ii) Government Obligations in the amounts, of the maturities and otherwise conforming with the provisions of Section 13.01, shall have theretofore been deposited with the Trustee in trust whether upon or prior to maturity or the redemption date of such Bonds and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article VII, and (c) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the provisions of this Indenture;

“Paying Agent” means Zions Bancorporation, National Association, and its successor or successors of any other corporation or association which may at any time be substituted in its place pursuant to this Indenture;

“Payment Date” means (i) the scheduled dates for the payment of the principal of (whether at maturity or upon mandatory sinking fund redemption thereof pursuant to Section 7.01(a) hereof) or interest on the Bonds, (ii) the dates established for the payment of principal on any Additional Bonds, and (iii) the date(s) set by the Trustee for the payment of the principal or redemption price, if any, of or interest on the Bonds upon redemption prior to the scheduled payment dates;

“Person” or “Persons” shall mean any individual, corporation, limited liability company, partnership, joint venture, trust, or unincorporated organization, or a governmental agency or any political subdivision thereof.

“Project” shall have the meaning set forth in the recitals hereto;

“Project Facilities” shall have the meaning set forth in the Loan Agreement;

“Project Fund” means the fund so designated and established pursuant to Section 4.01 hereof;

“Project Intercreditor and Subordination Agreement” shall have the meaning set forth in the Loan Agreement;

“Rating Agency” or “Rating Agencies” means Standard & Poor’s Ratings Group, Inc. (“S&P”), Moody’s Investors Service, Inc. (“Moody’s”) and Fitch Rating Services, Inc. (“Fitch”) or any successor thereto;

“Rebate Fund” shall mean the fund so designated and established pursuant to Section 5.10 hereof;

“Record Date” shall mean the January 1 and July 1 next preceding an Interest Payment Date;

“Redemption Fund” means the fund so designated and established pursuant to Section 5.06 hereof;

“Redemption Price”, when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to this Indenture;

“Requisition Form” shall mean the form of requisition required by Section 3.02(a) of the Loan Agreement as a condition precedent to the disbursement of moneys from the Project Fund and the Costs of Issuance Fund, in the form made part of the Record of Proceedings (as such term is defined in the Loan Agreement);

“Reserve Fund Requirement” means for the Series 2020 Bonds an amount equal to the least of (i) 10% of the original stated principal amount of the Series 2020 Bonds, (ii) 50% of the maximum annual debt service of the Series 2020 Bonds or (iii) 125% of average annual debt service of the Series 2020 Bonds, in an initial amount of \$756,600; and for each series of Additional Bonds such amount as is set forth in a supplement to this Indenture;

“Reserved Rights” shall have the meaning set forth in the Loan Agreement;

“Resolution” shall mean the resolution of the Authority dated July 28, 2020, accepting the Application for Financial Assistance and making certain findings and determinations with respect to the Project and authorizing the issuance and sale of the Bonds and determining other matters in connection therewith;

“Revenues” means (i) all amounts payable in respect of, or proceeds from, the Bonds, (ii) investment income in respect of any money held by the Trustee pursuant to this Indenture, (iii) any other amounts paid by the Borrower to the Trustee pursuant to the Loan Agreement (except for amounts payable under Sections 2.01(d), 6.04, 6.05, 6.06, 6.07, 8.05 and 9.03 of the Loan Agreement); (iv) subject to the terms of the Project Intercreditor and Subordination Agreement, the “Rent” due under the Leases received by the Trustee from the School, the tenant under the Leases, or any successor or assign under the Leases, and (v) subject to the terms of the Project Intercreditor and Subordination Agreement, all amounts received from the sale or liquidation of the Collateral (as defined in the Loan Agreement);

“Revenue Fund” means the fund so designated and established pursuant to Section 5.03 hereof;

“Series 2020 Bonds” means the Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc.-2020 Project) in the aggregate principal amount of \$29,595,000 issued hereunder;

“Series 2020 Note” means the Series 2020 Note executed and delivered by the Borrower to the Authority on the Issue Date;

“School” shall mean North Star Academy Charter School of Newark, Inc.

“Tax Certificate” means the tax certificate relating to the Bonds dated the Issue Date from the Borrower addressed to the Authority and Bond Counsel, as the same shall be amended and supplemented to relate to any Additional Bonds that are Tax Exempt Bonds.

“Tax Exempt Bonds” shall mean the Bonds and any series of Additional Bonds the interest on which is, in the opinion of Bond Counsel, exempt from federal income tax, as the name of such Additional Bonds shall denote;

“Trustee” shall mean Zions Bancorporation, National Association, a national banking association having trust and fiduciary powers in New Jersey, not in its individual capacity but solely as Trustee under this Indenture, or any successor trustee or co-trustee serving as such under this Indenture;

“Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated;

“Yield” shall mean a yield as shall be determined under Section 1.148-4 of the Treasury Regulations.

The words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” (except in the form of Bonds) refer to this entire Indenture. Unless the context otherwise requires, words in the singular include the plural and words in the plural include the singular.

ARTICLE II

AUTHORIZATION, TERMS AND EXECUTION OF BONDS

Section 2.01. Issuance of Bonds. Bonds issued under and secured by this Indenture, shall be equally and ratably secured by this Indenture, the Loan Agreement and the Mortgage.

Section 2.02. Particular Terms of the Bonds. There shall be issued under and secured by this Indenture, Bonds for the purpose of financing the Project to be designated “Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc.-2020 Project)” in the total aggregate principal amount of \$29,595,000, which shall contain substantially the terms recited in the form of the Bonds in Exhibit A hereto, as the same may be amended or supplemented to include the form of any Additional Bonds. The particular terms of the Series 2020 Bonds are set forth in Exhibit B hereto. The particular terms of any Additional Bonds shall be set forth in a supplement to this Indenture. The Bonds shall provide that principal or Redemption Price, and interest in respect thereof, shall be payable only out of the Revenues. The Bonds are a special, limited obligation of the Authority, payable solely out of the Revenues or other receipts, funds or moneys of the Authority pledged under this Indenture and from any amounts otherwise available under this Indenture for the payment of the Bonds. The Bonds do not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

Section 2.03. General Terms of Bonds. Every Bond shall be payable, with respect to principal or Redemption Price, and interest, in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for payment of public and private debts. Every Bond shall be issued in the form of a fully registered Bond and payable to a named Person or registered assigns and shall be substantially in the form as provided in this Indenture. Interest on the Series 2020 Bonds shall be payable from and after the Issue Date first on January 15, 2021 and on each July 15 and January 15 thereafter to any Holder of the Series 2020 Bonds as of the close of business on the Record Date next preceding such Interest Payment Date until the Authority’s obligation with respect to the payment of the principal sum of such Series 2020 Bonds shall be paid in full. Interest on any series of Additional Bonds shall be payable from and after the Issue Date thereof on the first Interest Payment Date following the Issue Date of such Additional Bonds and on each Interest Payment Date thereafter to any Holder of the Bonds as of the close of business on the Record Date next preceding such Interest Payment Date until the Authority’s obligation with respect to the payment of the principal sum of such Bonds shall be paid in full. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months. Upon written request received not later than the applicable Record Date, any holder of Bonds aggregating \$1,000,000 or more shall be entitled to receive interest payments from the Trustee by wire transfer, but only to an account located in the United States. All Bonds shall each be of the minimum denomination of \$25,000 or any integral multiple of \$5,000 in excess thereof (each an “Authorized Denomination” or “Authorized Denominations”). The Bonds shall each be in substantially the form provided for in Exhibit A hereto. The Series 2020 Bonds shall finally mature on July 15, 2060. Each series of Additional

Bonds shall mature on such dates, and shall be subject to mandatory sinking fund redemption, as shall be established in a supplement to this Indenture. The Series 2020 Bonds shall be subject to mandatory sinking fund redemption, such redemptions to be made on July 15th in each of the years and in such amounts as set forth in Exhibit B hereto. The Series 2020 Bonds shall be initially dated the Issue Date and each series of Additional Bonds shall be dated their Issue Date. Thereafter, each Bond shall be dated as of the date six months preceding the Interest Payment Date next following the date of authentication thereof by the Trustee, except that (a) if such date of such authentication shall be an Interest Payment Date thereof, said Bond shall be dated as of such date of authentication, or (b) if interest on such Bond shall not have been paid in full in accordance with its terms, then, notwithstanding any of the foregoing provisions of this Section, such Bond shall be dated as of the date to which interest has been paid in full on such Bond. Temporary bonds in authorized denominations specified by the Underwriter are authorized to be issued, authenticated and delivered to the Underwriter thereof in lieu of and until such time as bonds in definitive form are available for authentication and delivery.

Section 2.04. Execution of Bonds. The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman, Vice Chairman, Executive Director or any other officer of the Authority who shall have power to execute contracts pursuant to the By-laws of the Authority and any resolutions adopted thereunder, and its corporate seal shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. In case any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee, such Bonds may nevertheless be authenticated and delivered as herein provided as if the person who so signed, sealed or attested such Bonds had not ceased to be such officer. Any Bond may be signed, sealed or attested on behalf of the Authority by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of such Bond such person may not have held such office.

Section 2.05. Authentication of Bonds. The Bonds shall bear thereon a certificate of authentication, substantially in the form set forth hereinafter in this Indenture, duly executed by the Trustee. Only such Bonds shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Bond shall have been duly executed by the Trustee, and such certificate of authentication by the Trustee upon any Bond executed on behalf of the Authority shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under this Indenture and that the holder thereof is entitled to the benefit of this Indenture.

Section 2.06. Transfer and Registry of Bonds and Agency Therefor. The Authority shall cause the Trustee to maintain and keep registry books for the registration and transfer of Bonds, and, upon presentation and surrender thereof for such purpose at the Corporate Trust Office of the Trustee, the Trustee shall register or cause to be registered therein, and permit to be transferred thereon or to be exchanged, under such reasonable regulations as the Authority or the Trustee may prescribe, any Bond entitled to registration, transfer or exchange. The Trustee is hereby appointed the agent of the Authority for such registration, transfer or exchange of Bonds.

Section 2.07. Transfer and Restriction on Transfer of Bonds. (a) The Bonds shall be transferable only upon the books of the Authority at the Corporate Trust Office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such duly authorized attorney. Upon the transfer of any such Bond, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond or Bonds in Authorized Denominations registered in the name of the transferee of the same aggregate principal amount as the surrendered Bond.

(b) Notwithstanding any other provision hereof, each initial beneficial owner of the Bonds shall either be (i) a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended); or (ii) an "Accredited Investor" (as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended). Thereafter, neither the Bonds nor any beneficial ownership interest in the Bonds may be transferred except (A) in Authorized Denominations, and (B) to any person that is either a Qualified Institutional Buyer" or an "Accredited Investor". At such time as the Borrower shall provide to the Trustee a rating letter by Fitch, S&P or Moody's indicating that the Bonds are rated "A-" or "A3," as applicable, or better (without regard for gradation within a rating category and without regard for credit enhancement unless such credit enhancement extends through the final maturity date of such Bonds), this Subsection (b) shall be of no further force or effect with respect to such Bonds, notwithstanding whether at a future time such Bonds are no longer rated in such rating category. Neither the Trustee nor the Authority shall have any responsibility to determine if a transferor is either a "Qualified Institutional Buyer" or an "Accredited Investor".

Section 2.08. Ownership of Bonds and Effect of Registration. The Authority, the Trustee and any Paying Agent may treat and consider the Person in whose name any registered Bond shall be registered as the Holder and absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or Redemption Price thereof or interest thereon and for all other purposes whatsoever; and payment of, or on account of, the principal or Redemption Price of or interest on such Bond shall be made only to, or upon the order of, such registered owner thereof, but such registration may be changed or discharged as herein provided. All payments made as in this Section provided shall be valid and effectual to satisfy and discharge the liability upon the several Bonds to the extent of the sum or sums so paid.

Section 2.09. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any Outstanding Bond shall become mutilated or be destroyed, stolen, or lost, the Trustee shall authenticate and deliver a new bond of like tenor, number and amount as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond and upon surrender of such mutilated Bond or, in lieu of and substitution for the Bond, destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, stolen or lost, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may adopt and payment of such costs as the Authority and/or the

Trustee incur in connection therewith. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond which is due and payable, the Trustee may pay the amount due on such Bond to the owner thereof, provided all the other requirements of this Section have been met.

Section 2.10. Regulations with Respect to Registrations, Exchanges and Transfers. In all cases in which the privilege of transferring Bonds is exercised, the Authority shall execute and the Trustee shall authenticate Bonds in accordance with the provisions of this Indenture. For every transfer of Bonds, the Authority and the Trustee may charge a sum sufficient to reimburse them for any tax, fee or other governmental charge required to be paid and any mailing, delivery or insurance expense incurred with respect to such transfer, which sum shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of effecting such transfer. During the period from the Record Date (January 1 or July 1, as the case may be) next preceding any Interest Payment Date of the Bonds or, in the case of any proposed redemption of Bonds, during the fifteen (15) days next preceding the date of such redemption, neither the Authority nor the Trustee shall be required to make any transfer of Bonds under the provisions of this Article.

Section 2.11. Cancellation and Destruction of Surrendered Bonds. Bonds surrendered for payment, redemption or transfer and Bonds purchased from any moneys held by the Trustee hereunder or surrendered to the Trustee by the Authority or by the Borrower shall be cancelled and destroyed by the Trustee. If surrendered to the Authority or any Paying Agent, such Bonds shall be cancelled by it and delivered to the Trustee for destruction. The Trustee shall deliver to the Authority and to the Borrower, upon request, certificates of destruction in respect of all such Bonds. No such Bonds shall be deemed Outstanding under this Indenture and no Bonds shall be issued in lieu thereof (except for a Bond transferred pursuant to Section 2.07 hereof).

Section 2.12. Book-Entry Bonds. The Borrower may make appropriate arrangements for the Bonds (or any portion thereof) to be issued or held by means of a book-entry system administered by DTC with no physical distribution of Bonds made to the public (other than those Bonds, if any, not held under such book-entry system). References in this Section 2.12 to a Bond or the Bonds shall be construed to mean the Bond or the Bonds that are held under the book-entry system. In such event, one Bond of each maturity shall be issued to DTC and immobilized in its custody. A book-entry system shall be employed, evidencing ownership of the Bonds in Authorized Denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through DTC participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Bonds. Transfers of ownership interests in the Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE

REGISTERED OWNER OF THE BONDS, THE TRUSTEE SHALL TREAT CEDE & CO. AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THIS INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS INDENTURE.

Payments of principal, interest, and premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid by the Trustee directly to DTC or its nominee, Cede & Co. as provided in the Blanket Issuer Letter of Representations dated December 17, 1995 from the Authority to DTC (the "Letter of Representation") with respect to the Bonds. DTC shall remit such payments to DTC participants, and such payments thereafter shall be paid by DTC participants to the Beneficial Owners. The Authority, the Borrower and the Trustee shall not be responsible or liable for payment by DTC or DTC participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC participants.

In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) the Borrower or the Trustee determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect their interests or the interests of the Beneficial Owners of the Bonds, the Authority shall, at the request of the Borrower or the Trustee, discontinue the book-entry system with DTC with respect to the Bonds. If the Borrower fails to identify another qualified securities depository to replace DTC, the Trustee shall authenticate and deliver replacement Bonds in the form of fully registered Bonds pursuant to the written instructions of DTC.

THE AUTHORITY, THE BORROWER AND THE TRUSTEE SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS INDENTURE TO BE GIVEN TO BENEFICIAL OWNERS; (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

In the event that a book-entry system of evidence and transfer of ownership of the Bonds is discontinued pursuant to the provisions of this Section, the Bonds shall be delivered solely as fully registered Bonds without coupons in the Authorized Denominations, shall be lettered "R" and numbered separately from 1 upward, and shall be payable, executed, authenticated, registered, exchanged and canceled pursuant to the provisions hereof.

The Borrower shall not be limited to utilizing a book-entry system maintained by DTC but may enter into a custody agreement with any bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a book-entry or similar method for the registration and registration of transfer of all or a portion of the Bonds.

SO LONG AS A BOOK-ENTRY SYSTEM OF EVIDENCE OF TRANSFER OF OWNERSHIP OF ALL THE BONDS IS MAINTAINED IN ACCORDANCE HEREWITH, THE PROVISIONS OF THIS INDENTURE RELATING TO THE DELIVERY OF PHYSICAL BOND CERTIFICATES WITH RESPECT TO THE BONDS SHALL BE DEEMED INAPPLICABLE OR BE OTHERWISE SO CONSTRUED AS TO GIVE FULL EFFECT TO SUCH BOOK-ENTRY SYSTEM.

ARTICLE III

AUTHENTICATION AND DELIVERY OF BONDS

Section 3.01. Authorization of Series 2020 Bonds. (i) The aggregate principal amount of Series 2020 Bonds which may be executed by the Authority and authenticated by the Trustee and delivered and secured by this Indenture is limited to the \$29,595,000 total aggregate principal amount of Bonds. The Trustee shall authenticate and deliver the Series 2020 Bonds to the Underwriter and apply the net proceeds of such Bonds (i.e. \$30,850,384.45, comprised of the par amount of the Bonds of \$29,595,000, less an underwriting discount of \$295,950.00 and plus a net original issue premium of \$1,551,334.45), together with other available funds, as follows:

(a) Proceeds of the Series 2020 Bonds in the amount of \$30,093,784.45 shall be deposited in the Project Fund.

(b) Proceeds of the Series 2020 Bonds in the amount of \$756,600.00 shall be deposited in the Debt Service Reserve Fund.

(c) Proceeds of the Series 2020 Bonds in the amount of \$0.00 shall be deposited in the Costs of Issuance Fund.

(ii) This Indenture creates and shall be and constitutes a continuing, irrevocable and exclusive lien upon, and pledge of, the Revenues, and the income earned by the investment of funds under this Indenture to the extent provided in this Indenture. All Bonds issued and to be issued hereunder are, and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds or any of them, so that subject as aforesaid, all Bonds at any time outstanding hereunder shall have, except as otherwise provided herein, the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same or any of them shall actually be disposed of at such date, or whether they, or any of them, shall be disposed of at some future date.

Section 3.02. Issuance of Bonds and Additional Bonds. (i) The Series 2020 Bonds as described in Section 2.03 hereof shall forthwith be executed by the Authority and delivered to the Trustee for authentication, together with a statement as to the amount and disposition of the proceeds of the sale of such principal amount of said Bonds, and thereupon the Series 2020 Bonds shall be authenticated by the Trustee and shall be delivered to or upon the written order of an Authority Officer. Prior to authentication and delivery of the Series 2020 Bonds by the Trustee, the Trustee shall also have received the following:

(a) A copy of the resolution adopted by the Authority on July 28, 2020, authorizing the execution and delivery of the Loan Agreement and this Indenture and the

issuance and delivery of the Series 2020 Bonds, duly certified by the Secretary or Assistant Secretary of the Authority, to have been duly adopted by the Authority and to be in full force and effect on the date of such certification;

(b) An original executed counterpart of the Loan Agreement, this Indenture and the Leases;

(c) The original executed Note;

(d) An Arbitrage Certificate of an Authority Officer executed and delivered in accordance with Section 1.148-2(b)(2) of the Regulations promulgated under the Code;

(e) The opinions of Counsel for the Borrower and the School required by Section 2.05 of the Loan Agreement and the opinion of Bond Counsel required by Section 2.06 of the Loan Agreement;

(f) Certificates of insurance evidencing the insurance required to be maintained as provided for in Sections 7.02 and 7.03 of the Loan Agreement; and

(g) \$30,850,384.45 from the Underwriter, comprised of the par amount of the Series 2020 Bonds of \$29,595,000, less an underwriting and/or original issue discount of \$295,950, and plus an original issue premium of \$1,551,334.45.

(ii) The Authority may issue one or more series of Additional Bonds from time to time and lend the proceeds thereof to the Borrower pursuant to the Loan Agreement to provide funds for Costs of undertaking the acquisition of land, improvements and site work to the land and the renovation and construction of buildings as part of the Project or otherwise completing the Project or the Cost of refunding or refinancing all or a portion of the Outstanding Bonds of any one or more series. The Trustee shall authenticate and deliver such Additional Bonds at the request of the Authority, but only upon compliance with the requirements set forth in Section 6.20 of the Loan Agreement, and upon delivery to the Trustee of:

(a) A copy of the resolution adopted by the Authority, authorizing the execution and delivery of a supplement to the Loan Agreement and a supplement to this Indenture and the issuance and delivery of the Additional Bonds, duly certified by the Secretary or Assistant Secretary of the Authority, to have been duly adopted by the Authority and to be in full force and effect on the date of such certification;

(b) An original executed counterpart of a supplement to the Loan Agreement and a supplement to this Indenture;

(c) The original executed Additional Series Note;

(d) Supplements to the Leases and the Mortgage reflecting the increase in the amount of the indebtedness of the Borrower under the Loan Agreement and under the supplement to the Loan Agreement;

(e) An Arbitrage Certificate of an Authority Officer executed and delivered in accordance with Section 1.148-2(b)(2) of the Regulations promulgated under the Code with respect to such Additional Bonds;

(f) The opinion of Counsel for the Borrower required by Section 2.05 of the Loan Agreement with respect to the Additional Indebtedness (paragraph (b) of Section 2.05 shall be applicable only to the supplemental documents being delivered in conjunction with the Additional Indebtedness) and the opinion of Bond Counsel required by Section 2.06 of the Loan Agreement with respect to the Additional Bonds (paragraphs (a) and (b) of Section 2.06 shall be applicable only to Additional Bonds which are Tax Exempt Bonds);

(g) Certificates of insurance evidencing the insurance required to be maintained as provided for in Sections 7.02 and 7.03 of the Loan Agreement with respect to the additional Project site; and

(h) The purchase price of the Additional Bonds from the Underwriter, representing the par amount of the Additional Bonds, less underwriter's and/or original issue discount, plus any original issue premium, plus accrued interest, if any, which amounts shall be set forth in the supplement to this Indenture.

ARTICLE IV

PROJECT FUND AND COSTS OF ISSUANCE FUND

Section 4.01. Establishment of Project Fund. The Authority hereby establishes and creates the Project Fund, which shall be a special fund held by the Trustee.

Section 4.02. Payments into the Project Fund/Costs of Issuance Fund; Disbursements.
(A) The proceeds from the issuance and sale of the Series 2020 Bonds as set forth in Section 3.01(c) hereof shall be deposited in the Costs of Issuance Fund. The proceeds from the issuance and sale of the Series 2020 Bonds as set forth in Section 3.01(a) hereof shall be deposited in the Project Fund. Subject to the express provisions of the Mortgage and the Project Intercreditor and Subordination Agreement, the proceeds of any insurance or condemnation award from the Project Facilities, shall be deposited in the Project Fund. The Trustee shall establish additional Project Funds or Costs of Issuance Funds for the payment of Costs of any additional work on the Project to be paid from the proceeds of Additional Bonds or for costs related to the issuance of the Bonds, as the case may be, or from insurance proceeds, condemnation awards (or other similar sums) pursuant to the Loan Agreement. Project Funds shall consist of the amounts required or permitted to be deposited therein pursuant to any provision hereof or of the Loan Agreement. Such additional Project Funds or Costs of Issuance Fund or accounts within a given Project Fund or Costs of Issuance Fund shall be maintained for each series of Additional Bonds. Payments from any Project Fund or Costs of Issuance Fund established hereunder shall be made only in respect of the Costs of the Project (or portion thereof) for which it is established or for costs related to the issuance of the Additional Bonds, and only upon compliance with Section 3.02 of the Loan Agreement.

(B) The Trustee is hereby authorized and directed to make each disbursement required by the provisions of the Loan Agreement from the Project Fund and the Costs of Issuance Fund and to issue its checks or to make wire transfers, as the case may be, therefor. In connection therewith, the Trustee shall be entitled to rely entirely on the Requisition Form delivered to it pursuant to Section 3.02 of the Loan Agreement and the Trustee shall have no liability to the Authority or the Bondholders with respect to any disbursement made from the Project Fund supported by any such Requisition Form. The Trustee shall have no duty to review or investigate the accuracy of the requisition for other than the form and format. The Trustee shall keep and maintain a record of such Requisition Forms and disbursements from the Project Fund, the Costs of Issuance Fund and all such payments therefrom.

(C) Upon the occurrence of an Event of Default, any moneys held in the Project Fund and the Costs of Issuance Fund shall be transferred to the Debt Service Fund for application to pay the principal of and interest on the Bonds in accordance with Section 9.10 hereof.

Section 4.03. Completion of the Project. The completion of the Project and payment or provision made for payment of all Costs of the Project shall be evidenced by the filing with the

Trustee of the certificate required by the provisions of Section 3.04 of the Loan Agreement. As soon as practicable and, in any event, not more than sixty (60) days from the date of receipt of the certificate referred to in the preceding sentence, any balance remaining in the Project Fund (except amounts the Borrower shall have directed the Trustee in writing to retain for any costs of the Project not then due or payable or if due and payable, not then paid) shall without further authorization, be deposited in the Redemption Fund by the Trustee. Amounts transferred hereunder into the Redemption Fund in an amount less than an Authorized Denomination shall be used to pay interest on the Bonds on the next Interest Payment Date and amounts equal to an Authorized Denomination shall be used to redeem the Bonds on the next succeeding redemption date on which such Bonds can be redeemed without penalty or premium in accordance with the provisions of Sections 7.01 and 7.02 hereof.

ARTICLE V

REVENUES AND APPLICATIONS THEREOF

Section 5.01. Payments, etc., to be Sufficient. The payments under the Loan Agreement and the Note have been fixed so that the Revenues will be sufficient in each Fiscal Year to provide for the payment, when due, of the principal or Redemption Price upon mandatory sinking fund redemption of the Bonds and interest on the Bonds in order to correspond to the payments required under the Bonds and to provide for all other deposits and other payments required to be made hereunder.

Section 5.02. Revenues to Be Paid Over to Trustee. The pledge of the Revenues as security for the performance of all obligations of the Authority hereunder shall be valid and binding from the time such pledge is made. The Revenues shall immediately be subject to the lien of the pledge created by the Loan Agreement and this Indenture without any physical delivery thereof or further act. Pursuant to the assignment made by this Indenture of the Authority's rights under the Loan Agreement, the Revenues shall be paid directly to the Trustee by or on behalf of the Borrower. Upon receipt of any Revenues or other payments hereunder, the Trustee shall deposit the same in the appropriate Fund or Funds established hereunder as set forth herein or, where appropriate, as set forth in a Borrower Certificate. Except as otherwise provided herein, the Revenues shall be collected, held and applied for the payment of the equal and ratable benefit and security of all Bondholders. From and after the occurrence of an Event of Default, the Revenues shall be applied as provided in Section 9.10 hereof.

Section 5.03. Revenue Fund; Application Thereof. (i) There is hereby established a Revenue Fund, into which the Trustee shall, except as otherwise provided in this Indenture, deposit all Revenues received by the Trustee, including payments made pursuant to the Loan Agreement and any other amounts required or permitted to be deposited therein pursuant to the provisions hereof or of the Loan Agreement or the Leases (if any).

(ii) On or before the Business Day preceding any required payment hereunder, the Trustee shall apply Revenues on deposit in the Revenue Fund to the following Funds, accounts or entities, in the order of priority set forth below (including curing any deficiency in deposits, transfers or payments required in prior months or Bond Years, except as otherwise provided), the requirements of each Fund or account, deposit, transfer or payment to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payment later in priority:

First, to the Debt Service Fund the amount necessary for the payment of the principal of and interest on the Bonds on the following Interest Payment Date, as described in Section 5.04(a) of this Indenture;

Second, to replenish each account within the Debt Service Reserve Fund for amounts withdrawn therefrom pursuant to Section 5.05 hereof, and in accordance with Section 2.01(f) of the Loan Agreement;

Third, when required for payment, into the Redemption Fund any amount required for the payment of the Redemption Price of the Bonds upon a partial Optional Redemption of the Bonds;

Fourth, when required for payment, into the Rebate Fund any amount required for the payment of rebate as directed by the Borrower.

Provided that (i) no Event of Default has occurred and is continuing hereunder, and (ii) the balance in the Debt Service Reserve Fund is equal to the Reserve Fund Requirement for the Bonds, the Trustee shall return to the Borrower any Revenues remaining in the Revenue Fund on July 15 of each year after application of the Revenues for the purposes provided above and accounting for deposits designated for future payments which shall remain in the Revenue Fund.

Section 5.04. Debt Service Fund. There is hereby established a Debt Service Fund, the moneys on deposit within which shall be applied by the Trustee as follows (in the following order of priority):

(a) (i) moneys on deposit within the Debt Service Fund to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemptions of Bonds pursuant to this Section 5.04 or Sections 5.06 and 7.01 hereof; and

(ii) moneys on deposit within the Debt Service Fund, to the payment, when due, of the principal or Redemption Price of the respective series of Bonds then payable at maturity, upon mandatory sinking fund redemption or upon extraordinary redemption, subject to reduction by the principal amount of such Bonds of the same maturity which are either (i) purchased by the Borrower and surrendered to the Trustee for cancellation, provided that, in the case of Bonds subject to mandatory sinking fund redemption, such Bonds shall be surrendered to the Trustee for cancellation at least 15 days prior to the giving of notice of such redemption by the Trustee, or (ii) purchased for cancellation by the Trustee pursuant to subsection (b) below or Section 5.06 hereof.

(b) during the twelve (12) month period preceding each principal maturity or mandatory sinking fund redemption date, the Borrower may purchase Bonds of the maturity coming due on such principal maturity or mandatory sinking fund redemption date, and, at the request of the Borrower, the Trustee will transfer funds from the Revenue Fund to the Debt Service Fund for such purpose; provided, however, that no such purchase shall be made unless (i) the purchase price does not exceed 100% of the principal amount of the Bonds so to be purchased, (ii) in the case of any purchase of any maturity of Bonds which are subject to mandatory sinking fund redemption, firm commitments for the sale of such Bonds from the holders thereof shall have been accepted at least 15 days prior to the giving of notice of such redemption by the Trustee, and (iii) upon the making of any transfer of moneys from the Revenue Fund to the Debt Service Fund in connection with the proposed purchase, there shall be

no deficiency in the Revenue Fund, taking into account the amounts then required to be paid or transferred therefrom for other purposes or reserved therein against such payments and transfers.

Section 5.05. Debt Service Reserve Fund.

(a) There is hereby established a Debt Service Reserve Fund into which the Trustee shall initially deposit an amount equal to the initial Reserve Fund Requirement for the Series 2020 Bonds. The Trustee shall establish additional accounts and make additional deposits in connection with the issuance of Additional Bonds if and to the extent required under subsection (c) below. If any withdrawal is made under subsection (b)(i) below, the amount of the withdrawal shall be restored by the Borrower in accordance with Section 2.01(f) of the Loan Agreement on or prior to the next Interest Payment Date following the Interest Payment Date on which the withdrawal is made. If the value of the assets in the Debt Service Reserve Fund, determined in accordance with Section 6.03 hereof, is less than 95% of the Reserve Fund Requirement (except to the extent that such deficiency relates to any withdrawal made under subsection (b)(i) below), the difference between such Reserve Fund Requirement and the value of the Debt Service Reserve Fund shall be restored by deductions from the Revenue Fund in approximate equal quarterly amounts so as to restore the Debt Service Reserve Fund to its proper value on or prior to the next succeeding Interest Payment Date following the date of such valuation.

(b) Subject to the further provisions of Section 6.02 hereof, moneys on deposit in the Debt Service Reserve Fund shall be applied as follows:

(i) On the date of each required payment from the Debt Service Fund, moneys in the Debt Service Reserve Fund shall be applied to cure any deficiency in the Debt Service Fund;

(ii) On each July 10th and at the time of any other valuation, any amount in the Debt Service Reserve Fund in excess of the Reserve Fund Requirement shall be transferred to the Revenue Fund; and

(iii) In each quarter during the twelve (12) month period preceding the final maturity date of the Bonds, moneys held in the Debt Service Reserve Fund shall be credited against the payment of principal of and interest on the respective series of Bonds and shall be transferred to the respective Account in the Debt Service Fund for the payment of such principal and interest; provided, however, that no such credit shall be given and no such transfer shall be made if and to the extent that, immediately prior to such crediting and transfer, the amount on deposit in the Debt Service Reserve Fund is not at least equal to the Reserve Fund Requirement, less the amounts previously transferred to the Debt Service Fund during such twelve (12) month period pursuant to this subparagraph (iii).

(c) The Reserve Fund Requirement in connection with the issuance of any Additional Bonds shall be determined in accordance with the terms of the supplement to the Trust Indenture; provided that the Authority may, at the request of the Borrower, issue Additional

Bonds which are not secured by or otherwise entitled to any payments from the Debt Service Reserve Fund. If any calculation of the Reserve Fund Requirement is made which indicates that excess moneys are on deposit in the Debt Service Reserve Fund, such excess shall be applied as provided in Section 5.05(b)(ii). If any calculation indicates that the amount on deposit in the Debt Service Reserve Fund is less than the Reserve Fund Requirement, an additional deposit to cure such deficiency shall be made on the issue date for the Additional Bonds.

(d) The Trustee shall establish additional accounts within the Debt Service Reserve Fund as may be provided in supplemental indentures to this Indenture authorizing Additional Bonds to be held as security for such Additional Bonds, as provided in the applicable supplemental indenture.

(e) At the option of the Borrower, all or any portion of the Reserve Fund Requirement may be satisfied by a reserve fund credit facility (the "Reserve Fund Credit Facility"), subject to the following requirements: (i) each Reserve Fund Credit Facility shall have a term of not less than five years and shall permit the Trustee to make drawings thereunder in the amounts and for the purposes specified in this Section 5.05 (including any drawings required by this subsection); (ii) prior to its acceptance of any Reserve Fund Credit Facility (including any replacement for a Reserve Fund Credit Facility previously issued), the Trustee shall have received written confirmation from one of the Rating Agencies that the unsecured, long term senior debt obligations of the issuer of the Reserve Fund Credit Facility are rated in one of the two highest rating categories disregarding qualifications of such categories by numerical symbols or symbols such as "+" or "-"; and (iii) the Trustee shall be required to draw the full amount available under any such Reserve Fund Credit Facility and to deposit such amount in the appropriate account in the Debt Service Reserve Fund (A) on the first Business Day which is less than sixty days prior to the expiration of the Reserve Fund Credit Facility, unless the Reserve Fund Credit Facility is renewed or replaced prior to such Business Day, (B) on the last Business Day on which a drawing can be made under the Reserve Fund Credit Facility, if it is to be terminated prior to expiration, unless the Reserve Fund Credit Facility is replaced prior to such Business Day, or (C) on the first Business Day which is more than 12 months after the Trustee has received written notice from one of the Rating Agencies that the issuer of the Reserve Fund Credit Facility no longer meets the requirements of clause (ii) above, unless the Reserve Fund Credit Facility is replaced prior to such Business Day. If any Reserve Fund Credit Facility is issued to replace moneys then on deposit in an Account in the Debt Service Reserve Fund, such moneys shall be applied in such a manner as may be directed in writing by an Authorized Borrower Representative, which direction shall be accompanied by an opinion of Bond Counsel to the effect that the proposed action is in accord with the terms of this Indenture and the Loan Agreement and will not cause the interest on the Bonds to become includable in the gross income of the registered owners of the Bonds for Federal income tax purposes.

Section 5.06. Redemption Fund. There is hereby established a Redemption Fund into which the Trustee shall deposit such amounts as are required or permitted to be deposited therein pursuant to the provisions of the Loan Agreement or this Indenture, including, but not limited to, Section 7.14 of the Loan Agreement. The Trustee shall create Accounts within the Redemption

Fund if necessary to account for which series of Bonds such moneys are to redeem. Moneys in the Redemption Fund shall be applied solely to the redemption of the respective series of Bonds pursuant to Article VII hereof.

Section 5.07. Procedure When Funds Are Sufficient to Pay All Bonds. If at any time the Trustee receives a Certificate of the Borrower to the effect that the amounts held by the Trustee in the Funds established under this Article V, other than the Rebate Fund, are sufficient to pay principal or Redemption Price of and interest on all Bonds then Outstanding to maturity or prior redemption, together with any amounts due the Authority and the Trustee, and the Trustee receives confirmation of the accuracy of the determinations in a Certificate of the Borrower, the Trustee shall so notify the Authority and apply the amounts in the Funds to the payment of the aforesaid obligations and neither the Authority nor the Borrower shall be required to pay over any further Revenues unless and until it shall appear to the Trustee that there is a deficiency in the Funds held by the Trustee.

Section 5.08. Moneys to Be Held for All Bondholders, With Certain Exceptions. Until applied as herein provided, the moneys and investments held in all Funds and Accounts established hereunder, other than the Rebate Fund, and the proceeds of any remedies exercised under Article IX hereof shall be held in trust for the benefit of the holders of all Outstanding Bonds, except that: (a) on and after the date on which the interest on or principal or Redemption Price of any particular Bond or Bonds is due and payable from the Debt Service Fund or Redemption Fund, the unexpended balance of the amount deposited or reserved in either or both of such Funds for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Bondholder or Bondholders entitled thereto; (b) any special redemption fund established in connection with the issuance of any Additional Bonds for a refunding shall be held for the benefit of the holders of Bonds being refunded (subject to the escheat provisions of Section 14.03(b) hereof); (c) the rights of any Bondholders with respect to principal or interest payments extended beyond their due dates pursuant to Section 9.10 hereof shall be subordinate to the rights of Bondholders with respect to payments not so extended; (d) moneys on deposit in the Debt Service Reserve Fund shall be applied first to the respective series of Bonds to which the accounts apply and only upon payment of all Bonds Outstanding of such series shall any funds in an account in the Debt Service Reserve Fund securing such series be applied to another series of Bonds (e) and if any Additional Bonds are issued which are not secured by the Debt Service Reserve Fund, the moneys on deposit therein and the income from the investment thereof shall not be available to pay any portion of the principal or Redemption Price of or the interest on such Additional Bonds; and (f) unless otherwise provided in the applicable supplemental indenture, any Debt Service Reserve Fund established for a series of Additional Bonds shall be held as security only for such Additional Bonds.

Section 5.09. Cancellation of Bonds. All Bonds purchased, redeemed or paid shall, if surrendered to the Authority or any Paying Agent, be cancelled by it and delivered to the Trustee, or if presented and surrendered to the Trustee, be cancelled by it. No such Bonds shall be deemed Outstanding under this Indenture and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and shall be destroyed and a certificate thereof delivered to the Authority.

Section 5.10. Rebate Fund. There is hereby established with the Trustee a Rebate Fund with respect to the Bonds, and within the Rebate Fund a separate rebate account with respect to each series of Additional Tax Exempt Bonds, all of which shall be held separate and apart from all other funds established under this Indenture. The Borrower shall comply with the provisions of Section 6.04 of the Loan Agreement and instruct the Trustee in writing to transfer from the Revenue Fund or the applicable account in the Project Fund to the Rebate Fund, or shall otherwise pay to the Trustee for deposit into the Rebate Fund, such amounts as shall be necessary to cause the aggregate amount transferred to or otherwise deposited in the Rebate Fund to equal the amount of rebateable arbitrage required to be paid to the United States as determined under Section 6.04 of the Loan Agreement, plus earnings attributable to investment of such amount as of the end of each Bond Year; provided that, as set forth in such Section 6.04, no such transfers or deposits shall be necessary with respect to the Tax Exempt Bonds if the proceeds of the Tax Exempt Bonds, together with the investment earnings thereon, are fully expended within six months of the date of issue and the Trustee receives a Certificate from the Authority or the Borrower to that effect. Withdrawals from the Rebate Fund may be made only pursuant to written directions of the Borrower given in accordance with Section 6.04 of the Loan Agreement. All amounts in the Rebate Fund, including income earned from investment of the Rebate Fund, shall be held by the Trustee free and clear of the lien of this Indenture, and the Trustee shall pay said amounts over to the United States from time to time as the Trustee shall be instructed in writing by the Borrower.

Notwithstanding anything contained in this Indenture to the contrary, neither the Authority nor the Trustee shall be responsible or liable for any loss, liability, or expense incurred to the extent incurred as a result of the failure of the Borrower to fulfill its obligations with respect to the calculation and payment of the Rebate Amount. The Authority and Trustee shall be entitled to rely conclusively upon the calculations provided by the Borrower. The Trustee's only duties with respect to rebating the rebateable arbitrage to the United States shall be as expressly stated in this Section 5.10 and in accordance with Section 6.04(m) of the Loan Agreement, the Borrower shall indemnify and hold the Trustee harmless from and against any losses or claims resulting from the failure of the Borrower or the Authority to comply with Section 148 of the Code and the Treasury Regulations 1.148-1 through 1.148-11, as supplemented and amended. Moneys held in the Rebate Fund shall be held by the Trustee for a period of not less than seventy-five days following the redemption or final maturity of the applicable series of Tax Exempt Bonds. Upon payment of the final rebate amount to the United States, any amount remaining in the Rebate Fund following such final payment shall be returned to the Borrower upon receipt by the Trustee of a written request therefor from the Borrower.

Section 5.11. Rebate Reminder. The Trustee agrees to furnish the Borrower and the Authority with notice of the Borrower's obligation to file its report with the Authority in accordance with Section 6.04 of the Loan Agreement and to file its rebate calculation and make its rebate payment, if any, to the Internal Revenue Service; provided, however, that the Trustee shall have no liability for its failure to furnish such notice. Regardless of whether the Trustee furnishes such a notice to the Borrower, the Borrower shall not be relieved of its obligation to calculate and pay any Rebate Amount, provided further, that the Trustee shall not be required

under any circumstances to monitor the Borrower's compliance with its obligation to calculate and pay any Rebate Amount nor be charged with any knowledge of the Borrower's compliance with its obligations on account of the Trustee having delivered a notice pursuant to this section. Such reminder notice shall be furnished to the Borrower and the Authority at least 90 days prior to each fifth anniversary of the issuance of the applicable series of Tax Exempt Bonds as set forth in Section 6.04 of the Loan Agreement and within 30 days following the redemption or final payment of such Bonds. The Trustee shall have no further obligation for the computation of the Rebate Amount or the filing or payment thereof.

Section 5.12. Additional Accounts and Subaccounts. At the written request of the Borrowers, the Trustee shall establish and maintain additional Funds or Accounts within the Funds or subaccounts within the Accounts established hereunder, including any Fund required to be established in connection with the issuance of any series of Additional Bonds; provided that (i) in each case, the written request of the Borrower shall set forth in reasonable detail the sources of deposits into and disbursements from the Account or subaccount to be established, (ii) in each case, the sources of deposits into and disbursements from the Account or subaccount to be established shall be limited to the sources of deposits permitted or required to be made into and the disbursements permitted or required to be made from the Fund or Account within which it is to be established, and (iii) except as otherwise provided in Section 5.08 hereof or, with regard to any rebate fund, in the supplemental indenture establishing such Fund, each additional Fund, Account or subaccount established hereunder shall be held in trust for the benefit of the holders of all Outstanding Bonds (subject to the escheat provisions of Section 14.03(b) hereof).

Section 5.13. Cost of Issuance Fund. There is hereby established a Costs of Issuance Fund, the moneys on deposit within which shall be applied by the Trustee to pay for the costs of issuance associated with the Bonds. Each disbursement from the Costs of Issuance Fund shall be made in accordance with a Requisition Form delivered to the Trustee pursuant to Section 3.02 of the Loan Agreement. Any amounts remaining in the Costs of Issuance Fund after January 15, 2021 shall be transferred by the Trustee to the Project Fund and applied to pay Costs of the Project.

ARTICLE VI

INVESTMENT AND DEPOSIT OF MONEYS

Section 6.01. Deposits. All moneys received by the Trustee under this Indenture shall, except as hereinafter provided, be deposited with the Trustee, until or unless invested as provided in Section 6.02 hereof. The Trustee may deposit such moneys with any other depository which is authorized to receive them and is subject to supervision by public banking authorities.

Section 6.02. Investments. Subject to the restrictions hereinafter set forth in this Section 6.02 and in the Tax Certificate, moneys held in the Revenue Fund (other than moneys on deposit for the payment or redemption of Bonds), the Project Fund, the Costs of Issuance Fund, the Debt Service Fund and Debt Service Reserve Fund shall be invested and reinvested by the Trustee upon the written instructions of the Borrower in Investment Obligations, maturing no later than two (2) Business Days prior to the date on which it is estimated that such moneys will be required to be paid out hereunder. Moneys held in the Redemption Fund for the payment or redemption of Bonds shall be invested only in Government Obligations, which mature as needed for payment. All investment instructions hereunder shall be provided to the Trustee no later than one Business Day prior to the making of the investment directed therein. The Trustee may make any and all such investments through its own investment department, or through any of its affiliates or subsidiaries. The Trustee shall be entitled to rely on all written investment instructions provided by the Borrower hereunder, and shall have no duty to monitor the compliance thereof with the restrictions set forth in this Section 6.02 and in the Tax Certificate. The Trustee shall not be responsible or liable for the performance of any such investments or for keeping the moneys held by it hereunder fully invested at all times. Absent the provision of investment instructions hereunder, the Trustee shall not make any investment of the moneys held pursuant hereto. Any obligations acquired by the Trustee as a result of such investment or reinvestment shall be held by or under the control of the Trustee (except for such investments held in book entry form) and shall be deemed to constitute a part of the Fund or Account from which the moneys used for its purchase were taken. All investment income shall be retained in the Fund or Account to which the investment is credited from which such income is derived, and otherwise be available for the uses set forth herein with respect to such Funds or Accounts.

Section 6.03. Valuation of Investments. The value of any Investment Obligation shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Investment Obligations credited to such fund shall be valued at fair market value. The Trustee shall be authorized to retain such professionals as shall be required to determine the fair market value based on accepted industry standards and from accepted industry providers.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement by the Trustee.

ARTICLE VII

REDEMPTION OF BONDS

Section 7.01. Bonds Subject to Redemption; Selection of Bonds to be Called for Redemption. The Bonds shall be subject to redemption prior to maturity upon such terms as are acceptable to the required number of Holders and the Borrower, and as expressed in the Bonds, subject, however, to the following:

(a) Mandatory Sinking Fund Redemption. The Series 2020 Bonds shall be required to be redeemed from moneys deposited in the Debt Service Fund for such purpose, such redemptions to be made on July 15th in each of the years and in such amounts as set forth in Exhibit B hereto, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date.

(b) Optional Redemption. The Series 2020 Bonds maturing on and after July 15, 2040 are subject to redemption prior to maturity at the option of the Authority, at the direction of the Borrower, in whole or in part at any time on or after July 15, 2030 at a redemption price of 100%.

(c) Extraordinary Redemption. The Series 2020 Bonds are subject to redemption prior to maturity, in whole or in part, at any time from insurance proceeds, condemnation awards, proceeds of conveyances in lieu of condemnation or proceeds from the sale of the Project Facilities deposited in the Redemption Fund and available for such purpose, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

(d) Extraordinary Mandatory Redemption. The Series 2020 Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the Redemption Date, plus a premium in an amount equal to the unamortized portion of the original issue premium thereon interpolated on a straight line basis, when, at the option of the Authority, the Authority provides written notice to the Trustee that any representation or warranty made by the Borrower in the Loan Agreement or in any report, certificate, financial statement or other instrument furnished by the Borrower to the Authority in connection with the Loan Agreement shall prove to be false or misleading in material respect when made.

(e) Extraordinary Mandatory Redemption Upon Taxability. The Series 2020 Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, after receipt by the Trustee of a notice of the occurrence of a Determination of Taxability.

In the event that less than all the Bonds are to be redeemed, the Bonds shall be selected for redemption in such manner as may be expressed herein, subject, however, to the following:

(i) in the case of any series having Bonds of varying denominations, each Bond shall be treated as representing that number of Bonds which is obtained by dividing the face amount thereof by the smallest Authorized Denomination; and

(ii) in no event shall any partial redemption result in a Bond of a denomination of less than the Authorized Denomination.

Section 7.02. Procedure for Redemption. When the Trustee shall be required or authorized, or shall receive notice from the Authority given by the Borrower of its election, to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of this Indenture, mail a notice of redemption by first class mail to the holders of all Bonds to be redeemed at the registered addresses appearing in the registration books of the Trustee. Each such notice shall (i) be mailed not more than 45 nor less than 30 days prior to the redemption date, (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds), (iii) specify the redemption date, the Redemption Price and, if less than all of any particular Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the redemption date the Bonds called for redemption will be payable at the Corporate Trust Office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the Bonds to be redeemed, including without limitation the original issuance date, maturity date and interest rate applicable to such Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

In case the Authority shall have elected to redeem all or fewer than all of the Outstanding Bonds, it shall in each such instance, at least fifteen (15) days before the first date upon which the notice of redemption hereinbefore mentioned is required to be given, notify the Trustee in writing through notice given by the Borrower of such election and of the aggregate principal amount of Bonds to be redeemed, the series and maturity dates of the Bonds to be redeemed, and thereupon the Trustee shall redeem such Bonds. In the event the Borrower does not designate the series and maturities of Bonds to be redeemed, the Trustee shall select the Bonds from all series and maturity dates by lot. In case any Bond shall be redeemed in part only, such notice shall specify the principal amount thereof to be redeemed, which amount shall be in a multiple of \$5,000. Partial redemption of any Bond issued in book entry form may be made without surrender of such Bond, and the Trustee shall keep a record of the amounts and dates of each such partial redemption. For Bonds not held in book entry form, such partially redeemed Bond shall be surrendered upon redemption, in which case a new Bond or Bonds in Authorized Denominations and of an aggregate principal amount equal to the unredeemed portion of such Bond will be issued in lieu thereof, and the Authority shall execute and the Trustee shall authenticate and deliver such new Bond or Bonds to or upon the written order of the registered owner of such Bond, at the expense of the Borrower.

On or before the redemption date specified in the notice above provided for, there shall be deposited with the Trustee an amount of cash sufficient to effect the redemption of the Bonds specified in such notice, except that such amount may be reduced to the extent that moneys then held by the Trustee under any of the provisions of this Indenture are available for such redemption. All moneys deposited with the Trustee, or set apart by the Trustee under the provisions of this Indenture, for the redemption of Bonds shall be held in trust for the account of the respective registered owners of the Bonds to be redeemed and applied in accordance with the provisions of Section 14.03 hereof.

On the redemption date designated in such notice, the principal amount of each Bond so to be redeemed, together with the accrued interest thereon to such date, and such premium, if any, as is due and payable on such Bond upon such redemption, shall become due and payable; and from and after such date (such notice having been given in accordance with the provisions of this Section 7.02 and such deposit having been made or moneys set apart as aforesaid), then, notwithstanding that any Bonds so called for redemption shall not have been surrendered, no further interest shall accrue on any such Bond (or on the portion thereof so to be redeemed). From and after such date of redemption (such notice having been given in accordance with the provisions of this Section 7.02 and such deposit having been made or moneys set apart as aforesaid), or from and after the date upon which such notice is mailed, if such notice shall state that moneys to effect such redemption have been deposited with or set apart by the Trustee, all such Bonds or such portions thereof, as the case may be, insofar as such deposit shall have been made or moneys set apart as aforesaid, shall be deemed to have been paid in full as between the Authority and the respective registered owners thereof and shall no longer be deemed to be Outstanding hereunder, and the Authority shall be under no further liability in respect thereof.

If at the time of mailing of any notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that the payment of the redemption amount to the Holders is conditional in that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and that in the case of an optional redemption, such notice shall be of no effect unless such moneys are so deposited.

Section 7.03. Payment of Redemption Price. If (a) notice of redemption has been given by mail and (b) moneys sufficient to redeem all the Bonds called for redemption have been duly deposited with the Trustee on or prior to the date of the Authority's notice to the Trustee, then the Bonds called for redemption shall be payable on the redemption date at the applicable Redemption Price. Payment of the Redemption Price together with accrued interest shall be made by the Trustee, out of the Revenues or other funds deposited for such purpose, to or upon the order of the Holders of the Bonds called for redemption either upon surrender of such Bonds or in accordance with the book-entry provisions of Section 2.12 hereof if all Bonds are held by DTC.

Section 7.04. Notice of Redemption of Bonds. The Trustee agrees to provide timely notice to the Authority that some or all of the Bonds have been redeemed or paid, except that the

Trustee shall not be required to give notice to the Authority of any mandatory sinking fund redemption pursuant to Section 7.01(a) hereof.

ARTICLE VIII

REGARDING THE AUTHORITY

Section 8.01. Payment of Principal of and Interest on Bonds. The Authority shall promptly pay or cause to be paid the principal or Redemption Price of, and the interest on, every Bond issued hereunder according to the terms thereof, but shall be required to make such payment or cause such payment to be made only out of the Revenues or any other moneys held by the Trustee under this Indenture. The Authority shall appoint one or more paying agents for such purpose, each such agent to be a national banking association, a bank and trust Company or a trust company. The Authority hereby appoints Zions Bancorporation, National Association, as Paying Agent, and designates the Corporate Trust Office of such agent in Atlanta, Georgia as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

Notwithstanding the foregoing, the Authority may enter into a written agreement with any Holder of any Bond providing for the payment of principal or Redemption Price of and interest on such Bond at a place other than the place specified in such Bond as the place for payment without the necessity of surrendering the Bond to the Trustee; provided, that (a) there shall be filed with the Trustee a duplicate original of such agreement and (b) such agreement will provide that in each case in which payment of principal is so made, the Holder will not sell, transfer or otherwise dispose of such Bond unless it shall have caused notation to be made thereon by the Trustee of the amount of principal paid thereon and the last date to which interest has been paid thereon.

Section 8.02. Organization; Authority to Issue Bonds. The Authority is a public body corporate and politic constituting an instrumentality of the State, duly organized, established and existing under the laws of the State, particularly the Act. The Authority is authorized to issue the Bonds in accordance with the Act and to use the proceeds thereof to make the loan to the Borrower.

Section 8.03. Enforcement of Agreement; Prohibition Against Amendments of Agreement; Notice of Default. The Authority may, but shall not be obligated to, require the Borrower to perform its obligations under the Loan Agreement. The Authority may exercise all its rights under the Loan Agreement as amended or supplemented from time to time, including the right to amend the Loan Agreement to cure any ambiguity or to correct or supplement any provision contained therein which may be defective or inconsistent with any other provision contained therein or herein and to make such other provision in regard to matters or questions arising under the Loan Agreement or this Indenture; provided that it shall not amend the Loan Agreement or make such other provisions in a manner which materially and adversely affect the interests of Bondholders without the written consent of the Trustee pursuant to Section 12.03 hereof and provided further that it shall not amend the substantive terms of the Loan Agreement or make such other provisions in a manner that would materially and adversely affect the interest of the Borrower without the written consent of the Borrower. Prior to making any amendment

pursuant to this Section 8.03, the Authority shall file with the Trustee and the Borrower (i) a copy of the proposed amendment and (ii) an opinion of nationally recognized Bond Counsel to the effect that such amendment or supplement will not have an adverse effect on the exemption of interest on the Bonds from Federal income tax, and, unless the Trustee shall have otherwise given its consent to such amendment or supplement pursuant to Section 12.03 hereof (and the Borrower shall have otherwise given its consent to such amendment or supplement in the case where the amendment or supplement materially and adversely affects the interest of the Borrower), to the further effect that such amendment or supplement will not otherwise materially and adversely affect the interests of the Bondholders and the Borrower. The Authority shall give prompt written notice to the Trustee of any default known to the Authority under the Loan Agreement or any amendment or supplement thereto.

Section 8.04. Further Assurances. Except to the extent otherwise provided in this Indenture, the Authority shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and shall, from time to time, at the expense of the Borrower, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

Section 8.05. Filing and Recording. The Authority agrees that it will cooperate with the Borrower, at the expense of the Borrower, in connection with the Borrower's obligation to cause all documents, statements, memoranda or other instruments to be registered, filed or recorded in such manner and at such places as may be required by law fully to protect the security of the registered owners and the right, title and interest of the Trustee in and to any moneys of securities held hereunder or any part thereof (including any refilings, continuation statements or such other documents as may be required). Any document, statement, memorandum or other instrument (including any refilings, continuation statements or such other documents as may be required) registered, filed or recorded pursuant to this Section 8.05 shall clearly indicate that it is filed in connection with a public-finance transaction pursuant to the New Jersey Uniform Commercial Code, as from time to time in effect. The Borrower shall promptly notify the Trustee and the Authority of any information, action or development which would cause any financing statement or related continuation statement to be or become seriously misleading.

Section 8.06. Indemnification. (a) Pursuant to Section 6.07 of the Loan Agreement, the Borrower shall indemnify the Authority, the Trustee, the County and the Paying Agent, any Person who "controls" the Authority, the Trustee, the County or the Paying Agent, within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, and any member, director, officer, official, agent, attorney and employee of the Authority, the Trustee, the County or the Paying Agent (herein the "Indemnified Parties").

(b) To secure the Borrower's indemnification payment obligation to the Authority, the Trustee and the Paying Agent, the Authority, the Trustee and the Paying Agent shall have a lien prior to the lien created by this Indenture for the benefit of the owners of the Bonds on all money or property held or collected by the Trustee, except for money held for the payment of the principal of redemption price of any Bonds, and interest on any Bonds previously

matured or called for redemption in accordance with this Indenture, which shall be held for the benefit of the registered owners of such Bonds only. Such obligations shall survive the satisfaction and discharge or termination of this Indenture and the resignation or removal of the Trustee and the Paying Agent.

(c) When an Indemnified Party (as defined in the Loan Agreement) incurs expenses or renders services after an Event of Default, the expenses and compensation for the services are intended to constitute expenses of administration under any applicable bankruptcy law.

Section 8.07. Federal Tax Covenant. Pursuant to Section 6.04 of the Loan Agreement, the Borrower has covenanted to comply with the provisions of Sections 103 and 141 through 150 of the Code with respect to the Tax Exempt Bonds. The Authority hereby covenants not to take or omit to take any action so as to cause interest on the Tax Exempt Bonds to be no longer excluded from gross income for the purposes of federal income taxation and to otherwise comply with the requirements of Sections 103 and 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of the Tax Exempt Bonds. Pursuant to the Loan Agreement all investments of the proceeds of the Bonds will be at the written direction of the Borrower.

Section 8.08. The Bonds. When the Bonds are issued, transferred and delivered in accordance with the provisions of this Indenture, the Bonds will have been duly authorized, executed, issued and delivered and will constitute the valid special, limited obligation of the Authority payable solely from the Revenues and other monies derived by the Authority from the Loan Agreement (except for payment intended for the Authority as provided in Sections 2.01(d), 6.04, 6.05, 6.06, 6.07, 6.18, 8.05 and 9.03 of the Loan Agreement), and nothing in the Bonds or this Indenture shall be construed as assigning or pledging therefor any other funds or assets of the Authority. **NEITHER THE STATE OF NEW JERSEY NOR THE COUNTY OF ESSEX IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY NOR THE COUNTY OF ESSEX IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.**

The Act provides that neither the members of the Authority nor any person executing bonds for the Authority shall be liable personally on said bonds by reason of the issuance thereof.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following shall be considered an Event of Default with respect to the Bonds under this Indenture:

- (a) payment of the principal or Redemption Price, if any, on any Bond shall not be made when the same shall be due and payable at maturity, upon redemption or otherwise; or
- (b) payment of an installment of interest on any Bond shall not be made when the same shall be due and payable; or
- (c) the occurrence of an “Event of Default” under the Loan Agreement that is continuing; or
- (d) the Authority shall default in the due and punctual performance of any covenant in this Indenture on the part of the Authority to be performed, and such default shall continue for sixty (60) consecutive days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the Borrower by the Trustee, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding.

If any of the foregoing shall occur or be continuing after the expiration of any applicable grace period, with respect to the Bonds, the Trustee may, and shall, at the written direction of the Holders of at least a majority of the aggregate principal amount of all Bonds then Outstanding by written notice given to the Authority and the Borrower (provided that the default has not theretofore been cured), declare the principal of all Bonds then Outstanding to be due and payable immediately and upon such declaration, without further action, said principal together with interest accrued thereon, shall become due and payable immediately at the place of payment provided in the said notice, anything in this Indenture or in said Bonds to the contrary notwithstanding.

The above provisions, however, are subject to the condition that if, after the principal of all Bonds then Outstanding shall have been so declared to be due and payable and prior to the entry of a judgment or decree for the payment of any moneys due pursuant to the Bonds, this Indenture or the Loan Agreement, all arrears of interest upon such Bonds, and interest on overdue installments of interest (to the extent permitted by law) at the applicable rate per annum borne by such Bonds and the principal on all Bonds then Outstanding which shall have become due and payable otherwise than by acceleration, and all other sums payable under this Indenture, except the principal of, and interest on, the Bonds which by such declaration shall have become due and payable, shall have been paid by or on behalf of the Authority, all other Events of

Default hereunder shall have been cured, and all other things in respect of which there may have been a default under this Indenture, shall have performed, and the reasonable fees and expenses of the Authority, the Trustee and of the Holders of such Bonds, including reasonable attorneys' fees paid or incurred shall have been paid, then and in every such case, subject to Section 9.05(b) hereof, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Trustee may rescind and annul such declaration, whereupon the Trustee shall give written notice thereof to the Authority and the Borrower by registered mail. Any such rescission and annulment shall be binding upon all Bondholders, but no such rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. Immediately upon such annulment, the Trustee shall cancel any demand for redemption made by the Trustee pursuant to Section 9.03 of this Indenture.

Section 9.02. Enforcement of Agreement. In any case under the provisions of Section 9.01 of this Indenture in which the Trustee has the right to declare the principal of all Bonds then Outstanding to be due and payable immediately, or when the Bonds by their terms mature (upon redemption or otherwise) and are not paid, the Authority agrees that the Trustee shall have the right, subject to the Authority's Reserved Rights, as assignee of the Authority (but not in the name of the Authority) to enforce all rights of the Authority and all obligations of the Borrower under and pursuant to the Loan Agreement and the other Loan Documents, for and on behalf of the Holders of the Bonds, whether or not the Authority is in default hereunder.

Section 9.03. Judicial Proceedings by Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Trustee, in its discretion and consistent with the requirements of the Project Intercreditor and Subordination Agreement may, and upon the written request of the Holders of at least a majority of the aggregate principal amount of the Bonds then Outstanding, and receipt of indemnity to its satisfaction shall, and upon written request of the Authority if an Event of Default occurs pursuant to Section 9.01(c) of this Indenture shall:

- (a) exercise any and all rights or powers permitted to be taken or exercised by it or by the Authority under this Indenture, the Loan Agreement, the Note or any other Loan Documents;
- (b) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders under the Note, the Loan Agreement or other Loan Documents;
- (c) bring suit upon the Bonds;
- (d) exercise, with respect to the security interest granted hereunder, all of the rights and remedies of a secured party under the New Jersey Uniform Commercial Code.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Borrower or any other obligor upon the Loan Agreement or the Bonds or to

property of the Borrower, or such other obligor or the creditors of any of them, the Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the fees, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondholders allowed.

Section 9.04. Discontinuance or Abandonment of Proceedings. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Bondholders of the Bonds shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.05. Bondholders May Direct Proceedings. (a) The Holders of a majority in principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or with this Indenture or unduly prejudice the rights of minority Bondholders (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not any such directions are unduly prejudicial to such minority Bondholders).

(b) Assuming the Holders have provided indemnity to the Trustee as required under this Indenture, the Trustee may provide notice within five (5) Business Days of an event that triggers action on its part to the Holders of the potential actions it intends to take and to seek permission to act on same. Such notice will include (i) a brief description of the issue, (ii) the proposed course of action to be undertaken, and (iii) state that the Holder of the Bonds will be deemed to have consented to the proposed course of action in such notice unless such Holder of the Bonds submits an objection in writing to the Trustee within fifteen (15) days of the date that the notice is sent to the Holders of the Bonds. No later than two (2) Business Days after the end of the 15-day objection period, the Trustee shall notify the parties to the Project Intercreditor and Subordination Agreement and the Holders of the number and nature of the objections. Provided a majority of the Holders have been deemed to have consented to the proposed course of action, then that is the course of action the Trustee shall follow.

(c) Notwithstanding anything in this Indenture or in any of the other Loan Documents to the contrary, neither the Trustee nor the registered owners, shall have the right to waive an Event of Default under any of the Loan Documents which arises out of a violation of a Reserved Right without the prior written consent of the Authority, which it shall give in its sole and complete discretion. Notwithstanding anything herein or in any other Bond Document to the contrary, nothing herein shall affect the Authority's unconditional right to specifically enforce its Reserved Rights or to cause an Extraordinary Mandatory Redemption of the Bonds.

Section 9.06. Limitations on Actions by Bondholders. No Bondholder shall have any right to pursue any remedy with respect to the Bonds hereunder unless:

- (a) the Trustee shall have been given written notice of an Event of Default;
- (b) the Holders of at least a majority in principal amount of all of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names;
- (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities; and
- (d) the Trustee shall have failed to comply with such request within a reasonable time.

Notwithstanding the foregoing provisions of this Section 9.06 or any other provision of this Indenture, the obligation of the Authority shall be absolute and unconditional to pay hereunder, but solely from the Revenues and other funds pledged under this Indenture, the principal or Redemption Price of, and interest on, the Bonds to the Holders thereof on the due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Section 9.07. Trustee May Enforce Rights Without Possession of Bonds. All rights under this Indenture and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Holders of the Bonds.

Section 9.08. Remedies Not Exclusive. No remedy herein conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 9.09. Delays and Omissions Not to Impair Rights. No delays or omissions in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given by this Article IX may be exercised from time to time and as often as may be deemed expedient.

Section 9.10. Application of Moneys in Event of Default. Any moneys relating to the Bonds received by the Trustee pursuant to any right given or action taken under the provisions of this Article IX shall (subject to the terms of the Project Intercreditor and Subordination Agreement and after payment of the costs and expenses (including legal fees and expenses) of the proceedings resulting in the collection of such moneys and of the fees and expenses, liabilities and advances of the Authority and the Trustee, it being understood that such payment shall not be made from any moneys already held for the benefit of the Bondholders) be deposited in the Debt Service Fund, and all moneys in such Fund shall be applied as follows:

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

FIRST - To the payment to the Persons entitled thereto of all installments of interest then due on the Outstanding Bonds and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege (provided, however, that no payment shall be made with respect to any Bond held by or for the account of the Borrower or any affiliate or Related Person thereof); and

SECOND - To the payment to the Persons entitled thereto of the unpaid principal of, and premium, if any, on, the Outstanding Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are already held pursuant to the provisions of this Indenture) in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of each Bond due on any particular date, together with such premium, then to the payment ratably, according to the amount of principal and premium due on such date, to the Persons entitled thereto, without any discrimination or privilege (provided, however, that no payment shall be made with respect to any Bond held by or for the account of the Borrower or any affiliate or Related Person thereof).

(ii) If the principal of all the Outstanding Bonds shall have become due or shall have been declared due and payable by acceleration, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due on such Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto, without any discrimination or privilege (provided, however, that no payment shall be made with respect to any Bond held by or for the account of the Borrower or any affiliate or Related Person thereof).

(iii) If the principal of all the Outstanding Bonds shall have been declared due and payable by acceleration, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article IX, then the moneys shall be applied in accordance with the provisions of subsection (i) above; provided, however, that in the event that the principal of all the Bonds shall later become due or be declared due and payable by acceleration, the moneys shall be applied in accordance with the provisions of subsection (ii) above.

Notwithstanding the foregoing, moneys in the Debt Service Reserve Fund shall be applied only to the payment of the Bonds and such Additional Bonds as shall specifically benefit from deposits made therein.

Notwithstanding the foregoing restrictions on payment in respect of any Bond held by or for the account of the Borrower or any affiliate or Related Person of the Borrower, moneys may be applied to such payment, but only after payment in full of all other Outstanding Bonds; and,

to the extent that such surplus moneys are not available for application to such Borrower Bonds after acceleration of the Bonds, all such Borrower Bonds shall be deemed to be no longer Outstanding and shall be cancelled, and no payment shall be made in respect thereof. Whenever moneys are to be applied pursuant to the provisions of this Section 9.10, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine is appropriate upon due consideration of the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

Whenever the Trustee shall apply such funds it shall fix the date of application, which shall be an Interest Payment Date unless it shall deem, in the reasonable exercise of its discretion, another date more suitable. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Section 9.11. Trustee's Right to Receiver; Compliance With Act. As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver of the assets of the Borrower; and the Trustee, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Section 9.12. Trustee and Bondholders Entitled to All Remedies Under Act. It is the purpose of this Article to provide such remedies to the Trustee and Bondholders as may be lawfully granted under the provisions of the Act; but should any remedy herein granted be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of this Article shall apply to and be binding upon any trustee or receiver appointed under the Act.

Section 9.13. Authority's Rights. Notwithstanding anything in this Indenture or in the Loan Agreement or in any of the other Loan Documents to the contrary, neither the Trustee nor the Registered Owners shall have the right to waive an Event of Default under any of the Loan Documents which arises out of a violation of a Reserved Right without the prior written consent of the Authority, which the Authority may give in its sole and complete discretion. Notwithstanding any other provision contained in this Indenture or any other Loan Document to the contrary, nothing herein or therein shall affect the Authority's unconditional right to enforce its Reserved Rights.

ARTICLE X

THE TRUSTEE

Section 10.01. Acceptance of Trust. The Authority hereby appoints Zions Bancorporation, National Association to serve as Trustee under this Indenture. The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the parties hereto and the Bondholders agree. The Borrower shall have the right to appoint any successor trustee in accordance with the terms of this Article X.

Section 10.02. No Responsibility, etc. The recitals, statements and representations in this Indenture or in the Bonds and any information contained in any Preliminary Limited Offering Memorandum and any final Limited Offering Memorandum, (as defined in the Loan Agreement) save only the Trustee's certificate of authentication upon the Bonds, have been made by the Authority and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof.

Section 10.03. Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence; Not Liable For Action Taken in Accordance With Bondholder Direction. The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all matters of trust hereof and duties hereunder and to rely on any such advice contained in a written opinion of such Counsel. The Trustee shall not be answerable for the negligence, default or misconduct of any attorney or agent selected by it with reasonable care. Except as otherwise provided herein, the Trustee shall not be answerable for the exercise of any discretion or power under this Indenture nor for anything whatever in connection with the trust hereunder, except only its own willful misconduct or negligence. The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee. The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture. The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own negligence or willful misconduct.

Section 10.04. Compensation. The Borrower shall pay the Trustee's and any other paying, authenticating or rating agent's closing and annual fees (as agreed in writing) and expenses, charges and disbursements under the Loan Agreement and this Indenture, including, but not limited to, reasonable attorneys' fees and all costs of issuing, collecting payment on and redeeming the Bonds hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Authority shall not be responsible for

payment of any such fees and expenses. The Trustee shall have a lien on the Trust Estate which is second only to the lien of the Authority, with right of payment prior to payment of the principal or redemption price of, and the interest on, any Bond, for the foregoing fees and expenses of the Trustee.

Section 10.05. Notice of Default. The Trustee shall, within thirty (30) days after notice thereof, give written notice by registered mail to the Authority and the Holders of Bonds of all defaults known to the Trustee (the term “defaults” for purposes of this Section and Section 10.06 being defined to mean the events specified in clauses (a) through (d) of Section 9.01). The Trustee shall not be deemed to have notice of any default other than defaults under clauses (a) and (b) of Section 9.01, unless specifically notified in writing of such default by the Holders of at least twenty-five percent (25%) of the principal amount of all Bonds then Outstanding or by the Authority at the Corporate Trust Office of the Trustee and such notice references the Bonds and this Indenture and any of the other Loan Documents as appropriate.

Section 10.06. Obligation to Act. If any Event of Default shall have occurred and be continuing of which a Responsible Officer of the Trustee has actual notice, the Trustee shall exercise such of the rights and remedies vested in it by this Indenture and shall use the same degree of care in their exercise as a prudent person would exercise or use in the circumstances in the conduct of his or her own affairs; provided, that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it. No provision of this Indenture shall require the Trustee 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, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

Section 10.07. Reliance on Requisition, etc. The Trustee may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

In no event shall the Trustee be responsible or liable for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee agrees that it shall hold all documents, affidavits, certificates and opinions delivered to the Trustee pursuant to Section 3.02 of the Loan Agreement for the term of the Bonds. During such period, the Authority shall have the right to inspect such documents, affidavits, certificates and opinions at the principal office of the Trustee at reasonable times and

upon reasonable notice; and the Trustee shall provide copies of such documents, affidavits, certificates and opinions to the Authority at its written request and expense.

The Trustee shall furnish the Borrower monthly and at such other times as the Borrower or the Authority may reasonably request a statement of account of any moneys held in the Funds by the Trustee.

Section 10.08. Permitted Acts. The Trustee and its directors, officers, employees or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds and may join in any action that any holder of Bonds may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Authority or any committee formed to protect the rights of holders of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture.

Section 10.09. No Duty to Renew Insurance. The Trustee shall be under no duty to effect or to renew any insurance policy required under Section 7.02 of the Loan Agreement nor shall it incur any liability for the failure of the Borrower to effect or renew insurance or to report or file claims of loss thereunder.

Section 10.10. Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of this Indenture, and any construction by the Trustee shall be binding upon the Bondholders, the Authority and the Borrower.

Section 10.11. Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by written resignation filed with the Secretary of the Authority (and a copy to the Borrower) not less than sixty (60) days before the date when it is to take effect, provided notice of such resignation is mailed by first-class mail to the registered Holders of the Bonds not less than fifty (50) days prior to the date when the resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor trustee.

Section 10.12. Removal of Trustee. The Trustee hereunder may be removed at any time by the Borrower or by the Holders of a majority in principal amount of the Bonds then Outstanding, by an instrument appointing a successor to the Trustee so removed, executed by the Holders of a majority in principal amount of the Bonds then Outstanding and filed with the Trustee and the Authority, provided that such removal shall not prevent the Trustee from suing the Borrower for all amounts due and owing the Trustee under the Indenture. Such removal shall only be effected with simultaneous appointment of a successor trustee.

Section 10.13. Appointment of Successor Trustee. If the Trustee or any successor trustee is dissolved or if its property or business is taken under the control of any state or Federal court or administrative body and a vacancy shall forthwith exist in the office of the Trustee, or if the Trustee or any successor trustee resigns or is removed, the Borrower shall appoint a successor trustee and the Borrower shall mail notice thereof immediately by first-class mail to the registered Holders of the Bonds. If the Borrower fails to make such appointment promptly, the

Holders of a majority in principal amount of the Bonds then Outstanding may do so. In the event that a successor trustee is not appointed within sixty (60) days following the date of resignation or removal of the Trustee, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor trustee.

Section 10.14. Qualification of Successor. A successor trustee shall be a national banking association with trust powers or a bank and trust company or a trust company having capital and surplus of at least \$75,000,000, if there be one able and willing to accept the trust on reasonable and customary terms.

Section 10.15. Instruments of Succession. Any successor trustee shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder; and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall pay over to the successor trustee all moneys held by it hereunder; and, upon request of the successor trustee, the Trustee ceasing to act and the Authority shall execute and deliver an instrument transferring to the successor trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to act.

Section 10.16. Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or any corporation to which any Trustee may sell or transfer all or substantially all of its corporate trust business, provided such corporation shall be eligible under Section 10.14 hereof, shall be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 10.17. Notice of Non-Compliance. Upon the receipt of notice by or the receipt of actual knowledge by any officer responsible for the administration of the Funds, the Trustee shall report immediately to the Authority any breach of any covenant or any Event of Default by the Borrower under the Loan Agreement or any fact or circumstance which, except for any grace period permitted by the Loan Agreement, would result in any breach of a covenant or Event of Default by the Borrower thereunder.

Section 10.18. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including without limitation the laws of the State of New Jersey) denying or restricting the right of banks or trust companies to transact business as trustees in that jurisdiction. It is recognized that (a) if there is litigation under the Indenture or other instruments or documents relating to the Bonds and the Project, and in particular, in case of the enforcement hereof or thereof upon a default or an Event of Default, or (b) if the Trustee should deem that, by reason of any present or future law of any jurisdiction, it may not (i) exercise any of the powers, rights or remedies granted herein to the Trustee, (ii) hold title to the properties, in trust, as granted herein, or (iii) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual

or additional institution as a Co-Trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an individual or additional institution as a Co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that Co-Trustee, but only to the extent accepted by such Co-Trustee and necessary for it to be so vested and conveyed and to enable that Co-Trustee to exercise it. The Co-Trustee shall acknowledge its acceptance of the trusts so conveyed to it, in writing to the Authority. Every covenant, agreement and obligation necessary to the exercise thereof by such Co-Trustee shall run to and be enforceable by it.

This Article X of this Indenture is hereby made applicable to any Co-Trustee appointed hereunder.

Should any instrument or document in writing from the Authority reasonably be required by any Co-Trustee for vesting and conveying more fully and certainly in and to that Co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Authority. Any Co-Trustee may resign or be removed and a successor Co-Trustee appointed upon the same terms as provided for the Trustee.

Section 10.19. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

ARTICLE XI

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOF OF OWNERSHIP OF BONDS

Section 11.01. Ownership of Bonds. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution by any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and any Paying Agent with regard to any action taken, suffered or omitted by any of them under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgements within such jurisdiction, to the effect that the person signing such instrument acknowledged before him or her the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the Bond register.

Nothing contained in this Article XI shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters in this Article XI stated which to it may seem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond and any Bond or Bonds issued in exchange or substitution therefor or upon the registration of transfer thereof in respect of anything done by the Trustee in pursuance of such request or consent.

ARTICLE XII

AMENDMENTS AND SUPPLEMENTS

Section 12.01. Amendments and Supplements Without Bondholders' Consent. This Indenture may be amended or supplemented from time to time without the consent of the Bondholders by a supplemental indenture for one or more of the following purposes:

(a) in connection with the issuance of Additional Bonds, to set forth such matters as are specifically required or permitted hereunder or such other matters as will not adversely affect the holders of the Bonds then Outstanding;

(b) to add additional covenants of the Authority or to surrender any right or power herein conferred upon the Authority;

(c) to make conforming changes in connection with any changes to the Loan Agreement pursuant to Section 12.04(c) hereof;

(d) to cure any ambiguity or to cure, correct or supplement any defective provision hereof (whether because of any inconsistency with any other provision hereof or other wise), which shall supersede any actions taken by the Trustee under Section 10.10 hereof, or to make any other amendments to this Indenture, provided that the amendments do not impair the security hereof or adversely affect the Bondholders; and

(e) in connection with obtaining a rating on any series of Bonds from one of the Rating Agencies; provided that the amendments do not impair the security hereof or adversely affect the Bondholders.

Section 12.02. Amendments With Bondholders' Consent. This Indenture may be amended or supplemented from time to time by a supplemental indenture with the consent of (i) the Borrower and (ii) the holders of at least 51% in aggregate principal amount of the Bonds then Outstanding; provided, with respect to the approval of the Bondholders that (a) no amendment shall be made which adversely affects the Bonds without the consent of the holders of at least 51% of the then Outstanding Bonds, (b) no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds without the consent of the holders of 51% of the Bonds so affected, and (c) no amendment which alters the interest rates on any Bonds, the maturities, Interest Payment Dates or redemption provisions of any Bonds, this Article XII or the security provisions hereunder may be made without the consent of the holders of all Outstanding Bonds adversely affected thereby.

Section 12.03. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the Authority in the execution and delivery of any supplemental indenture or amendment permitted by this Article XII and in so doing shall be fully protected by an opinion of Bond Counsel that such supplemental indenture or amendment is so permitted and has been duly authorized by the Authority, that all conditions precedent to the

execution and delivery of such supplemental indenture or amendment have been met by the Authority or waived by the Authority and that all things necessary to make it a valid and binding agreement of the Authority have been done.

Section 12.04. Amendments to the Loan Agreement Without Consent of Bondholders. The Loan Agreement may be amended without the consent of the Bondholders (a) to correct any ambiguity, inconsistency or formal defect or omission therein, (b) in connection with the issuance of Additional Bonds, to set forth such matters as are permitted or required hereunder in connection with such issuance or to set forth other matters that do not adversely affect the holders of the Bonds then Outstanding, or (c) to make any other change in the Loan Agreement which, in the judgment of Bond Counsel, does not materially adversely affect the rights of the holders of any Bonds, provided that there is delivered to the Authority and the Trustee an opinion of Bond Counsel not unacceptable to the Trustee addressed to the Authority and the Trustee to the effect that (i) the action proposed to be taken is authorized or permitted by this Indenture and the Loan Agreement and complies with their respective terms; and (ii) such action will not adversely affect the exemption of interest on the Tax Exempt Bonds from Federal income taxation and the validity of the Bonds. No prior notice to the Bondholders of any proposed changes pursuant to this Section shall be required.

Section 12.05. Amendments to the Loan Agreement with Consent of Bondholders. Except for amendments, changes or modifications as specifically provided in Section 12.04 hereof, neither the Authority nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement or waive any obligation or duty of the Borrower under the Loan Agreement without the written consent of the holders of not less than 51% in aggregate principal amount of the Outstanding Bonds affected thereby; provided, however, that no such waiver, amendment, change or modification shall permit termination or cancellation of the Loan Agreement or any reduction of the amounts payable under Section 2.01 of the Loan Agreement or change the date when such payments are due without the consent of the holders of all the Bonds then Outstanding.

Section 12.06. Conditions to Supplements and Amendments. Before the Authority and the Trustee shall enter into any supplemental indenture, or before the Authority and the Borrower shall enter into any amendment or supplement of the Loan Agreement, there shall have been delivered to the Trustee (i) an opinion of Bond Counsel not unacceptable to the Trustee addressed to the Authority and the Trustee to the effect that (a) the action proposed to be taken is authorized or permitted by this Indenture and the Loan Agreement and complies with their respective terms, all conditions precedent to the execution and delivery of such supplemental indenture or amendment have been met by the Authority or waived by the Authority and that all things necessary to make it a valid and binding agreement of the Authority have been done; and (b) such action will not adversely affect the exemption of interest on the Tax Exempt Bonds from Federal income taxation and the validity of the Bonds and (ii) any required consents, in writing, of the Bondholders. The Authority and the Trustee shall be fully protected in relying upon any such opinion of Bond Counsel.

ARTICLE XIII

DEFEASANCE

Section 13.01. Defeasance. When principal or the Redemption Price (as the case may be) of, and interest on, all Bonds issued hereunder have been paid, or provision has been made for payment of the same when due in the manner described in this Section 13.01, whether at maturity or upon redemption, acceleration, or otherwise, together with all other sums payable hereunder or under the Loan Agreement, the right, title and interest of the Trustee shall thereupon cease (except with respect to moneys or securities held by the Trustee hereunder for the payment of the principal or Redemption Price (as the case may be) of, and interest on, the Bonds and other amounts) and the Trustee, on written demand of the Authority, shall release the lien of this Indenture and shall execute documents to evidence such release as may be reasonably required by the Authority, shall surrender the Note to the Borrower and shall turn over to the Borrower or to such person, body or authority as may be entitled to receive the same all balances then held by it hereunder.

Provision for the payment of Bonds shall be deemed to have been made upon the delivery to the Trustee of (i) cash in an amount which, when added to any other moneys held by the Trustee and available for such payment, would be sufficient to make all payments specified above, or (ii) Government Obligations which are non-callable prior to the stated maturity thereof and having stated maturities arranged so that the principal of and interest becoming due and payable on such Government Obligations will, under any and all circumstances (and without further investment or reinvestment of either the principal amount thereof or the interest earned thereon), be sufficient (as confirmed by a nationally recognized firm of public accountants certified in writing to the Trustee) to make all such payments, or (iii) any combination of such cash and such Government Obligations the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient to make all such payments, and in each case, the delivery to the Trustee of (a) an opinion of Bond Counsel to the effect that such defeasance is permitted under this Section 13.01 and (b) an opinion of Counsel selected by the Trustee and reasonably acceptable to the Borrower as to such other matters as the Trustee may reasonably request. Neither the obligations nor moneys deposited with the Trustee pursuant to this Section shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, the Redemption Price of and interest on said Bonds.

The release of the obligations of the Authority under this Section 13.01 shall not affect the obligations of the Borrower to make direct payments to the Authority or the Trustee pursuant to the Loan Agreement.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Dissolution. In the event of the dissolution of the Authority, all the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of, or for the benefit of, the Authority, shall bind or inure to the benefit of the successors of the Authority from time to time and any officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Authority shall be transferred.

Section 14.02. Intentionally Omitted.

Section 14.03. Deposit of Funds for Payment of Bonds; Escheat. (a) If the Authority deposits with the Trustee funds sufficient to pay the principal or Redemption Price of any Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, all interest on such Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bonds shall likewise cease, except as hereinafter provided. Thereafter the Holders of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, provided that such restriction shall not affect the obligations of the Borrower to make payments for the benefit of the Holders of the Bonds pursuant to this Indenture or the Loan Agreement, and the Trustee shall hold such funds in trust for such Holders.

(b) If any Bond or evidence of beneficial ownership of such Bond shall not be presented for payment when the principal thereof becomes due (whether at maturity, by acceleration, upon call for redemption, upon purchase or otherwise), all liability of the Authority to the registered owner thereof for the payment of such Bond, shall forthwith cease, terminate and be completely discharged if funds sufficient to pay such Bond and interest due thereon, if any, are held by the Trustee uninvested for the benefit of the registered owner thereof. Thereupon it shall be the duty of the Trustee to comply with the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 et. seq., with respect to such funds. The registered owner shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond.

Section 14.04. Severability of Invalid Provisions. In case any one or more of the provisions of this Indenture or of the Bonds issued under this Indenture shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or of said Bonds, and this Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

Section 14.05. No Personal Recourse. In the exercise of the powers of the Authority and its members, directors, officers, employees, attorneys or agents under this Indenture and the Loan Agreement, and including without limitation the application of moneys, the investment of funds, and the assignment or other disposition of the Trust Estate in the event of default by the

Borrower, neither the Authority nor its members, directors, officers, employees, attorneys or agents shall be accountable to the registered or beneficial owners of the Bonds, the Trustee or the Borrower for any action taken or omitted by it or them in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred. The Authority and its members, directors, officers, employees, attorneys and agents shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it and they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any member, director, officer, agent, attorneys, or employee of the Authority in his individual capacity, and neither the members of the Authority nor any official or attorney executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 14.06. Notice. Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the persons named below shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if and when sent by registered mail return receipt requested or sent by nationally recognized overnight delivery service:

If to the Issuer: The Essex County Improvement Authority
27 Wright Way, Building M
Fairfield, New Jersey 07004
Attn: Executive Director
Telephone: (973) 575-0952
Email: lsapinski@ecia.essexcountynj.org;srother@postpolak.com

If to the Trustee: Zions Bancorporation, National Association
Corporate Trust, Zions Bank Division
Attention: Ryan M. Pollihan, Vice President
225 Peachtree Street NE; Suite #1450
Atlanta, GA. 30303
Attention: Ryan M. Pollihan, Vice President
Telephone: (470) 437-3936
E-mail: ryan.pollihan@zionsbancorp.com

If to the Borrower: NSA 377 Washington Street, LLC
826 Broadway, 9th Floor
New York, N.Y 10003
Attn: Chief Financial Officer
Telephone No. (212) 844-7905
Email: Jennifer.Consilvio@uncommonschoools.org

If to the Bondholders, by notification as provided in Section 7.02.

Section 14.07. Execution in Several Counterparts. This Indenture shall be simultaneously executed in several identical counterparts, and all of said counterparts executed and delivered, each as an original and complete in itself, shall constitute but one and the same instrument and any such counterpart may be introduced in evidence, proved, recorded or used for any purpose without the production of any other counterpart.

Section 14.08. Laws Governing Indenture. The effect and meaning of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of New Jersey (without regard to the State's conflicts of laws principles).

Section 14.09. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 14.10. Headings for Convenience Only. The descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 14.11. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday, Sunday or other day that is not a Business Day, then payment of interest or principal or Redemption Price need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest on such payment shall accrue for the period after such date.

Section 14.12. Authority Not Responsible. (a) The Authority is not under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Borrower, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Authority shall have no responsibility in respect of the sufficiency of the security provided by this Indenture. The Authority shall not be under any obligation to see that any duties herein imposed upon any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Authority shall not be under any liability for failure to see that any such duties or covenants are so done or performed.

(b) The immunities and exemptions from liability of the Authority hereunder shall extend to its directors, members, attorneys, officers, employees and agents.

Section 14.13. Authority May Rely On Certificates. The Authority shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith and in accordance with the terms of this Indenture, upon any resolution, order, notice, request,

consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Loan Agreement or this Indenture, or upon the written opinion of any attorney, engineer, accountant or other expert believed by it to be qualified in relation to the subject matter, and the Authority shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

Section 14.14. Interested Parties. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any Person, other than the Authority, the Trustee, the Paying Agent and the registered Holders of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Paying Agent and the registered Holders of the Bonds.

Section 14.15. Application of New Jersey Contractual Liability Act. Notwithstanding anything to the contrary contained herein, the foregoing is subject to the limitations of the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, et seq. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. is not applicable by its terms to claims arising under contracts with the Authority, the Underwriter and the Borrower hereby agree that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims arising against the Authority under this agreement.

Section 14.16. Waiver of Jury Trial. EACH OF THE AUTHORITY AND THE TRUSTEE, AND BY ITS ACCEPTANCE THEREOF, EACH HOLDER OF A BOND, HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE BONDS, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the Authority and the Trustee have caused these presents to be signed by their respective officers thereunto duly authorized and this Indenture to be dated as of the day and year first above written.

ATTEST:

THE ESSEX COUNTY IMPROVEMENT
AUTHORITY

Lucy Sapinski
Secretary

By: _____
Steven C. Rother
Executive Director

ATTEST:

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Trustee

Arthur Mosley II
Vice President, Zions Bank Division

By: _____
Ryan M. Pollihan
Vice President, Zions Bank Division

EXHIBIT A

Form of Bonds

NEITHER THE STATE OF NEW JERSEY NOR THE COUNTY OF ESSEX IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE NOR OF THE COUNTY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE BOND. THE BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURE, NEITHER THIS BOND NOR ANY BENEFICIAL OWNERSHIP INTEREST HEREIN MAY BE TRANSFERRED BY THE BENEFICIAL OWNER HEREOF EXCEPT (I) IN AUTHORIZED DENOMINATIONS TO (II) ANY PERSON THAT IS EITHER (A) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED); OR (B) AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501 OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED).

No. R-_____ \$ _____

THE ESSEX COUNTY IMPROVEMENT AUTHORITY

CHARTER SCHOOL REVENUE BONDS

(NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC. - 2020 PROJECT)

<u>Maturity Date</u>	<u>Issue Date</u>	<u>Authentication Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 15, __	October __, 2020	October __, 2020	_____%	[29681C__]

REGISTERED OWNER: **CEDE & CO.**

PRINCIPAL AMOUNT: _____ **DOLLARS**

THE ESSEX COUNTY IMPROVEMENT AUTHORITY (the "Authority"), created by resolution of the Board of Chosen Freeholders of the County of Essex, New Jersey (the "County"), as a public body corporate and politic of the State of New Jersey (the "State"), and its successors and assigns, for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date shown above unless this Bond shall have been called for redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, upon surrender hereof, the Principal Amount identified above and to pay to the registered owner

hereof (but only out of the sources hereinafter mentioned) interest thereon from the Issue Date shown above until payment of said principal sum has been made or provided for, at the Interest Rate stated above on January 15 and July 15 of each year, commencing on January 15, 2021, to the registered owner hereof as of the close of business on the January 1 or July 1 next preceding such Interest Payment Date, and to pay interest on overdue interest (to the extent permitted by applicable law) at the rate per annum above specified. Except as otherwise provided in the Trust Indenture dated as of October 1, 2020 (the “Indenture”) between the Authority and Zions Bancorporation, National Association, as Trustee (the “Trustee”), principal and interest shall be paid at the Corporate Trust Office of the Trustee in Atlanta, Georgia, or at such other location as designated by the Trustee, or at the duly designated office of any duly appointed alternate or successor paying agent, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts, provided that interest may be paid by check or draft drawn upon any such paying agent and mailed to the registered owner hereof at his address as it appears on the bond registry of the Authority.

This Bond is one of a duly authorized Series 2020 Bonds of the Authority limited in aggregate principal amount to \$29,595,000, which are being issued under the Indenture (the “Bonds” or “Series 2020 Bonds”) and pursuant to a resolution of the Authority dated July 28, 2020, to accomplish the public purposes of the Act in order to fund the costs to (i) refinance a construction loan that was used to partially fund the construction of a public school building of 6 stories containing approximately 162,000 square feet (the “School Facilities”) on the land located at 359-377 Washington Street (Block 98, Lot 1), in the City of Newark, County of Essex and State of New Jersey, (ii) fund a Debt Service Reserve Fund, and (iii) pay costs of issuance of the Series 2020 Bonds (the “Project”).

The Series 2020 Bonds are special limited obligations of the Authority, payable solely from payments made on the Series 2020 Note (the “Note”) dated October 29, 2020, delivered or to be delivered by the Borrower, which evidences a loan made by the Authority to the Borrower to finance the Project and from certain payments made by the Borrower pursuant to the Loan Agreement by and between the Authority and the Borrower dated as of October 1, 2020 (the “Loan Agreement”), the Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing from the Borrower to the Authority dated the Issue Date (the “Mortgage”), and from any other moneys held by the Trustee under the Indenture for such purpose, and other than as provided in the Loan Agreement or the Indenture, there shall be no other recourse against the Authority. Except as otherwise specified in the Indenture, this Series 2020 Bond is entitled to the benefits of the Indenture equally and ratably both as to principal (and redemption price) and interest with all other Bonds issued under the Indenture, to which reference is made for a description of the rights of the holders of the Series 2020 Bonds, the rights and obligations of the Authority, the rights, duties and obligations of the Trustee, and the provisions relating to amendments to and modifications of the Indenture. The holder of this Series 2020 Bond may not enforce the provisions of the Note except in accordance with the provisions of the Indenture. Copies of the Note, Mortgage, Indenture and the Loan Agreement are on file at the Corporate Trust Office of the Trustee.

MANDATORY SINKING FUND REDEMPTION

The Series 2020 Bonds are subject to mandatory sinking fund redemption prior to maturity, in part by lot, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 15 in the following years and in the amounts set forth below:

Series 2020 Bonds Maturing on July 15, 2040

<i>Year</i>	<i>Amount</i>
2031	\$465,000
2032	485,000
2033	505,000
2034	525,000
2035	545,000
2036	565,000
2037	590,000
2038	615,000
2039	640,000
2040*	665,000

* Maturity

Series 2020 Bonds Maturing on July 15, 2050

<i>Year</i>	<i>Amount</i>
2041	\$690,000
2042	715,000
2043	745,000
2044	775,000
2045	805,000
2046	840,000
2047	870,000
2048	905,000
2049	945,000
2050*	980,000

* Maturity

Series 2020 Bonds Maturing on July 15, 2060

<i>Year</i>	<i>Amount</i>
2051	\$1,020,000
2052	1,060,000
2053	1,105,000
2054	1,150,000
2055	1,195,000
2056	1,240,000
2057	1,290,000
2058	1,345,000
2059	1,395,000
2060*	1,455,000

* Final Maturity

OPTIONAL REDEMPTION

The Series 2020 Bonds maturing on and after July 15, 2040 are subject to redemption prior to maturity at the option of the Authority, at the direction of the Borrower, in whole or in part, at any time on or after July 15, 2030 at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

EXTRAORDINARY REDEMPTION

The Series 2020 Bonds are subject to redemption prior to maturity, in whole or in part, at any time from insurance proceeds, condemnation awards, proceeds of conveyances in lieu of condemnation or proceeds from the sale of the Project Facilities deposited in the Redemption Fund and available for such purpose, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

EXTRAORDINARY MANDATORY REDEMPTION

The Series 2020 Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, plus a premium in an amount equal to the unamortized portion of the original issue premium thereon interpolated on a straight line basis, when, at the option of the Authority, the Authority provides written notice to the Trustee that any representation or warranty made by the Borrower in the Loan Agreement or in any report, certificate, financial statements or other instrument furnished by the Borrower in connection with the Loan Agreement shall prove to be false or misleading in any material respect when made.

EXTRAORDINARY MANDATORY REDEMPTION UPON TAXABILITY.

The Series 2020 Bonds are subject to extraordinary mandatory redemption in whole at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, after receipt by the Trustee of a notice of the occurrence of a Determination of Taxability.

SELECTION OF BONDS FOR REDEMPTION

In the event that less than all the Series 2020 Bonds are to be redeemed, the Series 2020 Bonds shall be selected for redemption in such manner as may be expressed herein, subject, however, to the following:

(a) in the case of any series having Bonds of varying denominations, each Bond of such series shall be treated as representing that number of Bonds which is obtained by dividing the face amount thereof by the smallest Authorized Denomination; and

(b) in no event shall any partial redemption result in a Bond of a denomination of less than the Authorized Denomination.

NOTICE OF REDEMPTION

(a) The Trustee shall cause notice of any redemption of Bonds hereunder to be mailed by first class mail to the holders of all Bonds to be redeemed at the registered addresses appearing in the registration books kept for such purpose pursuant to Article II of the Indenture. Each such notice shall (i) be mailed not more than 45 nor less than 30 days prior to the redemption date, (ii) identify the Series 2020 Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Series 2020 Bonds), (iii) specify the redemption date, the Redemption Price and, if less than all of any particular Bond is to be redeemed, the principal amount so to be redeemed, (iv) state that on the redemption date the Bonds called for redemption will be payable at the Corporate Trust Office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers (if any) printed therein or on the Bonds, and (v) provide any other descriptive information which may be necessary in order to identify the Bonds to be redeemed, including without limitation the original issuance date, maturity date and interest rate applicable to such Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

(b) Notice of any redemption of Bonds shall also be given by the Trustee on the same day as the mailed notice to Bondholders, (i) in accordance with then current guidelines of the Securities and Exchange Commission and (ii) to such other addresses and/or such other services as the Authority may designate with respect to the Bonds. Such further notice shall contain the information required in subsection (a) above. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given to the Bondholders as described in subsection (a) above.

(c) If at the time of mailing of any notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that the payment of the redemption amount to the Holders is conditional in that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and that in the case of an optional redemption, such notice shall be of no effect unless such moneys are so deposited.

This Series 2020 Bond is transferable by the registered owner hereof or his duly authorized attorney at the Corporate Trust Office of the Trustee, upon surrender of this Series 2020 Bond, accompanied by a duly executed instrument of transfer satisfactory to the Trustee, subject to such reasonable regulations as the Authority or the Trustee may prescribe, and upon payment of any tax, fee or other governmental charge and any mailing, delivery or insurance expense incurred with respect to such transfer. Upon any such transfer a new Bond or Bonds in the same aggregate principal amount will be issued, upon request, to the transferee. The Person in whose name this Series 2020 Bond is registered shall be deemed the owner hereof for all purposes, and the Authority and the Trustee shall not be affected by a notice to the contrary.

The County Improvement Authorities Law (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented ("Act") provides that no member of the Authority nor any person executing bonds for the Authority shall be liable personally on this Series 2020 Bond by reason of the issuance hereof.

This Series 2020 Bond shall not be in any way a debt or liability of the State, the County or any political subdivision other than the Authority, whether legal, moral or otherwise.. This Series 2020 Bond is a special, limited obligation of the Authority, payable solely out of the revenues or other receipts, funds or moneys of the Authority pledged under the Indenture and from any amounts otherwise available under the Indenture for the payment of this Series 2020 Bond. This Series 2020 Bond does not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of New Jersey or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Series 2020 Bond, exist, have happened and have been performed and this Series 2020 Bond, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by said Constitution or statutes.

This Series 2020 Bond is not valid unless the Certificate of Authentication endorsed hereon is duly executed by the Trustee.

IN WITNESS WHEREOF, The Essex County Improvement Authority has caused this Series 2020 Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Executive Director or any other Authority Representative, and its corporate seal to be hereunto affixed, impressed or otherwise reproduced, and attested by the manual or facsimile signature of its Assistant Secretary, and this Series 2020 Bond to be dated the Issue Date.

[SEAL]

THE ESSEX COUNTY IMPROVEMENT
AUTHORITY

ATTEST:

Lucy Sapinski
Secretary

By: _____
Steven C. Rother
Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of The Essex County Improvement Authority Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc.-2020 Project) described in the within mentioned Indenture.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, AS TRUSTEE

By: _____
Authorized Signatory-Zions Bank Division

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within-mentioned registered Bond and does hereby irrevocably constitute and appoint _____ to transfer such Bond on the Bond register with full power of substitution in the premises.

Dated:

Signature:

Signature:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank, trust company, national bank association or other banking institution incorporated under the laws of the United States or a state of the United States with membership in an approved signature guarantee medallion program.

NOTICE: The Signature(s) of this Assignment must correspond with the name that appears upon the face of the within Bond in every particular, without alteration, enlargement or any change whatever.

The Trustee will be required to register a Bond in the name of a transferee only if provided with the information requested below. The transferee (or his designated representative(s) should provide as much of the information below as is applicable to him prior to submitting this Bond for transfer.

Name: _____

Address: _____

Social Security or Employer Identification Number: _____

If a Trust, Name and Address of Trustee: _____

EXHIBIT B

Terms of Bonds and Debt Service Schedule

Terms:

<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
2022	\$325,000	4.000%	29681CAA6
2023	340,000	4.000	29681CAB4
2024	355,000	4.000	29681CAC2
2025	370,000	4.000	29681CAD0
2026	385,000	4.000	29681CAE8
2027	400,000	4.000	29681CAF5
2028	415,000	4.000	29681CAG3
2029	430,000	4.000	29681CAH1
2030	450,000	4.000	29681CAJ7
2040	5,600,000	4.000	29681CAK4
2050	8,270,000	4.000	29681CAL2
2060	12,255,000	4.000	29681CAM0

Mandatory Sinking Fund Redemption:

The Bonds are subject to mandatory sinking fund redemption prior to maturity, in part by lot, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 15 in the following years and in the amounts set forth below:

Bonds Maturing on July 15, 2040

<i>Year</i>	<i>Amount</i>
2031	\$465,000
2032	485,000
2033	505,000
2034	525,000
2035	545,000
2036	565,000
2037	590,000
2038	615,000
2039	640,000
2040*	665,000

* Maturity

Bonds Maturing on July 15, 2050

<i>Year</i>	<i>Amount</i>
2041	\$690,000
2042	715,000
2043	745,000
2044	775,000
2045	805,000
2046	840,000
2047	870,000
2048	905,000
2049	945,000
2050*	980,000

* Maturity

Bonds Maturing on July 15, 2060

<i>Year</i>	<i>Amount</i>
2051	\$1,020,000
2052	1,060,000
2053	1,105,000
2054	1,150,000
2055	1,195,000
2056	1,240,000
2057	1,290,000
2058	1,345,000
2059	1,395,000
2060*	1,455,000

* Final Maturity

DEBT SERVICE SCHEDULE

Date	Principal	Interest	Debt Service	Annual Debt Service
1/15/2021	-	249,913.33	249,913.33	-
7/15/2021	-	591,900.00	591,900.00	841,813.33
1/15/2022	-	591,900.00	591,900.00	-
7/15/2022	325,000.00	591,900.00	916,900.00	1,508,800.00
1/15/2023	-	585,400.00	585,400.00	-
7/15/2023	340,000.00	585,400.00	925,400.00	1,510,800.00
1/15/2024	-	578,600.00	578,600.00	-
7/15/2024	355,000.00	578,600.00	933,600.00	1,512,200.00
1/15/2025	-	571,500.00	571,500.00	-
7/15/2025	370,000.00	571,500.00	941,500.00	1,513,000.00
1/15/2026	-	564,100.00	564,100.00	-

7/15/2026	385,000.00	564,100.00	949,100.00	1,513,200.00
1/15/2027	-	556,400.00	556,400.00	-
7/15/2027	400,000.00	556,400.00	956,400.00	1,512,800.00
1/15/2028	-	548,400.00	548,400.00	-
7/15/2028	415,000.00	548,400.00	963,400.00	1,511,800.00
1/15/2029	-	540,100.00	540,100.00	-
7/15/2029	430,000.00	540,100.00	970,100.00	1,510,200.00
1/15/2030	-	531,500.00	531,500.00	-
7/15/2030	450,000.00	531,500.00	981,500.00	1,513,000.00
1/15/2031	-	522,500.00	522,500.00	-
7/15/2031	465,000.00	522,500.00	987,500.00	1,510,000.00
1/15/2032	-	513,200.00	513,200.00	-
7/15/2032	485,000.00	513,200.00	998,200.00	1,511,400.00
1/15/2033	-	503,500.00	503,500.00	-
7/15/2033	505,000.00	503,500.00	1,008,500.00	1,512,000.00
1/15/2034	-	493,400.00	493,400.00	-
7/15/2034	525,000.00	493,400.00	1,018,400.00	1,511,800.00
1/15/2035	-	482,900.00	482,900.00	-
7/15/2035	545,000.00	482,900.00	1,027,900.00	1,510,800.00
1/15/2036	-	472,000.00	472,000.00	-
7/15/2036	565,000.00	472,000.00	1,037,000.00	1,509,000.00
1/15/2037	-	460,700.00	460,700.00	-
7/15/2037	590,000.00	460,700.00	1,050,700.00	1,511,400.00
1/15/2038	-	448,900.00	448,900.00	-
7/15/2038	615,000.00	448,900.00	1,063,900.00	1,512,800.00
1/15/2039	-	436,600.00	436,600.00	-
7/15/2039	640,000.00	436,600.00	1,076,600.00	1,513,200.00
1/15/2040	-	423,800.00	423,800.00	-
7/15/2040	665,000.00	423,800.00	1,088,800.00	1,512,600.00
1/15/2041	-	410,500.00	410,500.00	-
7/15/2041	690,000.00	410,500.00	1,100,500.00	1,511,000.00
1/15/2042	-	396,700.00	396,700.00	-
7/15/2042	715,000.00	396,700.00	1,111,700.00	1,508,400.00
1/15/2043	-	382,400.00	382,400.00	-
7/15/2043	745,000.00	382,400.00	1,127,400.00	1,509,800.00
1/15/2044	-	367,500.00	367,500.00	-
7/15/2044	775,000.00	367,500.00	1,142,500.00	1,510,000.00
1/15/2045	-	352,000.00	352,000.00	-
7/15/2045	805,000.00	352,000.00	1,157,000.00	1,509,000.00
1/15/2046	-	335,900.00	335,900.00	-
7/15/2046	840,000.00	335,900.00	1,175,900.00	1,511,800.00
1/15/2047	-	319,100.00	319,100.00	-
7/15/2047	870,000.00	319,100.00	1,189,100.00	1,508,200.00
1/15/2048	-	301,700.00	301,700.00	-

7/15/2048	905,000.00	301,700.00	1,206,700.00	1,508,400.00
1/15/2049	-	283,600.00	283,600.00	-
7/15/2049	945,000.00	283,600.00	1,228,600.00	1,512,200.00
1/15/2050	-	264,700.00	264,700.00	-
7/15/2050	980,000.00	264,700.00	1,244,700.00	1,509,400.00
1/15/2051	-	245,100.00	245,100.00	-
7/15/2051	1,020,000.00	245,100.00	1,265,100.00	1,510,200.00
1/15/2052	-	224,700.00	224,700.00	-
7/15/2052	1,060,000.00	224,700.00	1,284,700.00	1,509,400.00
1/15/2053	-	203,500.00	203,500.00	-
7/15/2053	1,105,000.00	203,500.00	1,308,500.00	1,512,000.00
1/15/2054	-	181,400.00	181,400.00	-
7/15/2054	1,150,000.00	181,400.00	1,331,400.00	1,512,800.00
1/15/2055	-	158,400.00	158,400.00	-
7/15/2055	1,195,000.00	158,400.00	1,353,400.00	1,511,800.00
1/15/2056	-	134,500.00	134,500.00	-
7/15/2056	1,240,000.00	134,500.00	1,374,500.00	1,509,000.00
1/15/2057	-	109,700.00	109,700.00	-
7/15/2057	1,290,000.00	109,700.00	1,399,700.00	1,509,400.00
1/15/2058	-	83,900.00	83,900.00	-
7/15/2058	1,345,000.00	83,900.00	1,428,900.00	1,512,800.00
1/15/2059	-	57,000.00	57,000.00	-
7/15/2059	1,395,000.00	57,000.00	1,452,000.00	1,509,000.00
1/15/2060	-	29,100.00	29,100.00	-
7/15/2060	1,455,000.00	29,100.00	1,484,100.00	1,513,200.00
Total	29,595,000.00	30,175,413.33	59,770,413.33	59,770,413.33

APPENDIX F
FORM OF LEASE AGREEMENT

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AMENDED AND RESTATED LEASE AGREEMENT

THIS AMENDED AND RESTATED LEASE AGREEMENT (this “Lease”) is effective as of October 1, 2020 (the “Commencement Date”), between **NSA 377 WASHINGTON STREET, LLC**, a New Jersey limited liability company, having an office c/o Uncommon Schools, 826 Broadway, 9th Floor, New York, New York, 10003 (“Landlord”) and **NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK, INC.**, a New Jersey corporation, having an address at 10 Washington Place, Newark, New Jersey 07102 (“Tenant”).

RECITALS

A. Landlord is a wholly owned subsidiary of a non-profit public charitable organization whose primary purpose is to support Tenant and other like-minded schools.

B. Tenant is a public charter school.

C. Landlord is the owner of certain property and improvements situate in the City of Newark, Essex County, New Jersey, located at 359-377 Washington Street, Newark, New Jersey designated as Lot 1, in Block 98 on the Official Tax Maps of the City of Newark, New Jersey, and as more particularly described on Exhibit A attached hereto (the “Land”).

D. Tenant and Landlord originally signed a Lease effective April 21, 2016. Subject to the terms of that Lease, Landlord constructed a building (the “Building”) and related improvements on the Land. The Building is now complete and Tenant is occupying the Building.

E. Tenant desires to continue to lease from Landlord the Land and the Building, subject to and in accordance with the terms of this Lease, as amended and restated in its entirety.

F. Tenant acknowledges that a portion of the funds used to acquire and construct the Premises (as hereinafter defined) that Tenant is leasing are proceeds from (a) certain bonds that are intended to be Qualified School Construction Bonds pursuant to and within the meaning of Sections 54A and 54F of the Internal Revenue Code of 1986, as amended (the “Code”) (the “QSCB Bonds”), (b) certain bonds that are intended to be exempt from federal taxation under the Code (the “Revenue Bonds”) and (c) certain proceeds provided under the new market’s tax credit program under 45D of the Code (“NMTC”). For purposes of this Lease, the QSCB Bonds and the Revenue Bonds shall collectively be referred to as the “Bonds.” Tenant further acknowledges that (x) Landlord has incurred the debt to develop the Premises and the Building as a facility for Tenant and (y) a comparable facility to the school facility did not previously exist in the City of Newark and (z) Tenant has determined that the rent charged to Tenant for purposes of occupying the Premises and the Building are fair and reasonable, given the foregoing. Tenant further acknowledges that certain provisions of this Lease are required by Landlord’s lenders in connection with the QSCB Bonds, Revenue Bonds, NMTC and related financing to ensure the eligibility of the QSCB Bonds as Qualified School Construction Bonds, the Revenue Bonds as exempt from federal taxation under the Code and the full repayment of the Bonds and related financing, as well as the project’s compliance with the NMTC program.

G. Capitalized terms used herein, but which are not defined herein, shall have the meanings given to such terms in Exhibit E of this Lease.

NOW, THEREFORE, for good consideration, the parties hereto agree as follows:

ARTICLE I

LEASE OF PROPERTY

1.1 Commencing as of the Commencement Date, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Property (also referred to herein as the Premises); subject, however, to all liens, encumbrances, easements and restrictions affecting the Premises and such state of facts and/or exceptions to title as a current report on title would indicate and/or which an accurate survey of the Premises or a visual inspection thereof would reveal.

1.2 The parties hereto agree that said letting and hiring is upon and subject to the terms, covenants and conditions herein set forth and Tenant covenants as a material part of the consideration of this Lease to keep and perform each and all of said terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of said performance.

ARTICLE II

TERM; CONSTRUCTION

2.1 (a) The term (the “Term”) of this Lease shall commence on the Commencement Date. The Term shall end on June 30, 2021, unless sooner terminated as provided for in this Lease (the “Expiration Date”), provided that this Lease shall automatically renew without further need for action by either Landlord or Tenant for a total of eight (8) renewal periods of five (5) years each as long as the Charter is in effect (and/or is in the process of being renewed or extended), provided that the Term shall, in all circumstances, expire no later than June 30, 2061.

(b) Intentionally Deleted.

2.2 Tenant shall use its best efforts to maintain in effect its Charter issued by the Commissioner of Education of the State of New Jersey to operate a charter school, pursuant to the terms of the Charter School Law. Notwithstanding any provision contained in this Lease to the contrary, the Term hereof and Tenant’s rights hereunder and obligations to pay Base Rent, Supplemental Base Rent, Operating Expenses or additional rent hereunder, including without limitation Impositions (as defined below), shall automatically terminate upon the termination of the Tenant’s Charter, or upon denial, revocation, non-renewal or involuntary surrender of the Charter. For the avoidance of doubt, if the Tenant’s Charter is placed on probation under the Charter School Law (as opposed to being revoked) or if such termination is being challenged, such placement of the Charter on probation shall not be deemed to be a revocation pursuant to this Section 2.2.

2.3 Intentionally Deleted.

2.4 Notwithstanding anything to the contrary set forth herein, it is the intent of Landlord and Tenant that this Lease be treated as a lease for federal income tax purposes. Landlord and Tenant shall treat this Lease as a lease of the Property for federal income tax

purposes, and will not take any positions contrary to such treatments or inconsistent with this Lease being treated as a lease of the Property for federal income tax purposes.

ARTICLE III

RENT

3.1 (a) Base Rent. Tenant covenants and agrees to pay to Landlord, without demand, set-off, abatement, deduction or notice of any kind, except as expressly set forth in this Lease, the Base Rent on such dates set forth in the schedule specified in the rent schedule attached hereto as Exhibit C.

(b) All Base Rent required to be paid hereunder shall be paid in advance on the first day of each and every quarter as shown on Exhibit C.

(c) All payments of Base Rent shall be paid by Tenant, as and when due, in legal tender and lawful money of the United States of America at the address of Landlord set forth in the provision of this Lease governing the giving of notices, or at such other place as directed by Landlord or any Landlord Financing Party (defined in Exhibit E hereto) from time to time.

3.2 Supplemental Base Rent. Tenant covenants and agrees to pay to Landlord during the Term, beginning on a Rent Reset Date (as defined below) and continuing through the end of the Term, as supplemental base rent ("Supplemental Base Rent", which shall be deemed included in the term "Base Rent"), an amount certified by or on behalf of Landlord, not less than ten (10) days prior to a Rent Reset Date, to be Landlord's additional carrying costs and other charges and expenses (including, but not limited to, those to redeem the Bonds or to meet covenants) as required by a Landlord Financing Party under any loan or mortgage documents and, if applicable, lease coverage ratio requirements required by Landlord's lenders, which charges and expenses may include, but are not limited to (i) a reduction in the amount payable in connection with the Bonds by the United States Treasury Department as of the date hereof (each such event, a "Subsidy Reduction Event"); or (ii) a refinancing of any indebtedness or a material rate change of any existing indebtedness incurred by Landlord or any Landlord Financing Party in connection with any loan or mortgage documents or the financing (the "Purpose Financing") incurred by Landlord in order to enable Landlord to acquire the Premises and carry out the construction (any such event, a "Refinancing Event"); or (iii) any protective advances or other amounts advanced by any Landlord Financing Party to pay costs or expenses associated therewith, or to pay costs or expenses associated with the Premises whether such costs or expenses associated with the Premises are the obligation of Landlord or Tenant (any such event, a "Protective Event"; each of a Subsidy Reduction Event, a Refinancing Event and/or a Protective Event is referred to individually as a "Rent Reset Event" and all such events are referred to collectively as the "Rent Reset Events"; such a certification by or on behalf of Landlord is referred to hereafter as a "Rent Adjustment Certification"). Tenant acknowledges that as a result of Landlord's use of the Bonds to finance/refinance costs associated with the Premises, certain payments from the United States Treasury Department in connection with the Bonds directly defray costs that would otherwise be charged to Tenant as rent under this Lease, and as such, Tenant agrees to pay, as Supplemental Base Rent, any increase resulting from a Rent Reset Event as described in a Rent Adjustment Certification. Landlord shall use reasonable

commercial efforts to provide Tenant with written notice (a “Rent Reset Notice”), (a) in the case of a Refinancing Event, not less than 180 days prior to the Rate Reset Date resulting from such Refinancing Event, stating Landlord’s reasonable estimate of the amount of Supplemental Base Rent to be charged to Tenant, it being understood that Landlord may be unable to specify in a Rent Reset Notice with exact certainty the amount of Supplemental Base Rent expected to result from the Refinancing Event (provided, however, that payment for any additional Supplemental Base Rent due and payable pursuant to the Rent Reset Notice, while effective as of the date of the Rent Reset Date, shall be due and payable ten (10) days following Tenant’s actual receipt of a notice specifying the actual amount due), and (2) in the case of a Subsidy Reduction Event or a Protective Event within ten (10) days of Landlord’s first receiving notice of such Subsidy Reduction Event or Protective Event (provided the failure of Landlord to give a Rent Reset Notice shall not affect the right of Landlord to deliver a Rent Adjustment Certification or the obligation of Tenant to pay Supplemental Base Rent). Each Rent Reset Notice shall state the date upon which any Supplemental Base Rent shall first be due (the “Rent Reset Date”).

3.3 All sums, charges, costs and expenses which Tenant assumes or agrees to pay pursuant to this Lease (other than Base Rent) shall be additional rent, and in the event of the nonpayment of additional rent or any portion thereof, Landlord shall have all of the rights and remedies afforded to Landlord pursuant to this Lease in the case of non-payment of Base Rent. The term “rent” as used in this Lease, shall include Base Rent, Supplemental Base Rent and any other amounts payable by Tenant during the Term under this Lease. Tenant’s obligation to pay rent hereunder and to perform the covenants and agreements on its part to be performed hereunder, shall in no way be affected, impaired or excused in any respect because Landlord is unable, for any reason whatsoever, to fulfill any of its obligations hereunder or because Tenant’s use and occupancy of the Premises shall be disturbed or prevented from any cause whatsoever.

3.4 It is the purpose and intent of Landlord and Tenant that, except for the obligations expressly imposed upon Landlord under this Lease, this be an absolutely net lease and that Tenant shall make all payments hereunder free of any charges, assessments, impositions or deductions of any kind and without abatement, deduction, notice or set-off and all costs, expenses, charges, assessments, impositions and obligations of every kind and nature whatsoever relating to the Property and/or the use and occupancy thereof, whether foreseen or unforeseen, ordinary or extraordinary, shall be the responsibility of Tenant. It is the intention of the parties hereto that the obligations of Tenant hereunder shall be separate and independent covenants and agreements, and that rent and all other sums payable by Tenant hereunder shall continue to be payable in all events, and that the obligations of Tenant hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated or abated pursuant to an express provision of this Lease.

3.5 In the event Tenant fails to pay any installment of Base Rent or Supplemental Base Rent within ten (10) days after the same is due or in the event Tenant fails to make any other payment for which Tenant is obligated under this Lease within ten (10) days after the same is due, such late amount shall accrue interest and Tenant shall pay Landlord, as additional rent, interest on such amount at the lesser of the Prime Rate plus four percentage points (4%) or the maximum rate permitted by law (whichever is less) from the date such amount became due until such amount is paid (the “Late Charge”). In addition, if Tenant fails to pay any installment of rent within ten (10) days after the same is due, Tenant shall also pay to Landlord concurrently with the Late Charge, as additional rent, default interest equal to five (5%) percent of the amount

due to compensate Landlord for the extra costs incurred as a result of such late payment the (“Default Interest”); provided that the late fee in combination with the interest calculated in accordance with the foregoing sentence shall not result in Tenant paying more than the maximum rate of interest permitted by law. The parties agree that such interest, Late Charge and Default Interest represents a fair and reasonable estimate of the detriment that Landlord will suffer by reason of late payment by Tenant. Acceptance of any such interest and Late Charge shall not constitute a waiver of Tenant’s default with respect to the overdue amount, or prevent Landlord from exercising any of the other rights and remedies available to Landlord.

3.6 Landlord and Tenant acknowledge that in the event that Tenant does not have sufficient funds to pay the Base Rent, Supplemental Base Rent or other payments payable by Tenant hereunder and any payments due from Tenant to Uncommon under the Management Agreement, Tenant shall make all payments due hereunder to the exclusion of making any payments to Uncommon under the Management Agreement.

3.7 (a) Tenant shall pay to Landlord, as additional rent, Operating Expenses

(b) As soon as reasonably possible after the Commencement Date and on or about June 1 of each succeeding calendar year within the Term, Landlord shall determine or estimate the amount of Operating Expenses for the First Lease Year (as to the Commencement Date) or for the immediately succeeding Lease Year, as applicable (“Estimated Operating Expenses”) and shall submit such information to Tenant in a reasonably detailed written statement (“Landlord’s Expense Statement”).

(c) Tenant shall pay Estimated Operating Expenses in four (4) equal installments during the Lease Year in question, on each of July 1, September 1, December 1 and March 1 during such Lease Year (each a “Quarterly Expense Payment”).

(d) Each Landlord’s Expense Statement shall reconcile the payments made by Tenant pursuant to the preceding Landlord’s Expense Statement with the Operating Expenses for the Lease Year covered thereby. Any balance due to Landlord shall be paid by Tenant within thirty (30) days after Tenant’s receipt of Landlord’s Expense Statement; any surplus due to Tenant shall be applied by Landlord against the next accruing installment(s) of Operating Expenses due under this Section 3.7. If the Term has expired or has been terminated, Tenant shall pay the balance due to Landlord or, alternatively, Landlord shall refund the surplus to Tenant, whichever the case may be, within thirty (30) days after Tenant’s receipt of Landlord’s Expense Statement; provided, however, if the Term shall have been terminated as a result of an Event of Default by Tenant, subject to Section 2.2 and Section 12.9, then Landlord shall have the right to retain such surplus to the extent Tenant owes Landlord any Base Rent, Supplemental Base Rent, Operating Expenses or other amounts under this Lease to Landlord.

(e) Tenant or its representative shall have the right to examine Landlord’s books and records with respect to the reconciliation of Operating Expenses for the prior Lease Year set forth in Landlord’s Expense Statement during normal business hours at any time within forty five (45) days following the delivery by Landlord to Tenant of such Landlord’s Expense Statement. Unless Tenant shall give Landlord a notice objecting to said reconciliation and specifying the basis in which said reconciliation is claimed to be incorrect within thirty (30) days after its examination of Landlord’s books and records, said reconciliation shall be considered as final and accepted by Tenant. Notwithstanding anything to the contrary contained in this Section

3.7, Tenant shall not be permitted to examine Landlord's books and records or to dispute said reconciliation unless Tenant has paid to Landlord the amount due as shown on Landlord's Expense Statement; said payment is a condition precedent to said examination and/or dispute.

(f) In no event shall any adjustment in Tenant's obligation to pay Operating Expenses under this Section 3.7 result in a decrease in the Base Rent or Supplemental Base Rent payable hereunder. Tenant's obligation to pay Operating Expenses incurred during the Term, and Landlord's obligation to credit and/or refund to Tenant any amount incurred during the Term, pursuant to the provisions of this Section 3.7, shall survive the Termination Date.

(g) Landlord's failure during the Term to prepare and deliver any Landlord's Expense Statement shall not in any way cause Landlord to forfeit or surrender its rights to collect any amount that may have become due and owing to it during the Term; provided, however, that Tenant's corresponding rights to examine the applicable books and records shall not be deemed waived until forty five (45) days following the actual delivery of such a Landlord's Expense Statement.

ARTICLE IV

PAYMENT OF TAXES AND ASSESSMENTS; MAINTENANCE; USE

4.1 (a) As additional rent, Tenant shall pay, before any fine, penalty, interest or cost may be added thereto for the nonpayment thereof, all Impositions which are assessed, levied, confirmed, imposed or become a lien upon or are due and payable with respect to the Property or the sidewalks or streets in front of or adjoining the same, or are assessed, levied, confirmed or imposed upon Landlord as the owner of the Property or as the landlord under this Lease or as the recipient of rents or other charges produced by this Lease, and which become or are payable during the Term (including any interest imposed thereon by reason of an election to pay the same in installments), and any and all other taxes, assessments and charges levied, assessed or imposed upon the Property or any portion thereof or upon Landlord as the owner of the Property or as the landlord under this Lease or in respect of the rents or other charges produced by this Lease in lieu of or in addition to the foregoing, including in substitution of or in addition to any other Impositions (for such purpose, the Imposition in question shall be calculated as if the Property were the sole asset of Landlord); provided, that if by law, any Imposition is payable or at the option of the taxpayer may be paid in installments (whether or not interest shall accrue on the unpaid balance thereof), with the prior written consent of Landlord, Tenant may pay the same (and any accrued interest on the unpaid balance) in installments (and Landlord shall cooperate with Tenant in any application by Tenant to pay the same in installments) and shall pay only such installments as may become due during the Term as the same become due and before any fine, penalty, interest or cost may be added thereto for non-payment thereof; and provided further, that any Imposition relating to a fiscal period of a taxing authority, a part of which period is included within the Term and a part of which is included in a period of time before the Term or after the expiration of this Lease, shall (whether or not such Imposition shall be assessed, levied, confirmed, imposed or become a lien upon the Property, or shall become payable, during the Term) be appropriately pro-rated between Landlord and Tenant. The obligations contained herein shall survive the expiration or the termination of this Lease.

(b) To the extent required hereunder, Tenant shall pay prior to delinquency all such Impositions, at the written election of Landlord, directly to Landlord and/or directly to the governmental or quasi-governmental entity to whom payable. If Landlord elects that Tenant pay the same to Landlord, Tenant shall pay the same, from time to time, within ten (10) days after being billed therefor by Landlord; provided, that if such Impositions are paid in a timely fashion directly to Landlord per Landlord's election hereunder in accordance with this Lease, if a fine, penalty or interest is added due to late payment of the Imposition, Tenant shall not be responsible for the same as long as Tenant is not otherwise in default of its obligations under this Lease.

4.2 Tenant shall at all times be responsible for and shall pay directly to the applicable taxing authority, before delinquency, all taxes and assessments which shall or may during the Term be charged, levied, assessed or imposed on Tenant with respect to Tenant's right to occupy the Premises and any personal property of any kind owned, used or installed by Tenant at the Premises or in connection with (a) the operation of the Premises or (b) Tenant's business conducted in, on or at the Premises.

4.3 If the Landlord elects that Tenant pay Impositions directly to the governmental or quasi-governmental entity to whom payable, Tenant shall deliver to Landlord upon request copies of the receipted bills or other evidence satisfactory to Landlord showing payment of the Impositions.

4.4 Nothing herein contained shall be construed so as to require Tenant to pay or be liable for any gift, inheritance, estate, franchise, income, profits, capital or similar tax or any tax in lieu of any of the foregoing imposed upon Landlord; however, if during the Term the methods of taxation now prevailing shall be altered so as to cause the whole or any part of an Imposition now levied on real estate and the improvements thereon to be levied, wholly or partially, as an income tax or a capital levy, or otherwise, or the rents received therefrom, or if as a result of such alteration any Imposition or part thereof shall be imposed upon Landlord, or any assets of Landlord, such Imposition, or the part thereof so imposed upon Landlord or its assets shall, to the extent it shall be in substitution of Impositions required to be paid by Tenant be deemed to be included within the term "Impositions" for the purposes hereof, and Tenant shall pay and discharge the same as herein provided with respect to the payment of Impositions.

4.5 Tenant hereby accepts the Premises in its "AS IS" condition, without any representation or warranty, expressed or implied, in fact or by law, by Landlord and without recourse to Landlord, as to the nature, condition (including latent defects) or usability thereof or the use or uses to which the Premises or any part thereof may be put. Tenant acknowledges that neither Landlord, nor any agent or representative of Landlord, has made and does not make, and Tenant is not relying upon, any representations or warranties as to the physical condition, quality, value, utility or character or any other matter or thing relating to or affecting the Premises including, without limitation its usefulness for any particular purpose.

4.6 [Intentionally deleted.]

4.7 (a) The Premises may be used as a school and administrative offices related to the operation of a school, or other uses ancillary to the operation of a school (including without limitation, teacher training), and for community meetings and events, and for no other purposes.

(b) Tenant shall not use or occupy or permit the Premises to be used or occupied, nor do or permit anything to be done in or on the Premises, in whole or in part, in a manner which would in any way:

(i) be likely to cause structural or other injury to any building on the Property;

(ii) violate any certificate of occupancy affecting the Property;

(iii) make void or voidable or increase the cost of any insurance then in force with respect to the Property;

(iv) make it impossible to obtain or increase the cost of fire or other insurance required to be furnished by Tenant hereunder or desired to be maintained by Landlord;

(v) cause injury or damage to the improvements on any part of the Property;

(vi) constitute a public or private nuisance; or

(vii) violate any present or future law, regulation, or requirement of any governmental, public or quasi-public authorities at any time having jurisdiction over the Property.

4.8 Tenant shall be responsible for maintaining in effect the permanent certificate of occupancy and for obtaining and maintaining, at its sole cost and expense, any and all other certificates of occupancy or other occupancy, inspection and/or operating type certificates, and/or permits, licenses and/or approvals required for the proper and lawful conduct of Tenant's business in the Premises. Tenant shall duly procure and thereafter maintain the foregoing, and upon the request of Landlord, make the same available for inspection by Landlord, with Landlord to promptly execute any documents reasonably necessary to be signed on its part to obtain and maintain any certificates of occupancy (it being understood that Landlord shall not be obligated to incur any expense or liability in connection therewith). Tenant shall at all times comply with the terms and conditions of each such license or permit.

4.9 (a) Tenant will (i) comply with all Legal Requirements applicable to the Premises and the use thereof, including without limitation, the Americans with Disabilities Act, (ii) comply with the requirements of any insurance company insuring the Premises (or any part thereof or interest therein), and (iii) maintain and comply with all permits, licenses and other authorizations required by any governmental authority for its use of the Premises and for the proper operation, maintenance and repair of the Premises or any part thereof.

(b) Tenant may, upon obtaining the prior written consent of Landlord (which consent shall not be unreasonably withheld, conditioned or delayed) and without cost or expense to Landlord, contest the validity or application of any law, regulation or requirement applicable to the Premises or the use being made or desired to be made by Tenant, and if, by the terms of any such law, regulation, etc. compliance therewith pending the prosecution of any such proceeding may legally be held in abeyance without the incurrence of a lien, charge or liability of any kind against the Property, without subjecting Tenant or Landlord to any criminal liability

or civil liability for failure to so comply therewith, without causing the Property to be in danger of being forfeited or lost and without adversely affecting any insurance policy required to be obtained by Tenant hereunder, or otherwise with respect to the Property, Tenant may postpone compliance therewith until the final determination of any proceedings, provided that all such proceedings shall be prosecuted with due diligence and dispatch. Landlord shall, at the cost and expense of Tenant, execute and deliver any papers which may be necessary or proper to permit Tenant to contest the validity or application of any such law. In the event that a contest is not concluded prior to the expiration of the Term, if at the termination of the contest a determination is to the effect that some or all of the work in question should have been or must be performed, Tenant shall pay to Landlord a sum sufficient to pay for the cost of the work required to be performed. Tenant shall indemnify, defend (with counsel approved by Landlord) and hold Landlord harmless against any recovery or loss to which Landlord may be subject or which Landlord may sustain, including reasonable attorney's fees and expenses incurred by Landlord (including those incurred to enforce this indemnity), arising from or out of any breach of this covenant or by reason of any action or proceeding which may be brought against Landlord or against the Property, or any part thereof, by virtue of any such law, regulation or requirement. Tenant will remedy any violations of this covenant and will pay the cost of the same. This provision shall survive the termination or sooner expiration of this Lease.

4.10 (a) Tenant may make alterations, additions or improvements in or to the Premises, subject to obtaining the consent of Landlord; provided, however, that such consent shall not be required for (i) non-structural repairs of existing conditions or (ii) alterations, additions or improvements that cost less than \$5,000.00. Landlord agrees not to unreasonably withhold, condition or delay its consent with respect to interior, non-structural alterations, additions or improvements having an aggregate cost not to exceed \$10,000.00, so long as the same do not affect, alter, interfere with or disrupt any of the electrical, mechanical, plumbing or other system of the Premises, do not affect the outside appearance of the Premises, do not affect the roof of the Premises, do not affect the ingress to or egress from the Premises and do not affect any structural element of the Premises, it being agreed that Landlord shall have the right to withhold its consent, in its sole discretion, to all other alterations, additions or improvements proposed by Tenant. Tenant covenants and agrees that all work done by Tenant shall be performed in full compliance with Legal Requirements. All such work shall be done in a good and workmanlike manner. Before commencing any work Tenant shall, if required by Landlord, secure at Tenant's own cost and expense, a completion and lien indemnity bond satisfactory to Landlord (naming Landlord) for said work. Tenant shall procure, maintain and pay for all permits, approvals and authorizations required by any governmental agency having jurisdiction over the work. All alterations, additions or improvements undertaken by Tenant shall be prosecuted diligently to completion. All alterations, additions, or improvements which may be made upon the Premises by Tenant, except furniture, removable trade fixtures and removable machinery or equipment of Tenant, shall at Landlord's option become the property of Landlord and shall remain upon and be surrendered with the Premises as a part thereof at the termination of this Lease without compensation to Tenant or anyone else or be removed from the Premises upon the expiration of the Term of this Lease, in which event the Premises shall be restored to its original condition by Tenant prior to the termination of this Lease.

(b) All articles of personal property and all removable trade fixtures and removable machinery or equipment owned or leased by Tenant (other than all articles of personal property and all removable trade fixtures and removable machinery or equipment otherwise

leased from Landlord) shall be and remain the property of Tenant and may be removed by Tenant at any time during the Term of this Lease, provided that no damage to the Premises results from such removal or that Tenant repairs any such damage at its cost. If Tenant shall fail to remove all of its effects from the Premises upon termination of this Lease for any cause whatsoever, Landlord may, at its option, remove the same in any manner that Landlord shall choose and store said effects without liability to Tenant for loss thereof. In such event, Tenant agrees to pay Landlord upon demand any and all expenses incurred in such removal, including court costs and reasonable attorneys' fees and storage charges on such effects, for any length of time that the same shall be in Landlord's possession. Landlord may, at its option, with at least five days prior notice to Tenant, sell said effects, or any of the same, at private sale and without legal process, for such price as Landlord may obtain and apply the proceeds of such sale to any amounts due under this Lease from Tenant to Landlord and to the expense incident to the removal and sale of said effects.

4.11 Subject to Section 4.9, Tenant shall, throughout the Term, at Tenant's cost and expense, promptly (and in all cases, within the times required by applicable law) comply with the requirements of every applicable present and future statute, law, ordinance, regulation or order, for, of or by any Federal, State, municipal or other public body, department, bureau, office or authority, as well as any insurance requirements applicable to the Property issued by any New Jersey fire insurance rating organization or any other similar body issuing insurance requirements with respect to (i) the Property and the appurtenances thereto, and/or (ii) the use or occupancy of the Property, including the repair of, or the making of any alteration or addition in or to any structure upon, connected with, or appurtenant to, the Property, whether such statute, law, etc. or any, requirement in connection therewith be foreseen or unforeseen, ordinary or extraordinary.

4.12 Tenant shall not cause or permit or suffer any material waste to the Premises.

4.13 Tenant shall not place a load upon any floor of the Premises exceeding the floor load per square foot area which such floor was designed to carry.

4.14 Tenant shall not cause or permit any Hazardous Substance to be brought, kept or stored on or about the Premises in violation of Environmental Laws other than substances used in the ordinary course of Tenant's business operations (such as cleaning, art or science laboratory supplies) and heating oil used to heat the building, in each case used, handled, transported, and stored in strict compliance with applicable Environmental Laws and requirements of the City of Newark and the Education Department. Except as set forth in the foregoing sentence, Tenant shall not engage in, or permit any other person or entity to engage in, any activity, operation or business on or about the Premises which involves the generation, manufacture, refining, transportation, treatment, storage, handling or disposal of Hazardous Substances.

If a spill or discharge of a Hazardous Substance occurs on the Premises during the Term, Tenant shall, promptly upon obtaining knowledge thereof, give Landlord immediate oral and written notice of such spill and/or discharge, setting forth in reasonable detail all relevant facts. Tenant shall pay all costs and expenses relating to compliance with all applicable Environmental Laws (including, without limitation, the costs and expenses of the site investigations and of the removal and remediation of such Hazardous Substance) arising out of or in connection with any

such spill or discharge, except any spill or discharge caused by Landlord, which such spill or discharge shall be remediated promptly by Landlord after giving notice thereof to Tenant.

4.15 During the Term, Tenant hereby agrees to provide to Landlord or its designees, on a timely basis:

(i) Audited financial statements, to be provided to Landlord within 120 days after the end of Tenant's fiscal year;

(ii) A certificate of the chief financial officer of Tenant reflecting that over the prior calendar year, Tenant maintained a Lease Coverage Ratio of 1.05 to 1, to be provided to Landlord within 120 days after the end of Tenant's fiscal year;

(iii) On a quarterly basis within 45 days after the end of each fiscal quarter, management-prepared financial statements;

(iv) Annual reports of the public charter school operated on the Premises, to be provided to Landlord at the time same are submitted to Tenant's chartering authority;

(v) Within thirty (30) days of Tenant's receipt of same by Tenant, any reports or reviews of the public charter school operated on the Premises prepared by Tenant's chartering authority;

(vi) No later than sixty (60) days prior to the start of each fiscal year of operations, the annual operating budget;

(vii) By October 30 of each year, demand and enrollment statistics for the new academic year (including enrollment, applications, acceptances and matriculations statistics);

(viii) Within thirty (30) days of receipt, a report of average standardized examination scores of the students at the public charter school operated at the Premises;

(ix) Within fifteen (15) days of submission to or receipt from the Charter authorizing authority and any other applicable regulatory authorities, copies of all reports submitted to the Charter authorizing authority or other applicable regulatory authorities, and notices of actions from the Charter authorizing authority or other applicable regulatory authorities;

(x) Within ten (10) days of receipt, results of reviews/performance or financial audits or other regulatory reviews;

(xi) Within thirty (30) days after request, updates on per pupil funding from the applicable local school district and/or the State of New Jersey; and

(xii) Within thirty (30) days after the end of each fiscal year, a certification verifying that at all times the Property has been and continues to be operated as a public charter school.

4.16 Tenant hereby covenants and agrees as follows:

(a) Tenant shall maintain a Lease Coverage Ratio of 1.05 to 1 for each fiscal year, and shall have at least 30 Days Cash on Hand (defined below), for each fiscal year up to and including fiscal year 2023, and for each fiscal year thereafter shall have at least 45 Days Cash on Hand.

(b) Tenant shall not incur debt, except for trade liabilities incurred in the ordinary course of business of operating a charter school, without the written approval of Landlord, except that Tenant shall be permitted to maintain, renew and/or increase any existing line of credit or credit facility or enter into a new line of credit, credit facility, loan or financing primarily for working capital purposes.

(c) Prior to entering into any new lease or sublease or amending any lease or sublease which will result in an increase in aggregate annual lease payments required of Tenant, Tenant shall provide Landlord with an Additional Lease Certificate in the form attached hereto as Exhibit F.

(d) Tenant shall comply with all operating requirements in connection with its charter as a public charter school, and shall exert its best efforts to maintain its existence as a public charter school in good standing.

(e) Tenant shall cause all maintenance and repair of the Premises required hereunder to be completed in a timely manner.

(f) In the event of a change in law applicable to charter schools in New Jersey permitting charter schools to pledge per student revenue, assets or other income streams or enter into financing arrangements on an unsecured basis for a period of more than twelve months, Tenant shall not enter into such arrangements without the prior written consent of Landlord.

(g) Tenant shall not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the QSCB Bonds to fail to qualify as a Qualified School Construction Bond, would cause the Revenue Bonds to fail to be exempt from federal taxation under the Code or would cause either or both of the QSCB Bonds and/or Revenue Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code or would cause any Bond to fail to be a “specified tax credit bond” for purposes of Section 6431 of the Code, or otherwise make the New Jersey Economic Development Authority ineligible to receive Debt Service Subsidy Payments (defined as the federal cash subsidy payment paid by the United States Treasury Department to the New Jersey Economic Development Authority, or to Zions Bancorporation, National Association on its behalf, on the 15th day of each January, April, July, and October in each year until maturity or early redemption of the QSCB Bonds, commencing July 15, 2016 (each an “Interest Payment Date”) equal to 100% of the interest payable on the QSCB Bonds on each Interest Payment date up to the applicable tax credit rate). In particular, Tenant covenants and agrees to comply with each requirement of this Article 4 and the applicable provisions of the Code.

(h) Tenant shall use the Premises in a manner such that all Available Project Proceeds will not have been used or will not continue to be used for purposes other than described below: the construction, rehabilitation, or repair of a public school facility, or for

expenditures for costs of acquisition of equipment to be used in such portion or portions of the constructed, rehabilitated or repaired public school facility.

ARTICLE V

UTILITIES

5.1 Landlord shall not be responsible to furnish any utilities or, except as expressly provided in this Lease, services to the Premises, and shall not be liable for any interruption or failure or defect in the supply or character of any such utility or service. Interruption or failure to supply any such utility or service or the inability to obtain such utility or service shall not affect, alter, negate or diminish Tenant's obligations hereunder.

5.2 Tenant shall make its own arrangements (including, without limitation, posting any and all bonds) with the appropriate utility company supplying electricity, water, gas, steam, telephone and other utilities to the Premises, and for garbage disposal for the Premises, and shall arrange to have all bills for such utilities or services forwarded directly to Tenant. Tenant shall pay when due all charges for such utilities or services accruing during the Term and shall indemnify, defend and hold Landlord harmless from and against the same.

ARTICLE VI

INDEMNIFICATION

6.1 Each Landlord Indemnitee shall not be liable for, and Tenant waives all claims against Landlord Indemnities for loss or damage to Tenant's business or damage to any person or property sustained by Tenant resulting from any accident or occurrence in or upon the Property (including those caused by or resulting from a Landlord Indemnitee's negligence but not from any Landlord Indemnitee's gross negligence or willful misconduct), including, but not limited to, claims for damage resulting from (a) any equipment or appurtenances becoming damaged, defective or out of repair, (b) injury done or occasioned by wind; (c) any defect in or damage to or failure of the plumbing, heating or air conditioning equipment, electric wiring or installation thereof, gas, water and steam pipes, stairs, porches, railings or walks; (d) broken glass; (e) explosion; (f) the backing up of any sewer pipe or downspout; (g) the bursting, leaking or running of any tank, tub, washstand, sink (kitchen or otherwise), water closet, waste pipe, drain or any other pipe or tank in, upon or about the Property; (h) the escape of steam or hot water; (i) water, snow or ice being upon or coming through or falling from the roof, skylight, trap door, stairs, doorways, windows, walks, or any other place upon or near the Property or otherwise; (j) the falling of any fixture, plaster, tile or stucco; (k) flooding caused by any source whatsoever; (l) any loss or damage to any property by theft; and (m) any act or omission of occupants of the Premises.

6.2 (a) Tenant shall indemnify, defend (with counsel reasonably selected or approved by the applicable Landlord Indemnitee) and hold harmless each Landlord Indemnitee from and against any and all liability, fines, suits, claims, demands, actions and costs and expenses of any kind or nature (including reasonable attorney's fees and reasonable attorneys' fees incurred to enforce this indemnity) due to or arising out of (i) any breach, violation or non-performance of any covenant, condition or agreement in this Lease on the part of Tenant to be fulfilled, kept, observed and performed; (ii) the use, non-use, operation, maintenance or

occupancy of the Property or any portion thereof by Tenant or any subtenant of Tenant or any agent, servant, employee, contractor or invitee of either Tenant or any subtenant and from any activity, work or thing done, permitted or suffered by Tenant or any subtenant of Tenant or any agent, servant, employee, contractor or invitee of either Tenant or any subtenant in or about the Property; (iii) any work done by or on behalf of Tenant in, on or about the Property; (iv) any damage to any person or persons or property occasioned by, arising from or related to the use and occupancy of the Property by Tenant or any subtenant of Tenant or any agent, servant, employee, contractor and invitee of either Tenant or subtenant or arising from any act, neglect, fault or omission of any of the foregoing, and/or (v) any injury to any person or persons, including death resulting at any time therefrom, or damage to property occurring in or about the Property or arising from any act, neglect, fault or omission of any of the foregoing (but not, solely as to this clause (v), from a Landlord Indemnatee's gross negligence or willful misconduct). The obligations contained herein shall survive the expiration or sooner termination of this Lease.

(b) Landlord shall have the right, at its expense, and without limiting Tenant's obligations under Section 6.2(a) hereof, to participate in the defense of any claim, suit, etc. against Landlord and in the negotiations and settlement thereof. Tenant shall not be entitled to assume or control defense of any claim or proceeding if an Event of Default has occurred, the proceeding involves a criminal penalty or a civil penalty in excess of \$100,000.00, or a potential conflict could arise between a Landlord Indemnatee and Tenant.

6.3 Landlord shall indemnify, defend and hold harmless the Tenant Indemnitees from and against any and all liability, fines, suits, claims, demands, actions and costs and expenses of any kind or nature (including reasonable attorney's fees and reasonable attorneys' fees incurred to enforce this indemnity) due to or arising out of (i) any breach, violation or non-performance of any covenant, condition or agreement in this Lease on the part of Landlord to be fulfilled, kept, observed and performed; or (ii) from a Landlord Indemnatee's gross negligence or willful misconduct). The obligations contained herein shall survive the expiration or sooner termination of this Lease.

ARTICLE VII

INSURANCE

7.1 During the Term, Tenant, at its sole cost and expense, and for the mutual benefit of Landlord and Tenant, shall carry and maintain all required insurance, or, to the extent required to be carried and maintained by contractors of Tenant during construction activities, to cause such insurance to be carried and maintained, as required by any Landlord Financing Party and in all events not less than the following types of insurance of the type and in the amounts specified on Exhibit D attached hereto.

7.2 All insurance required by this Lease to be procured and maintained, or caused to be procured and maintained, by Tenant shall be affected under valid, enforceable policies issued by insurance companies authorized to issue said insurance in the State of New Jersey, and reasonably acceptable in form, amount and content to Landlord. No later than thirty (30) days prior to the expiration of any insurance policy required to be maintained hereunder, Tenant shall furnish Landlord with the appropriate proofs of the pending issuance of a policy continuing in

force the insurance covered by the policy so expiring, with original or certified copies of each renewal policy being delivered to Landlord promptly following the actual issuance thereof. The insurance policies described in Exhibit D shall name Landlord as named insured as its interest may appear and shall provide that proceeds shall be paid to Landlord and not to Tenant to the extent required in Exhibit D. The insurance policy described in Exhibit D above shall name Landlord and any other party designated by Landlord as an additional insured to the extent required in Exhibit D. Landlord (and not Tenant) shall have the right to adjust any loss under a policy of insurance described in Exhibit D. All policies to which Landlord is a named insured required hereby shall contain agreements by the insurers that any loss shall be payable to Landlord notwithstanding any act, or omission or negligence of Tenant which might otherwise result in forfeiture of said insurance, or affect the validity or enforceability thereof and that such policies shall not be cancelled or modified except upon at least thirty (30) days prior written notice to Landlord.

7.3 Tenant hereby waives its rights of recovery against Landlord, its successors and assigns, for any losses to the Property covered by fire and extended coverage insurance (or other insurance maintained by Tenant), but only to the extent of the actual recovery by Tenant. Tenant party shall obtain and deliver to Landlord waivers of the subrogation rights under its insurance policies.

7.4 If Tenant fails to timely procure any insurance required hereunder (and such failure continues for ten (10) days after Landlord's notice to Tenant of such failure), Landlord, at its option, shall have the right to procure the insurance required by Section 7.1, in which event Tenant shall reimburse Landlord for the cost thereof within thirty (30) days.

7.5 Tenant shall reimburse Landlord on demand for the cost of any insurance carried by Landlord with respect to the Property.

ARTICLE VIII

DAMAGE; DESTRUCTION

8.1 If there is any damage to or destruction of the Premises resulting in an expected repair cost of greater than \$5,000.00, Tenant shall promptly give notice thereof to Landlord, describing the nature and extent thereof.

8.2 In the event of a Casualty, Landlord shall, at its own cost and expense, repair, replace, restore and rebuild the Property as nearly as may be reasonably possible to the condition, quality and class the same was in immediately prior to such Casualty; provided, however, that if the estimated cost of restoration of the Property is in excess of \$1,000,000.00 and the insurance proceeds are not made available to Landlord or are insufficient to cover the estimated cost of restoration, then Landlord may by written notice to Tenant terminate this Lease. Such restoration work shall be commenced promptly after settlement shall have been made with the insurance companies and such work shall be prosecuted diligently, in good faith and with continuity of purpose.

8.3 All insurance money collected by Landlord or Tenant from any policy of insurance maintained pursuant to the provisions of Article 7 hereof on account of such Casualty, less the cost, if any, incurred in connection with the adjustment of the loss and the collection

thereof (herein sometimes referred to as the “insurance proceeds”) shall be held by Landlord and shall be applied to the payment of the cost of re-building. Notwithstanding the foregoing, any insurance proceeds derived from policies maintained by Tenant covering its own personal property shall be paid to Tenant. Any remaining balance of the insurance proceeds, after restoration of the damage or destruction caused by the Casualty shall be the property of Landlord.

8.4 If due to a Casualty all or a material portion of the Property is rendered untenantable and Tenant in fact ceases use of the untenantable portion of the Property, then the Base Rent payable hereunder shall be abated during the period during which the Property is untenantable on a proportionate basis size of the portion of the Property that is untenantable. Except as set forth in the preceding sentence, no provision of this Article 8 shall be construed to entitle Tenant to any abatement, allowance, reduction or suspension of rent.

8.5 Tenant shall immediately notify Landlord of the occurrence of a Casualty causing damage with an expected repair cost of greater than \$5,000.00 or any damage to the structural elements and/or building systems that could materially disrupt operations of the school being operated at the Property, regardless of amount.

8.6 The terms of any senior mortgage encumbering the Property relating to the application of insurance proceeds shall be controlling over any inconsistent provisions of this Lease.

8.7 Landlord shall not be required to expend for restoration an amount in excess of the Net Award received by it. In the event such amount is not adequate or any ground landlord or mortgagee elects to retain the Net Award, Landlord shall have the right to terminate this Lease provided notice of such termination shall be sent to Tenant within ninety (90) days after the amount of such Net Award is ascertained, or after the date on which such ground landlord or mortgagee notifies Landlord that it has elected to retain the Net Award, whichever the case may be. If Landlord exercises its right to terminate this Lease, this Lease shall cease, terminate and expire, and all rent shall be prorated as of the date of such damage or destruction.

ARTICLE IX

CONDEMNATION; TAKING BY EMINENT DOMAIN

9.1 If the entire or a substantial portion of the Property shall be taken (which shall include the sale of the Property under threat of the exercise of the power of eminent domain or condemnation) under the exercise of the power of eminent domain or condemnation by any governmental authority, this Lease shall terminate as of the date of such taking. In that event, the rentals due hereunder shall be apportioned as of the date of such taking and any balance of the prepaid rentals not theretofore applied towards the payment of accrued installments of rent in accordance with the provisions hereof shall be repaid to Tenant.

9.2 If less than the entire or a substantial portion of the Property shall be taken under the exercise of the power of eminent domain or condemnation, Landlord shall promptly and diligently make such repairs or restorations as may be necessary to fully restore the remaining portion of the Property to a condition as good as that prior to the taking; provided, however, that if the estimated cost of restoration of the Property is in excess of \$1,000,000.00 and the

condemnation proceeds are not made available to Landlord or are insufficient to cover the estimated cost of restoration, then Landlord may by written notice to Tenant terminate this Lease. From and after said taking the Base Rent herein reserved shall be reduced, and thereafter Tenant shall be required to pay that proportion of the Base Rent as the area of the Premises remaining tenantable after the taking bears to the area of the entire Premises before said taking.

9.3 In the event of any taking, whether total or partial, Tenant shall have no claim in or to any award (whether for damages, the value of the unexpired Term of this Lease or otherwise) for or with respect to such taking. Tenant hereby expressly assigns any and all of its right, title and interest in or to such awards or any part thereof, to Landlord. Tenant shall have no claim against Landlord relating to such taking; provided, however, that Tenant shall have the right to make a claim for Tenant's moving expenses and personal property, provided such claim does not reduce any award to Landlord.

9.4 In the event of a taking of the Premises or any part thereof for temporary use (i) this Lease shall be and remain unaffected thereby and rent shall not abate, and (ii) Landlord shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the temporary taking which is within the Term of this Lease and the net proceeds of such award shall be applied to installments of Rent, provided that if such taking shall remain in force at the expiration or earlier termination of this Lease, Tenant shall then pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations under Section 21.1 hereof with respect to a surrender of the Premises and upon such payment shall be excused from such obligations.

9.5 Except as provided for in Section 9.2 hereof, no provision of this Article 9 shall be construed to entitle Tenant to any abatement, allowance, reduction or suspension of rent on account of any condemnation, unless this Lease is terminated as provided herein.

9.6 The terms of any senior mortgage encumbering the Property relating to the application of condemnation proceeds shall be controlling over any inconsistent provisions of this Lease, subject to the terms and conditions of any controlling intercreditor and subordination agreements controlling any senior mortgage.

ARTICLE X

ASSIGNMENT; SUBLETTING

10.1 Tenant shall not assign, mortgage, pledge, encumber or in any manner transfer this Lease, or any part thereof or interest therein, or sublease all or any part of the Premises, or allow others to use or occupy the same without obtaining the prior written consent of Landlord. Notwithstanding the foregoing, Tenant shall be permitted to enter into license or use agreements with community organizations for use of a portion of the Premises on an occasional or regular basis without Landlord's consent provided that such licensee or user agrees in writing to maintain commercial general liability insurance in such amounts as reasonably approved by Tenant and Landlord and naming Tenant and Landlord as additional insureds, with evidence of such insurance delivered to Landlord prior to any use by such licensee or user.

10.2 Without limitation, each of the foregoing events shall be deemed to constitute an assignment of this Lease:

- (a) Any assignment or transfer of this Lease by operation of law;
- (b) Any hypothecation, pledge or collateral assignment of this Lease by Tenant;
- (c) Any assignment or transfer of this Lease by Tenant in connection with bankruptcy, insolvency, receivership or similar occurrence;
- (d) Any assignment, transfer, disposition, sale or acquiring of a controlling interest in Tenant to or by any person, entity or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions; and
- (e) A modification, amendment or extension, without Landlord's prior written consent, of a sublease previously consented to by Landlord shall be deemed a new sublease.

10.3 Tenant covenants that, notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of rent by Landlord from an assignee or transferee or any other party, Tenant shall remain fully and primarily and jointly and severally liable for the payment of the rent due and to become due under this Lease and for the performance and observance of all of the covenants, agreements, terms, provisions and conditions of this Lease on the part of Tenant to be performed or observed.

10.4 The liability of Tenant, and the due performance by Tenant of the obligations on its part to be performed under this Lease, shall not be discharged, released or impaired in any respect by an agreement or stipulation made by Landlord or any grantee or assignee of Landlord in connection with a mortgage or any other agreement with a third party extending the time of or modifying any of the obligations contained in this Lease, or by any waiver or failure of Landlord to enforce any of the obligations on Tenant's part to be performed under this Lease, and Tenant shall continue liable hereunder.

ARTICLE XI

DEFAULT PROVISIONS

Any of the foregoing events ("Events of Default") shall constitute a default under this Lease:

11.1 Tenant fails to pay any installment of Base Rent or Supplemental Base Rent or other additional rent; provided, however, that payment for any additional Supplemental Base Rent due and payable pursuant to a Rent Reset Notice, shall be due and payable ten (10) days following Tenant's actual receipt of the Rent Reset Notice.

11.2 Tenant fails to pay any Operating Expenses, Impositions or other sum payable by Tenant under this Lease to Landlord or to any other person, firm, entity or governmental body, agency or organization whatsoever, on the day when the same is due and payable, and in the case of amounts due to Landlord hereunder, such default continues for seven (7) days after Landlord's notice to Tenant of such default.

11.3 Tenant fails to perform or observe any covenant, term or condition of this Lease to be performed or observed by Tenant (other than defaults covered by Section 11.1 or any other subsection of this Article 11) and such failure continues for a period of thirty (30) days after Landlord gives Tenant written notice specifying such failure; provided, however, that in the event that such cure is commenced promptly but cannot be completed within 30 days, and the same is diligently pursued to completion within 60 days, the same shall not constitute an Event of Default.

11.4 Tenant fails to perform any covenant set forth in Section 4.16.

11.5 Tenant ceases to do business as a going concern (except as set forth in Section 2.2) or there is filed by or against Tenant or any petition (or the like) or any other action is taken by or against Tenant pursuant to or otherwise seeking relief or protection under any federal or state bankruptcy or insolvency law or other law providing for relief of debtors, seeking protection from creditors, or providing for protection of creditors and any such proceeding is not dismissed within thirty (30) days.

11.6 A receiver, guarantor, trustee, conservator or liquidator is appointed for Tenant or all or a substantial part of Tenant's assets, and any such proceeding is not discharged within thirty (30) days after the commencement thereof.

11.7 Whenever this Lease or the estate hereby granted or the unexpired balance of the Term would, by operation of law or otherwise, except for this provision, pass to any person, firm or corporation other than Tenant.

11.8 If Tenant shall cause or permit the Premises to become abandoned for any period of time whatsoever and otherwise fails to perform its obligations pursuant to this Lease; provided, however, that the Premises shall not be deemed abandoned due to temporary suspension of in-person educational activities in light of any impacts caused by the COVID-19 pandemic or other Public Health Concerns (as hereinafter defined), or any related Legal Requirements.

11.9 If Tenant shall default in complying with the provisions of Article 20 hereof with respect to the discharge of mechanic's liens, Article 16 hereof with respect to estoppel certificates, or Article 17 herewith with respect to subordination, within the times therein provided.

11.10 If any representation or warranty of Tenant set forth herein or otherwise made to Landlord shall be untrue or incorrect in any material respect.

11.11 If any liability of Tenant for the payment of borrowed money becomes due or is declared to be due prior to the expressed maturity thereof.

11.12 If Tenant defaults in the payment of any Base Rent, Supplemental Base Rent, Operating Expenses, Impositions, other additional rent or other sums due under any real property lease to which Tenant is a party, or the payment of any principal of or interest on or any other amount payable on any indebtedness of Tenant, beyond the period of grace, if any, provided in the real property lease, instrument or agreement under which such payment obligation or indebtedness was created.

11.13 If Tenant becomes liable for any obligation pursuant to a guarantee to any third party and fails to cure any default within the applicable notice and cure period.

11.14 Subject to Section 2.2, if any material adverse change occurs with respect to the business operations or financial condition of Tenant.

ARTICLE XII

LANDLORD'S REMEDIES

Upon the occurrence of an Event of Default specified in Article 11 hereof Landlord may exercise any one or more of the following remedies:

12.1 Upon the occurrence of an Event of Default, in addition to any other remedies available to Landlord at law or in equity or provided for herein, Landlord shall have the option, upon five (5) days' prior notice to Tenant, to terminate this Lease and all rights of Tenant hereunder. In the event that Landlord elects to so terminate this Lease, Landlord may recover from Tenant, subject to Section 2.2 and Section 12.9:

(a) the worth at the time of award of any unpaid Base Rent and Supplemental Base Rent which had been earned at the time of such termination; plus

(b) the worth at the time of award of the amount by which the unpaid Base Rent and Supplemental Rent which would have been earned after termination until the time Tenant is dispossessed exceeds the amount of rent loss that Tenant proves could have been avoided; plus

(c) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

As used in clauses (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the Prime Rate plus four percent (4%).

12.2 From and after the occurrence of an Event of Default, Landlord shall also have the right (subject to Section 2.2 and Section 12.9), with or without terminating this Lease, upon notice to Tenant, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. No reentry or taking possession of the Premises by Landlord pursuant to this Section 12.2 shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant. No entry or re-entry by Landlord, whether had or taken under summary proceeding or otherwise, shall absolve or discharge Tenant from any liability hereunder.

12.3 In the event that Landlord shall elect to re-enter as provided in Section 12.1 above or shall take possession of the Premises pursuant to legal proceedings or pursuant to any notice provided by law, then if Landlord does not elect to terminate this Lease as provided above, Landlord may (subject to Section 2.2 and Section 12.9), from time to time, without terminating this Lease, either recover all rent (which shall be deemed to include all Base Rent, Supplemental

Base Rent, Operating Expenses, Impositions, other additional rent, and other payments and charges to the extent permitted by this Lease and required to be made by Tenant hereunder), as it becomes due or relet the Premises or any part thereof on terms and conditions as Landlord in its sole discretion may deem advisable for the whole or any part of the remainder of the Term or for a longer period, in Landlord's name, or as agent of Tenant, and in connection therewith, Landlord may make repairs or alterations to the Premises in such manner as Landlord may deem necessary or advisable.

12.4 In the event Landlord shall, pursuant to Section 12.3 above, elect to so relet, the rents received by Landlord from such reletting shall be applied: first to the cost and expenses of re-taking, repossessing, repairing and/or altering the Premises and the expense of removing all persons and property therefrom; second, to the costs and expenses incurred in securing any new tenant or tenants; and third, to the payment of rent due and unpaid hereunder and the residue, if any, shall be held by Landlord and applied to payment of future rent as the same may become due and payable. Should that portion of such rents received from such reletting during any month, which is applied to the payment of rent hereunder, be less than the rent payable during the month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Such deficiency shall be calculated and paid, monthly. Tenant shall also pay to Landlord, as soon as ascertained, any reasonable costs and expenses incurred by Landlord in reletting or in making such alterations and repairs not covered by the rents received from such reletting. Suit or suits for the recovery of such deficiency or damage, or for a sum equal to any installment or installments of rent, may be brought by, Landlord from time to time at Landlord's election and nothing herein contained shall be deemed to require Landlord to await the date on which this Lease or the Term hereof would have expired by limitation had there been no such default by Tenant.

12.5 All rights, options and remedies of Landlord contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease. No waiver of any default of Tenant hereunder shall be implied from any acceptance by Landlord of any rent or other payments due hereunder or any omission by Landlord to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect defaults other than as specified in said waiver. The consent or approval of Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant.

12.6 Tenant shall be liable for all costs, charges and expenses, including reasonable attorney's fees and disbursements, incurred by Landlord by reason of the occurrence of any Event of Default or the exercise of Landlord's remedies with respect thereto.

12.7 Tenant, for Tenant, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, does hereby waive and surrender all rights and privileges which they or any of them might have under or by reason of any present or future law, to redeem the Premises or to have a continuance of this Lease for the term hereby demised after being dispossessed or ejected therefrom by process of law or after the termination of this Lease as herein provided.

12.8 Notwithstanding the provisions contained in this Lease, Landlord's remedies shall not extend or attach to (i) any revenues held by or belonging to Tenant, including without limitation tuition payments or grants of any kind received from any federal, state or local governmental body, agency, school board or school district; or (ii) any contracts providing services or enrollments, permits or licenses relating to Tenant's operation as a charter school, including without limitation the charter for the charter school issued to Tenant by the State of New Jersey Department of Education and related contracts, licenses and approvals pertaining to same. Under no circumstances shall Landlord be entitled to accelerate any obligations to pay Base Rent, Supplemental Base Rent, Impositions, Operating Expenses or other additional rent hereunder.

12.9 Nothing contained in this Lease shall be construed as limiting or precluding the recovery by Landlord from Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant; provided, however, that, if and to the extent required by applicable law and regulations, notwithstanding anything to the contrary set forth in this Lease, in the event of a default by Tenant, (i) Landlord shall not be entitled to consequential damages, (ii) Tenant's obligation to pay rent shall not be accelerated, and (iii) Landlord shall not be entitled to attach any grants or tuition payments payable to Tenant or any revenues generated in connection with any schools operated by Tenant.

ARTICLE XIII

LANDLORD'S RIGHT TO PERFORM; CUMULATIVE REMEDIES; WAIVERS; ATTORNEYS FEES

13.1 If Tenant shall fail to pay any sum of money owed to any party other than Landlord for which it is liable hereunder, or if Tenant shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for thirty (30) days after notice thereof by Landlord, or a shorter period of time in the event of an emergency, Landlord may, without waiving or releasing Tenant from obligations of Tenant, but shall not be obligated to, make any such payment or perform any such other act to be made or performed by Tenant. All sums so paid by Landlord and all necessary incidental costs together with interest thereon at the Prime Rate plus 4%, from the date of such payment by Landlord, shall be payable to Landlord on demand. Tenant covenants to pay any such sums, and Landlord shall have (in addition to any other right or remedy of Landlord) all rights and remedies in the event of the non-payment thereof by Tenant as are set forth in Article 12.

13.2 Landlord may restrain any breach or threatened breach of any covenant, agreement, term, provision or condition herein contained, but the mention herein of any particular remedy shall not, subject to the provisions of Section 2.2 and Section 12.9 of this Lease, preclude Landlord from any other remedy it might have, either in law or in equity. The failure of Landlord to insist upon the strict performance of any one of the terms of this Lease or to exercise any right, remedy or election herein contained or permitted by law shall not constitute or be construed as a waiver or relinquishment for the future of such term, right, remedy or election, but the same shall continue and remain in full force and effect. Any right or remedy of Landlord in this Lease specified or any other right or remedy that Landlord may have at law, in equity or otherwise upon breach by Tenant of any covenant contained in this Lease, shall be

distinct, separate and cumulative rights or remedies and no one of them whether exercised by Landlord or not, shall be deemed to be in exclusion of any other. No term of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing, signed by Landlord or Landlord's agent duly authorized in writing. Receipt or acceptance of rent or additional rent by Landlord shall not be deemed to be a waiver of any default under this Lease, or of any right which Landlord may be entitled to exercise under, this Lease.

ARTICLE XIV

QUIET ENJOYMENT; TRANSFER OF LANDLORD'S INTEREST; LIMITATION ON LIABILITY

14.1 Landlord covenants that if and so long as Tenant keeps and performs each and every covenant herein contained on its part to be kept and performed, Tenant shall peacefully and quietly enjoy the Premises without hindrance or molestation by Landlord, subject to the covenants, agreements, terms, provisions and conditions of this Lease.

14.2 The term "Landlord", as used in this Lease, means only the holder of Landlord's interest in the Property as of the date in question, and in the event of a sale, assignment or transfer by such holder, such holder shall thereupon be released and discharged from all covenants and obligations of Landlord thereafter accruing, but such covenants and obligations shall be binding upon each new holder for the time being of the Premises or any part thereof.

14.3 In consideration of the benefits accruing hereunder, the parties covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder:

(a) No partner, officer, director, member or shareholder of Landlord or Tenant shall be sued or named as a party in any suit or action;

(b) No service of process shall be made against any partner, officer, member, director or shareholder of Landlord or Tenant;

(c) No partner, officer, member, director or shareholder of Landlord or Tenant shall be required to answer or otherwise plead to any service of process;

(d) No judgment will be taken against any partner, member, officer, director or shareholder of Landlord or Tenant;

(e) Any judgment taken against any partner, officer, member, director or shareholder of Landlord or Tenant may be vacated and set aside at any time nunc pro tunc;

(f) No writ of execution will ever be levied against the assets of any partner, member, officer, director, trustee or shareholder of Landlord or Tenant;

(g) The obligations under this Lease do not constitute personal obligations of the individual partners, directors, members, officers or shareholders of Landlord or Tenant, and neither party shall seek recourse against the individual partners, directors, officers or shareholders of the other party or any of their personal assets for satisfaction of any liability in respect to this Lease;

(h) These covenants and agreements are enforceable both by Landlord or Tenant and also by any partner, officer, member, director or shareholder of Landlord or Tenant, as applicable; and

(i) The sole and exclusive remedy of Tenant shall be against Landlord's interest in the Property.

ARTICLE XV

MORTGAGEE PROTECTION

15.1 If, in connection with obtaining financing for the Property or Landlord's interest therein, a lender shall request modifications to this Lease as a condition to such financing, Tenant will not withhold, delay or defer its consent thereto, provided that such modifications do not materially increase the obligations of Tenant hereunder or materially adversely impair Tenant's rights hereunder, provided the same does not adversely affect Tenant's rights under Sections 2.2, 12.8, 12.9, 21.1 and Articles 8 and 9 of this Lease.

15.2 In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed of trust or mortgage or ground or underlying lease covering the Property whose address shall have been furnished to Tenant, and shall offer such beneficiary or mortgagee or lessor a reasonable opportunity (but not less than 30 days beyond the cure period provided to Landlord) to cure the default, including time to obtain possession of the Premises by power of sale or a judicial foreclosure, if any such beneficiary or lender should elect such remedy.

ARTICLE XVI

ESTOPPEL CERTIFICATE

16.1 Within ten (10) days following any written request which Landlord or Tenant may make from time to time to the other, the requested party shall execute and deliver to the requesting party or such other person or entity designated or specified by the requesting party a statement certifying:

- (i) the date of commencement of this Lease;
- (ii) the fact that this Lease is unmodified and in full force and effect, or, if there have been modifications thereto, that this Lease is in full force and effect, and stating the date and nature of such modification;
- (iii) the date to which the rent and other sums payable under this Lease have been paid;
- (iv) that there are no current defaults under this Lease (and no event which with the giving of notice or lapse of time, or both would become a default under this Lease) by Landlord or Tenant except as specified in the requested parties' statement; and

- (v) such other matters as requested by the requesting party.

Landlord and Tenant intend that any statement delivered pursuant to this Article 16 may be relied upon by any mortgagee, beneficiary, ground lessor, purchaser or prospective purchaser of the Premises or any interest therein.

ARTICLE XVII

SUBORDINATION

17.1 This Lease shall be subject and subordinate at all times to:

- (a) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Property;
- (b) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Property, ground leases or underlying leases, or Landlord's interest or estate in any of said items is specified as security and to all increases, renewals, replacements, extension and/or modification of any of the foregoing; and
- (c) all easements, restrictions and encumbrances of record.

17.2 Intentionally Deleted.

17.3 Notwithstanding the foregoing, Landlord shall have the right to subordinate or cause to be subordinated any such mortgages, ground leases or underlying leases to this Lease. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to and become the tenant of the successor-in-interest to Landlord, at the option of such successor-in-interest to Landlord. Tenant covenants and agrees to execute and deliver, within five (5) days after demand by Landlord and in the form requested by Landlord, any additional documents evidencing the priority or subordination of this Lease with respect to any such ground leases or underlying leases or the lien of any such mortgage or deed of trust Tenant hereby irrevocably appoints Landlord as attorney-in-fact of Tenant to execute, deliver and record any such document in the name and on behalf of Tenant.

17.4 Notwithstanding anything contained herein to the contrary, under no circumstance shall any holder of a ground lease or underlying lease which may now exist or may hereafter be executed affecting the Property or the holder of any lien of any mortgage or deed of trust which may now exist or hereafter be executed by which the Premises, ground leases or underlying leases or Landlord's interest or estate in any of said items is specified as security, purchaser or assignee at foreclosure, or lessee, as the case may be, whether or not it shall have succeeded to the interests of Landlord under this Lease, be (i) liable for any act, omission or default of any prior landlord; or (ii) subject to any offsets, claims or defenses which Tenant may have against any prior landlord; or (iii) bound by any annual Base Rent, Supplemental Base Rent or additional rent which Tenant may have paid to any prior landlord for more than one month in advance (other than estimated quarterly Operating Expenses paid in accordance with Section 3.7); or (iv)

bound by any modification, amendment or abridgment of the Lease or any cancellation or surrender of the same made without its prior written approval.

ARTICLE XVIII

BROKERS

Tenant and Landlord warrant to each other that it has had no dealings with any real estate broker, finder or agent in connection with the negotiation of this Lease, or the leasing or renting space in the Premises and that it knows of no real estate broker, finder or agent who is or might be entitled to a commission in connection with this Lease. If Tenant or Landlord has dealt with any real estate broker, finder or agent with respect to leasing or renting space in the Premises, the party so dealing shall be solely responsible for the payment of any fee or commission due said person or firm and shall indemnify, defend (with counsel approved by the other) and hold the other, harmless free and from and against any liability, in respect thereto, including reasonable attorney's fees and costs (and reasonable attorney's fees and costs incurred to enforce this indemnity).

ARTICLE XIX

NOTICES

19.1 Any notice required or permitted to be given hereunder must be in writing and may be given by personal delivery (for which a receipt must be obtained); by mail, and if given by mail shall be deemed sufficiently given only if sent by registered or certified mail, postage prepaid, return receipt requested, or by a nationally recognized overnight courier service that provides tracking and proof of receipt of items mailed; or by electronic mail with receipt affirmatively acknowledged by the recipient. Notices to the parties shall be sent to the addresses set forth above or to such other addresses as a party may notify the other. Either party may specify a different address for notice purposes by written notice to the other, except that Landlord may in any event use the Premises as Tenant's address for notice purposes, unless Landlord has actual knowledge that Tenant is not at this address or will not likely receive such notice. Notices given by personal delivery shall be deemed given when delivered. Notices given by registered or certified mail or by overnight courier shall be given on the date received, as evidenced by the return receipt, or on the date delivery is rejected.

ARTICLE XX

LIENS

20.1 Tenant shall not permit to be filed against the Property nor against Tenant's leasehold interest in the Property, any mechanics', materialmen's or other liens related to Tenant's work at, or occupancy or use of the Premises or resulting from the acts or omissions of Tenant or Tenant's agents, contractors, employees, students, teachers, administrators, guests or visitors, including without limitation, any state, federal or local "super-fund" or hazardous material or environmental cleanup lien. If any such lien is filed then Tenant shall, within twenty (20) days after Tenant obtains notice or knowledge of the same, discharge of said liens. Landlord shall have the right at all reasonable times to post and keep posted on the Property any notices which it deems necessary for protection from such liens. If any such liens are filed,

Landlord may, without waiving its rights and remedies based on such breach of Tenant and without releasing Tenant from any of its obligations, cause such liens to be released by any means it shall deem proper, including payments in satisfaction of the claim giving rise to such lien. Tenant shall pay to Landlord upon demand any sum paid by Landlord to remove such liens, together with interest at the Prime Rate plus 4%, from the date of such payment by Landlord.

20.2 So long as no Event of Default has occurred, and with the prior written consent of Landlord, subject to the compliance by Tenant with any conditions (or prohibitions) to contesting imposed by Landlord and provided that such contest will not cause the Property to be in danger of being forfeited or lost, and would not subject Landlord to criminal or civil prosecution contest, and Tenant has posted a bond or other security acceptable to Landlord, Tenant may at its sole expense, in good faith, by appropriate proceedings, contest any lien which Tenant is obligated to pay pursuant to Section 20.1.

ARTICLE XXI

SURRENDER; ENTRY; WAIVER

21.1 Upon the expiration or termination of the Lease, Tenant shall peaceably surrender the Premises and all alterations and additions thereto, broom clean the Premises, leave the Premises in good order, repair and condition, reasonable wear and tear excepted, and comply with the provision of Section 4.9(b). The delivery of keys to any employee of Landlord or to Landlord's agent or any employee thereof shall not be sufficient to constitute a termination of this Lease or a surrender of the Premises.

21.2 Landlord reserves and shall during reasonable business hours and upon reasonable prior notice (except in the event of emergencies, in which case Landlord may enter the Premises at any time without notice) have the right to enter the Premises to inspect the same, to show the Premises to prospective purchasers or tenants or others, to post notices of no responsibility, or repair the Premises all without being deemed guilty of any eviction of Tenant and without abatement of rent; provided, to the extent applicable, Landlord complies with any Legal Requirements imposed in connection with such entry due to COVID-19 or any other Public Health Concern. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss in, upon and about the Premises. Landlord shall at all times have and retain a key with which to unlock all doors in the Premises, excluding Tenant's vaults and safes. Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency in order to obtain entry to the Premises. Any entry, to the Premises obtained by Landlord by any of said means, or otherwise, shall not be construed or deemed to be forcible or unlawful entry into the Premises, or an eviction of Tenant from the Premises or any portion by Tenant. It is understood and agreed that no provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations, except as otherwise elected by the Landlord, as set forth in Section 3.7 hereto.

21.3 The waiver by Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be deemed a waiver of or in any

way affect the right of Landlord to insist upon the performance by Tenant in strict accordance with said terms. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. No acceptance by Landlord of a lesser sum than the basic rent and additional rent or other sum then due shall be deemed to be other than an account of the earliest installment of such rent or other amount due, nor shall any endorsement or statement on any check or any letter accompanying any check be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or other amount or pursue any other remedy provided in this Lease.

ARTICLE XXII

MISCELLANEOUS

22.1 This Lease contains the entire agreement between the parties and may not be modified in any manner except by an instrument in writing executed by the parties. All prior agreements between the parties are merged herein. Notwithstanding anything to the contrary in this Lease, there shall be no modification of this Lease which shall cause Landlord or Tenant to be in violation of any laws or regulations of the State of New Jersey, including without limitation, laws and regulations related to public schools chartered under the laws of the State of New Jersey.

22.2 The covenants, agreements, terms, provisions and conditions contained in this Lease shall apply to and inure to the benefit of and be binding upon Landlord and Tenant and their respective successors and permitted assigns.

22.3 If and to the extent that a provision of this Lease shall be unlawful or contrary to public policy, the same shall not invalidate the other provisions of this Lease, and such provision shall be interpreted in a manner most consistent with the intent of the parties.

22.4 This Lease shall be governed by and shall be construed in accordance with the laws of the State of New Jersey.

22.5 The covenants and conditions in this Lease are for the benefit of Landlord and Tenant. No other person has a right to insist or demand that Landlord enforce any covenants or conditions of this Lease against Tenant, or vice a versa.

22.6 Paragraph headings are for convenience of reference and shall not be deemed a part of this Lease.

22.7 This Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

22.8 Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease, and it is not effective as a lease or otherwise until execution by and delivery to both Landlord and Tenant.

22.9 Upon the request of a party hereto a short form memorandum of this Lease shall be recorded.

22.10 When in this Lease Landlord's consent or approval is required and that Landlord shall refuse such consent or approval, or in any instance in which Landlord shall delay its consent or approval, Tenant in no event shall be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord withheld or delayed its consent or approval except as hereinafter provided. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, for specific performance, injunction or declaratory judgment.

22.11 The parties agree that any date or time specified herein shall be deemed to be of the essence.

22.12 "Force Majeure" shall mean any of the following events: Acts of God; strikes, lock-outs, or labor difficulty; explosion, sabotage, accident, riot or civil commotion; act of war; acts of terrorism, fire or other casualty; Public Health Concerns (defined below); governmental actions (including declarations of emergency), regulations or control; and any causes beyond the reasonable control of Tenant (except that the inability to obtain funds shall not be deemed to be a Force Majeure event). Notwithstanding anything herein in the event that Tenant is unable to perform its obligations (other than payment obligations hereunder) due to a Force Majeure event, Tenant shall not be in default of this Lease by reason of delays caused by Force Majeure (as hereafter defined), the period of such delay or such prevention shall be added to the time herein provided for the performance of any such obligation, and in such event the Tenant shall not be liable for loss or damage for delays in the performance of such obligations, nor shall the Landlord be released from any of its obligations hereunder. "Public Health Concern" means any one or more of the following as declared by the Center for Disease Control (CDC) or the World Health Organization (WHO): epidemics; pandemics; plagues; or infectious disease outbreaks which result in a public health crises or national health (or medical) emergencies which result in either (x) governmental restrictions on the provision of goods or services or on the liberties (including travel, movement, gathering or other activities of citizens of the state, county or municipality in which the Premises is located), or (y) governmentally mandated closure, quarantine, "stay-at-home", "shelter-in-place" or similar orders or restrictions which directly cause workforce shortages or disruptions of material and/or supply chains within the state, county or municipality in which the Premises is located.

22.13 TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY TO THIS LEASE KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM BROUGHT BY ANY PARTY TO THIS LEASE ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THIS LEASE.

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IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LANDLORD:

NSA 377 WASHINGTON STREET, LLC,
a New Jersey limited liability company

By: _____
Jennifer Consilvio
Authorized Signatory

TENANT:

NORTH STAR ACADEMY
CHARTER SCHOOL OF NEWARK, INC.

By: _____
Name:
Title:

EXHIBIT A

DESCRIPTION OF PREMISES

ALL that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Newark, in the County of Essex, State of New Jersey:

BEGINNING at a point formed by the intersection of the northeasterly line of Court Street and the northwesterly line of Washington Street, running; thence

(1) North 73 degrees 39 minutes West, along the northeasterly line of Court Street, a distance of 263.64 feet to a point in the southeasterly line of University Avenue (formerly Plane Street);
Thence

(2) North 18 degrees 21 minutes East, along the southeasterly line of University Avenue, a distance of 255.83 feet to a point; thence

(3) South 71 degrees 29 minutes East, a distance of 293.47 feet to a point in the northwesterly line of Washington Street; thence

(4) South 18 degrees 09 minutes West, along the northwesterly line of Washington Street, a distance of 44.97 feet to an angle point; thence

(5) South 23 degrees 21 minutes West, continuing along the northwesterly line of Washington Street, a distance of 32.67 feet to an angle point; thence

(6) South 27 degrees 34 minute West, continuing along the northwesterly line of Washington Street, a distance of 170.46 feet to a point, said point being the point and place of BEGINNING.

FOR INFORMATION PURPOSES ONLY: BEING known as 359-377 Washington Street, Tax Lot 1, Tax Block 98 on the Official Tax Map of City of Newark, NJ.

EXHIBIT B

[RESERVED]

EXHIBIT C

BASE RENT SCHEDULE

EXHIBIT D

INSURANCE REQUIREMENTS

(a) Property insurance covering the personal property, improvements, betterments, trade fixtures, equipment and other property of every description and kind owned, leased, rented or borrowed by Tenant or for which Tenant is legally liable and located on the Property (including, without limitation, furniture and equipment) against loss or damage from such causes of loss as are embraced by insurance policies of the type now known as “All Risks” or “Special Form” property insurance including, without limitation, insurance against loss or damage by fire, lightning, windstorm, civil commotion, smoke, hail, aircraft, vandalism, explosion, riot, strike, water damage, sprinkler leakage, collapse and malicious mischief, on a replacement cost basis with an agreed value endorsement waiving co-insurance, all in an amount not less than one hundred per cent (100%) of the then full insurable value, without deduction for physical depreciation thereof and having a maximum deductible of \$5,000 per occurrence;

(b) Flood insurance if required by law, which shall cover the entire Land and Building (including all buildings located on the Land (including any contents therein), fixtures and personal property) and which shall be in an amount equal to the lesser of the following: (a) the insurable value of the Land and Building; or (b) the maximum amount available through the National Flood Insurance Program;

(c) Boiler and machinery insurance insuring against loss or damage to the Property and to the major components of any heating, air-conditioning or other ventilation systems and/or such other machinery or apparatus as may be now or hereafter installed in the Property, in such amounts as Landlord may from time to time reasonably require;

(d) Comprehensive General Liability Insurance insuring Tenant including “XCU Coverage”, bodily injury, property damage liability and any other liability arising out of the lease, use, occupancy or maintenance of the Property and all areas appurtenant thereto (including, without limitation, any sidewalks, driveways, parking areas adjoining the Property), including, without limitation, all legal liability to the extent insurable. Such insurance shall be in the amount of not less than (A) \$1,000,000 per accident or occurrence for personal injury, (B) \$2,000,000 per accident or occurrence for injury to property and (C) \$3,000,000 general aggregate limit, for injuries to, or illness or death of, persons and damage to property, with such liability amount to be adjusted from year to year to reflect increases in the Consumer Price Index¹. The policy shall insure the hazards of the Property and Tenant’s operations thereon, independent contractors, contractual liability (covering the indemnity contained in Article 6) and shall (1) include a physical/sexual abuse/misconduct endorsement, (2) name Landlord as an additional insured, (3) contain a cross liability provision, and (4) contain a provision that the

¹ In the event the Consumer Price Index shall hereafter be converted to a different standard reference base or otherwise revised, the determination of the Consumer Price Index shall be made with the use of such conversion factor, formula or table for converting the Consumer Price Index as may be published by the Bureau of Labor Statistics or, if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice Hall, Inc., or failing such publication, by any other nationally recognized publisher of similar statistical information.

insurance provided Landlord hereunder shall be primary and non-contributing with any other insurance available to Landlord;

(e) Worker's Compensation and Employer's Liability Insurance (as required by law) with respect to any work on or about the Land and Building;

(f) If Tenant utilizes owned, hired, or non-owned vehicles in its operations, then Tenant shall be required to maintain Commercial Automobile Liability (owned, non-owned, hired) with limits of not less than \$1,000,000 for bodily injury and property damage each accident;

(g) Business/Rent interruption insurance to cover loss, total or partial, of the use of any structures constituting any part of the Property as the result of any of the hazards covered by the insurance required by subsection (a) above in an amount at least sufficient to pay Basic Rent and projected Additional Rent at its maximum rate for a period of at least 24 months ("Maximum 24-Month Rent"). Tenant agrees to deposit or cause the proceeds of such insurance in the amount of at least the Maximum 24-Month Rent to be deposited with the Landlord or its assignee.

(h) Such other insurance, and in such amounts, as may from time to time be reasonably required by the Landlord against other insurable hazards which at the time are commonly insured against in the case of premises similarly situated.

EXHIBIT E

DEFINITIONS

“Additional Lease Certificate” shall have the meaning set forth in Section 4.16(c) and shall be in the form attached hereto as Exhibit F.

“Americans with Disabilities Act” shall mean 42 U.S.C. § 12101 et seq. and all applicable regulations.

“Available Project Proceeds” shall have the meaning prescribed in Section 54A of the Code and means (i) “Sale Proceeds” less “Costs of Issuance” plus (ii) “Investment Proceeds”.

“Base Rent” shall mean fixed rent in the amount set forth in the schedule specified in the rent schedule attached hereto as Exhibit C.

“Bonds” shall mean the QSCB Bonds and the Revenue Bonds.

“Building” shall have the meaning set forth in Section D of the Recitals.

“Casualty” shall mean any event where the Property shall be destroyed or damaged in whole or in part by reason of fire or by reason of any other causes, similar or dissimilar.

“Charter School Law” shall mean N.J.S.A. 18A-36A-1 et seq. and all applicable regulations.

“Charter” shall mean Tenant’s charter granted by the Commissioner of Education of the State of New Jersey to operate a charter school, pursuant to the terms of the Charter School Law.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commencement Date” shall mean October 29, 2020.

“Consumer Price Index” shall mean the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, New York, New York – Northeastern New Jersey Area, All Items (1996 = 100), or any successor index thereto, appropriately adjusted.

“Continuing Disclosure Agreement” shall mean any Continuing Disclosure Agreement entered into by Landlord and Tenant as part of the Purpose Financing, as such agreement may be amended from time to time.

“Days Cash On Hand” for any Fiscal Year shall mean the quotient obtained by dividing (a) the Unrestricted Cash and Investments of Tenant plus the Unrestricted Cash and Investments of the Foundation, as of the last day of such fiscal year by (b) the quotient obtained by dividing the total operating expenses, calculated solely with respect to the Tenant, for such fiscal year by 365.

“Default Interest” shall have the meaning set forth in Section 3.5.

“Environmental Laws” shall mean all federal, state and local laws, ordinances, rules and regulations governing the use, handling and disposal of Hazardous Substances which are applicable to the Premises and are now or hereafter in effect, including, without limitation, ISRA, N.J.S.A. 13:1K-6 et seq., the Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et seq., Section 1004 of the Federal Reserve Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. and any additions, amendments or modifications thereto.

“Estimated Operating Expenses” shall have the meaning set forth in Section 3.7(b).

“Estimated Operating Expenses” shall have the meaning set forth in Section 3.7(b).

“Events of Default” shall have the meaning set forth in Article 11.

“Expiration Date” shall have the meaning set forth in Section 2.1(a).

“First Lease Year” shall mean the period commencing on Commencement Date and ending on June 30 of the following calendar year.

“Foundation” shall mean North Star Academy Foundation, Inc. a New Jersey nonprofit corporation with a mission of supporting Tenant.

“Hazardous Substances” shall mean any hazardous substance, hazardous waste, toxic substance, pollutant or contaminant as such terms may be defined in any of the Environmental Laws.

“Impositions” shall mean all real estate taxes, assessments, special assessments, municipal taxes, county taxes, city taxes, local taxes, school, library or transit taxes, water and sewer rates and charges, vault charges, occupancy taxes measured by income, license and permit fees and other governmental levies and charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature.

“Interest Payment Date” shall have the meaning set forth in Section 4.16(g).

“Investment Proceeds” shall have the meaning prescribed in the Regulations and mean any amounts actually or constructively received from the investment of (i) the proceeds of the Bonds and (ii) the proceeds of any loans used to secure the Bonds.

“ISRA” shall mean the Industrial Site Recovery Act of the State of New Jersey, N.J.S.A. 13:1K-6 et seq. and the regulations promulgated thereunder, together with any amendments thereto and/or substitutions thereof.

“Land” shall have the meaning set forth in the Recitals.

“Landlord Financing Party” shall mean any party or parties providing financing, directly or indirectly, to Landlord.

“Landlord Indemnitee” shall mean Landlord and its officers, directors, shareholders, partners, members, agents and employees and its successors and assigns.

“Landlord’s Expense Statement” shall have the meaning set forth in Section 3.7(b).

“Landlord” shall mean NSA 377 Washington Street, LLC, a New Jersey limited liability company, having an office c/o Uncommon Schools, 826 Broadway, 9th Floor, New York, New York, 10003.

“Late Charge” shall have the meaning set forth in Section 3.5.

“Lease Coverage Ratio” shall mean for any given period, the ratio that (a) the excess of (i) with respect to such period, the actual cash receipts collected by Tenant for such period from all sources including unrestricted operating grants plus any surplus revenues from the prior fiscal year, but excluding the proceeds of loans advances and payments of insurance claims over (ii) an amount equal to the total operating expenses incurred by Tenant over such period (other than the payment obligations described in clause (b) and expressly excluding non-cash items such as depreciation and amortization) bears to (b) the actual payment obligations of Tenant for such period under all leases and subleases to which Tenant is a party as lessee or sublessee.

“Lease Year” shall mean each annual period commencing on July 1 and ending on June 30 of the following calendar year during the Term of this Lease.

“Lease” shall mean this Lease Agreement and all Exhibits attached hereto.

“Legal Requirements” shall mean all statutes, codes, ordinances, regulations, rules, orders, directives and requirements of any governmental entity, authority, agency and/or department, which now or at any time hereafter may be applicable to the Premises or any part thereof, including, but not limited to, all Environmental Laws.

“Management Agreement” shall mean the Master Services Agreement, dated as of July 1, 2019, between Tenant and Uncommon, as same may be amended, modified or renewed from time to time.

“Net Award” shall mean any insurance proceeds or condemnation award payable in connection with any damage, destruction, condemnation, taking or less any expenses incurred by Landlord in recovering such amount.

“NMTC” shall mean certain proceeds provided under the new market’s tax credit program under Section 45D of the Code.

“Operating Expenses” shall mean those costs and/or expenses actually and reasonably expected to be paid or incurred by Landlord to operate, manage, maintain, repair and secure the Property, including, but not limited to, maintenance, repair and replacement of utility systems; painting and/or sealing of the exterior of the Building; maintenance and service agreements; alarm and fire protection systems and equipment; wages, salaries, fringe benefits and other labor costs of all persons engaged by Landlord for the operation, maintenance and repair of the Premises and to otherwise perform Landlord’s obligations pursuant to this Lease; payroll taxes and workers’ compensation for such persons; licenses, permits and other governmental charges; rentals of machinery and equipment used in the operation, replacement, repair and/or maintenance of the Premises; plus a sum equal to two percent (2%) of the aggregate of the

foregoing for general overhead. Excluded from Operating Expenses are any expenses incurred by Landlord which are customarily considered capital in nature and amortized for tax purposes (other than those capital expenditures which are expressly included in Operating Expenses pursuant to subsequent sentences of this definition); fines, interest and penalties incurred due to the late payment of any payment that is due (other than any payments which are late as a result of Tenant's failure to timely perform Tenant's obligation under this Lease); any cost that another party is actually reimbursed to Landlord by a third party other than Tenant, so that Landlord shall not recover any such item of cost more than once; costs and expenses resulting from the gross negligence or willful misconduct of Landlord or Landlord's contractors, agents or employees; wages, salaries, fringe benefits and other labor costs of all persons above the grade of Building manager and engaged by Landlord for the operation, maintenance and repair of the Premises; and costs incurred by Landlord which are reimbursed by insurance. Operating Expenses shall include capital expenditures (including the cost of any equipment, device, capital improvement or replacement that is capital in nature) incurred by Landlord if the useful life of the applicable equipment, device, capital improvement or other capital item or replacement is less than the remaining Term of the Lease as of the date the capital expenditure is made. If the useful life of the applicable equipment, device, capital improvement or other capital item or replacement is greater than the than remaining Term of the Lease, then the costs of such capital expenditures, together with interest thereon, calculated at a rate equal to the annual Prime Rate in effect as of the date of installation, completion or purchase of the applicable equipment, device, capital improvement or other capital item or replacement thereof, plus 2%, shall be amortized (on a straight line basis) over a period equal to the useful life of the item in question. The annual amortized cost of such capital expenditures shall be included in Operating Expenses for each calendar year.

"Premises" shall mean the Land, the Building and the other improvements located on the Land.

"Prime Rate" shall mean the prevailing prime rate as published in the Wall Street Journal.

"Property Management Contract" shall mean a contract for the performance of Tenant's service, maintenance, repair and replacement obligations set forth in Section 4.5(a).

"Property Manager" shall mean a property manager of proven and established reputation reasonably satisfactory to Landlord.

"Property" shall mean the Land, the Building and the other improvements located on the Land.

"Protective Event" shall have the meaning set forth in Section 3.2.

"Public Health Concern" shall have the meaning set forth in Section 22.12.

"Purpose Financing" shall have the meaning set forth in Section 3.2.

"QSCB Bonds" shall have the meaning set forth in the Recitals.

"Quarterly Expense Payment" shall have the meaning set forth in Section 3.7(c).

“Refinancing Event” shall have the meaning set forth in Section 3.2.

“Regulations” shall mean Section 1.148 of the United States Treasury Regulations.

“Rent Adjustment Certification” shall have the meaning set forth in Section 3.2.

“Rent Reset Date” shall have the meaning set forth in Section 3.2.

“Rent Reset Event” shall have the meaning set forth in Section 3.2.

“Rent Reset Notice” shall have the meaning set forth in Section 3.2.

“Revenue Bonds” shall have the meaning set forth in the Recitals.

“Sale Proceeds” shall have the meaning prescribed in the Regulations and mean amounts actually or constructively received from the sale of the Bonds.

“Subsidy Reduction Event” shall have the meaning set forth in Section 3.2.

“Supplemental Base Rent” shall have the meaning set forth in Section 3.2.

“Tenant Indemnitee” shall mean Tenant’s officers, trustees, agents and employees and its successors and assigns.

“Tenant” shall mean North Star Academy Charter School of Newark, Inc., a New Jersey corporation, having an address at 10 Washington Place, Newark, New Jersey 07102.

“Term” shall have the meaning set forth in Section 2.1(a).

“Uncommon” shall mean Uncommon Schools, Inc.

“Unrestricted Cash and Investments” shall mean the sum of unrestricted cash, cash equivalents, marketable securities, including without limitation board-designated assets, but excluding any trustee-held or similar funds held under an indenture or similar debt documents. For the purposes of calculating Days Cash on Hand, any unrestricted grant or philanthropic contribution shall be included in the total of Unrestricted Cash and Investments for the period of such calculation, so long as the unrestricted grant or philanthropic contribution was received by Tenant or the Foundation prior to the date any certificate is required to be delivered by Tenant with respect to such calculation.

EXHIBIT F

FORM OF ADDITIONAL LEASE CERTIFICATE

This Additional Lease Certificate (this "Certificate") is furnished to Zions Bancorporation, National Association (the "Trustee"), as trustee under the Trust Indenture dated as of October 1, 2020 (the "Indenture"), between the Essex County Improvement Authority and the Trustee, pursuant to the Amended and Restated Lease Agreement effective as of October 1, 2020 (the "Lease"), between NSA 377 Washington Street, LLC (the "Landlord") and North Star Academy Charter School of Newark, Inc. (the "Tenant"). Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in the Lease.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am a senior business officer of the Tenant;
2. I am familiar with the intent of the Tenant to [enter into a new lease or sublease (the "New Lease" or to amend the lease or sublease dated _____ between the Tenant and _____ (the "Amended Lease"))] which will result in an increase in annual lease payments required of the Tenant;
3. I have made, or have caused to be made under my supervision, a detailed review of the projected operations of the Tenant during the next five fiscal years following the effective date of the [New Lease / Amended Lease];
4. Based upon the projections described in paragraph 3, the Tenant expects that it will be able to achieve a Lease Coverage Ratio of 1.05 for each full fiscal year following the effective date of the [New Lease / Amended Lease] and will continue to be able to maintain the number of Days Cash on Hand then required under the Lease.

The foregoing certifications are made this ____ day of _____, 20__.

**NORTH STAR ACADEMY CHARTER
SCHOOL OF NEWARK, INC.**

By: _____
Name:
Title:

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APPENDIX G

FORM OF LEGAL OPINION OF BOND COUNSEL

October 29, 2020

The Essex County Improvement Authority
27 Wright Way, Building M
Fairfield, New Jersey 07004

Re: \$29,595,000 Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. – 2020 Project)

To Whom It May Concern:

We have examined a record of proceedings relating to the issuance by The Essex County Improvement Authority (the “Authority”), created by resolution of the Board of Chosen Freeholders of the County of Essex, New Jersey, as a public body corporate and politic of the State of New Jersey, of its \$29,595,000 Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. – 2020 Project) (the “Bonds”). Capitalized terms used herein and not defined herein shall have the same meaning given to them in the Loan Agreement by and between the Authority and NSA 377 Washington Street, LLC (the “Borrower”) dated as of October 1, 2020 (the “Agreement”).

The Bonds are issued under and pursuant to the County Improvement Authorities Law (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented (the “Act”) and a Bond Resolution of the Authority adopted July 28, 2020 (the “Bond Resolution”).

The Bonds are initially issued in the form of fully registered bonds numbered R-1 through R-12, respectively, and in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Bonds are dated October 29, 2020, mature, bear interest and are redeemable prior to maturity all as more particularly described therein.

The Bonds are issued for the purpose of financing a project for the Borrower, the proceeds to be used to fund the costs to (i) refinance a construction loan that was used to partially fund the construction of a public school building of 6 stories containing approximately 162,000 square feet on the land located at 359-377 Washington Street (Block 98, Lot 1), in the City of Newark, County of Essex and State of New Jersey (the “Project Facilities”), (ii) fund a Debt Service Reserve Fund, and (iii) pay costs of issuance of the Bonds (collectively the “Project”). The Project Facilities are to be leased to North Star Academy Charter School of Newark, Inc. pursuant to several lease agreements (collectively the “Lease”). The Agreement provides, among other things, for the making of a loan (the “Loan”) to the Borrower in order to finance the Project. The Authority and Zions Bancorporation National Association (the “Trustee”) have executed a Trust Indenture dated as of October 1, 2020 (the “Indenture”) pursuant to which the Authority has assigned to the Trustee, as security for the payment of the Bonds, certain of its rights under the Agreement. Such assignment is made subject to the Authority’s Reserved Rights.

We are of the opinion that:

1. The Authority is duly created and validly existing under the Act, and it has good right and lawful authority (a) to enter into the Agreement and make the Loan contemplated thereby and (b) to enter into the Indenture and assign its rights and pledge its revenues to be derived therefrom pursuant to the Indenture as security for the payment of the Bonds in accordance with its terms.

2. The Agreement, the Indenture, the Bond Purchase Agreement dated October 15, 2020 (the “Bond Purchase Agreement”) by and among the Authority, the Borrower and Stifel, Nicolaus & Company, Incorporated, as the Underwriter, have each been duly authorized, executed and delivered by the Authority, and assuming the due authorization, execution and delivery by the other parties thereto, are each in full force and effect and constitute, legal, valid and binding agreements by and among the parties thereto, enforceable in accordance with their respective terms. Subject to its Reserved Rights, pursuant to the Indenture, the Authority has duly and validly assigned to the Trustee certain of its rights and interests in the Agreement and the Collateral as security for the payment of the Bonds.

3. The Bonds have been duly authorized, executed and issued by the Authority in accordance with law, and are valid, legal and binding special limited obligations of the Authority, the principal of, premium, if any, and interest on which are payable solely from the revenues and other moneys of the Authority derived from financing the Project and pledged therefor pursuant to the Agreement and the Indenture. The Bonds are enforceable in accordance with their terms and are entitled to the benefit of the Act. All conditions precedent to the delivery of the Bonds have been fulfilled.

4. (a) Interest on the Bonds is not includable in gross income for income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), subject to the limitations set forth in paragraph 4(c) hereof.

(b) The Code establishes certain conditions which must be met in order that said interest on the Bonds remains not includable in gross income for income tax purposes under the provisions thereof. The Agreement specifies those conditions which we deem are necessary in order that said interest on the Bonds be deemed and remain not includable in gross income for tax purposes under Section 103 of the Code. Pursuant to the Agreement, the Lease and the Tax Certificate, the Borrower and the School have made certain representations and have covenanted not to take any action, or omit to take any action, which act or omission would adversely affect such tax exempt status of interest on the Bonds under Section 103 of the Code. Misrepresentations or non-compliance with any of the foregoing covenants may cause interest on the Bonds to lose such tax exempt status retroactively to the date of issuance. In rendering our opinion in paragraphs 4 and 5 hereof, we have assumed that such conditions in fact will be met.

(c) Our opinion is subject to the following tax consequences arising under the Code:

(i) ownership of the Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies and, individual recipients of social security or railroad retirement benefits; and

(ii) taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds will suffer collateral Federal income tax consequences under Section 265 of the Code by virtue of the purchase of the Bond after August 7, 1986.

Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds, which includes all the Bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner’s basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.

5. The offering and sale of the Bonds are not required to be registered under the Securities Act of 1933, as amended, and such registration is not required under the rules and regulations of the Securities and Exchange Commission promulgated under such Act as presently enforced. The Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

6. Interest on the Bonds and the gain on the sale thereof are exempt from inclusion as gross income under the New Jersey Gross Income Tax Act (P.L. 1976, Chapter 47).

The foregoing opinions are also qualified to the extent that the enforceability of the Bonds, the Agreement, the Indenture and the Purchase Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors' rights generally and the application of general principles of equity.

In rendering this opinion, we have relied as to the power of the Borrower to enter into and the due authorization, execution and delivery of the Agreement and the other Loan Documents, on the opinion of Faegre Drinker Biddle & Reath LLP, counsel to the Borrower.

We have examined executed Bonds No. R-1 through R-12 and, in our opinion, the form of such Bonds and their execution are regular and proper.

Notwithstanding anything to the contrary herein, we acknowledge that this opinion is a government record subject to release under the Open Public Records Act (N.J.S.A. 47: 1A-1 et seq.).

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”), dated as of October 1, 2020 among North Star Academy Charter School of Newark, Inc. (“North Star”), NSA 377 Washington Street, LLC (the “Borrower” and, together with North Star, the “Disclosure Parties”) and Zions Bancorporation, National Association, as dissemination agent (the “Dissemination Agent”), is executed and delivered in connection with the issuance by The Essex County Improvement Authority (the “Authority”) of \$29,595,000 aggregate principal amount of its Charter School Revenue Bonds (North Star Academy Charter School of Newark, Inc. - 2020 Project), (the “Bonds”).

The Bonds are being issued pursuant to a Trust Indenture dated as of October 1, 2020 (the “Indenture”) between the Authority and Zions Bancorporation, National Association, as trustee. The proceeds of the Bonds are being loaned to the Borrower pursuant to a Loan Agreement dated as of October 1, 2020 (the “Loan Agreement”). Borrower will lease the facilities partially financed from the proceeds of the Bonds (the “Project Facilities”) to North Star pursuant to an Amended and Restated Lease Agreement, made as of October 1, 2020 (the “Lease Agreement”), and payments required under the Lease Agreement will be calculated to be sufficient to pay the principal of, premium, if any, and interest on the Bonds. The Indenture, the Loan Agreement and the Lease Agreement are referred to herein as the “Bond Documents.” The Disclosure Parties covenant and agree as follows for the benefit of the Bondholders (as defined below):

Section 1. Purpose of Agreement. This Agreement is being executed and delivered by the Disclosure Parties for the benefit of the Bondholders and in accordance with the requirements of the Rule. The Disclosure Parties acknowledge that the Authority and the Dissemination Agent have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement (except for the Dissemination Agent’s obligation to file with the MSRB reports provided by the Disclosure Parties pursuant to this Agreement), including their accuracy and completeness, and have no liability to any Person, including any Bondholder and the Underwriter, with respect to any such reports, notices or disclosures. The Disclosure Parties represent that they are the only “obligated persons” with respect to the Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Bond Documents, which apply to any capitalized term used in this Agreement unless otherwise defined in the first paragraph of this Agreement or in this Section, the following capitalized terms shall have the meanings indicated below.

“Annual Report” shall mean any Annual Report provided by the Disclosure Parties pursuant to, and as described in, Sections 3(a) and 4(a) of this Agreement.

“Annual Response to Investors” shall mean any Annual Response to Investors provided by North Star pursuant to Section 4(c) of this Agreement.

“Bondholder” or “Holder” of a Bond shall mean any registered owner of any of the Bonds or any Person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including Persons holding through any nominee, securities depository or other intermediary), including any beneficial owner, or (ii) is treated as the holder of any of the Bonds for federal income tax purposes.

“EMMA” means the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be prescribed by the MSRB for purposes of the Rule and approved by the SEC from time to time. A current list of such systems may be obtained from the SEC at <http://www.sec.gov/info/municipal/nrmsir.htm>.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Fiscal Year” means the fiscal year of the Disclosure Parties ending on June 30 of each calendar year.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum dated as of October 15, 2020 used in connection with the sale of the Bonds.

“Listed Events” shall mean any of the events listed in Section 4(d) of this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15(B)(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor organization.

“Quarterly Report” shall mean any Quarterly Report provided by North Star pursuant to Section 4(b) of this Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds, its successors and assigns.

Section 3. Content of Annual Reports, Quarterly Reports and Annual Response to Investors.

(a) Each Annual Report shall contain:

(i) a copy of the annual financial statements with respect to each of the Disclosure Parties, prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;

(ii) beginning with the Fiscal Year ending June 30, 2021 and only with respect to North Star, an update of certain information contained in Appendix A to the Limited Offering Memorandum as set forth on Schedule I attached hereto; provided that if any of such information is not available on or before the date of release of the Annual Report, such information shall be filed as soon thereafter as it is available; and

(iii) beginning with the Fiscal Year ending June 30, 2021 and only with respect to North Star, an Officer’s Certificate from North Star certifying as to compliance with the financial covenants set forth in Section 4.16(a) of the Lease Agreement.

(b) Each Quarterly Report shall be provided only with respect to North Star and shall contain, for each fiscal quarter:

(i) an unaudited balance sheet and a statement of operations of North Star as of the end of such quarter, including a comparison of actual results to budget; and

(ii) with respect to the Quarterly Report for the fiscal quarter ending September 30 only, updated fall enrollment data (as of October 15).

(c) Each Annual Response to Investors shall contain the response to the Bondholder inquiries received as described in Section 4(c) below.

Section 4. Provision of Annual Reports, Quarterly Reports and Other Information, Annual Responses to Investors and Notices of Listed Events.

(a) Within 180 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, the Disclosure Parties shall file, or shall cause the Dissemination Agent to file, the Annual Report to the MSRB. In each case, the Annual Report may be submitted by the Disclosure Parties as a single document or as separate documents comprising a package, and may cross-reference other information to the extent permitted by the Rule. Notwithstanding the foregoing, the audited financial statements of the Disclosure Parties may be submitted separately from the balance of the Annual Report when such audited financial statements are available.

(b) Within 45 days after the end of each fiscal quarter commencing with the fiscal quarter ending December 30, 2020, North Star shall file, or cause the Dissemination Agent to file, the Quarterly Report with the MSRB.

(c) For 10 days following the publication and posting to EMMA of the Annual Report, Bondholders may e-mail related questions to North Star. Within 20 days after such 10-day period or by the 30th day following the publication and posting to EMMA, North Star shall file, or give the Dissemination Agent written direction to file, the Annual Response to Investors and written direction to file such Annual Response to Investors with the MSRB.

(d) In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the Borrower shall file, or shall cause the Dissemination Agent to file, with the MSRB notice of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701- TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of the Holders of the Bonds, if material;
- (viii) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;

- (xi) Rating changes;
 - (xii) Bankruptcy, insolvency, receivership or similar event of the Disclosure Parties;
 - (xiii) The consummation of a merger, consolidation, or acquisition involving the Disclosure Parties or the sale of all or substantially all of the assets of the Disclosure Parties, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (xv) Incurrence of a Financial Obligation of the Disclosure Parties, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Disclosure Parties, any of which affect security holders, if material; and
 - (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Disclosure Parties, any of which reflect financial difficulties.
- (e) Either of the Disclosure Parties shall give, or shall cause the Dissemination Agent to give, notice in a timely manner to the MSRB of any failure by the Disclosure Parties to provide any information required pursuant to Section 4(a), (b), (c) or (d) above within the time limit specified therein.
- (f) In lieu of providing any information specified in Section 4(a), (b), (c) or (d) to the Dissemination Agent, the Disclosure Parties may file such information directly with the MSRB.
- (g) North Star shall file on EMMA, or give written direction to the Dissemination Agent to file on EMMA, notice of any material atypical written communication from the New Jersey Commissioner of Education or the New Jersey Department of Education, within 14 days of receipt of such communication.

Section 5. Transmission of Material; Report by Dissemination Agent.

- (a) Upon receipt of any Annual Report, Quarterly Report, Other Information, Annual Response to Investors, or Notice of a Listed Event, the Dissemination Agent shall transmit the same to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB. With respect to any Notice of a Listed Event provided pursuant to Section 4(d) above, the Dissemination Agent shall also forward such Notice to the Underwriter.
- (b) Concurrently with the delivery to the MSRB of any information required pursuant to Sections 4(a), 4(b), 4(c) or 4(d) above, the Dissemination Agent shall confirm to the Disclosure Parties that it has filed such information with the MSRB.

Section 6. Termination of Agreement. The obligations of the Disclosure Parties under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. The Disclosure Parties shall provide the Dissemination Agent with written notice that the obligations of the Disclosure Parties under this Agreement have terminated and a written request that the Dissemination Agent file a copy of such notice with the MSRB. If the obligations of the Borrower under the Loan Agreement or the obligations of either of the Disclosure Parties under the Lease Agreement are assumed in full by another obligated person (as defined in the Rule), such Person shall be responsible for compliance with this Agreement in the same manner as if it were the such Disclosure Party, and the Disclosure Party shall have no further responsibility hereunder.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Disclosure Parties may amend this Agreement, and any provision of this Agreement may be waived, if the Disclosure Parties have received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided that any such modification of the obligations of the Disclosure Parties under this Agreement either (i) does not materially impair the interests of Bondholders, in the determination of the Dissemination Agent (which may be based on an opinion of counsel); or (ii) is approved by the Holders of a majority in aggregate principal amount of the Bonds. No amendment to this Agreement shall change or modify the rights or obligations of the Trustee or any Dissemination Agent without its written assent thereto, or with regard to any provision affecting the Authority, without the Authority's written assent thereto.

Section 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the Disclosure Parties from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report, Quarterly Report, Annual Response to Investors or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Disclosure Parties choose to include any information in any Annual Report, Quarterly Report, Annual Response to Investors or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Disclosure Parties shall have no obligation under this Agreement to update such information or include it in any future Annual Report, Quarterly Report, Annual Response to Investors or notice of occurrence of a Listed Event.

Section 9. Transmission of Information and Notices. Unless otherwise required by law, all documents provided by the Disclosure Parties directly to the MSRB, or to the Dissemination Agent for filing with the MSRB, in compliance with Section 4 shall be provided to the MSRB or the Dissemination Agent, as applicable, in an electronic word-searchable PDF format (which requirement extends to all documents to be filed, including financial statements and other externally prepared reports), and shall be accompanied by identifying information, in each case as prescribed by the MSRB. As of the date of this Agreement, the MSRB has established EMMA as its continuing disclosure service for purposes of the Rule, and unless and until otherwise prescribed by the MSRB, all documents provided to the MSRB in compliance with Section 4 shall be submitted through EMMA in the format prescribed by the MSRB.

Section 10. Default. Any Bondholder may enforce the obligations of the Disclosure Parties under this Agreement; provided however that (i) any breach of such obligations shall not constitute or give rise to a default or an Event of Default under the Bond Documents, the Bonds or any other document or agreement relating to the Bonds, and (ii) the sole remedy for any such breach shall be to compel specific performance of the obligations of the Disclosure Parties under this Agreement.

Section 11. Beneficiaries. This Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Underwriter, the Disclosure Parties and Bondholders, and shall create no rights in any other Person.

Section 12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey and the Rule.

Section 13. Severability. In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Section 14. Dissemination Agent's Rights and Duties. The Dissemination Agent shall have only such duties as are specifically set forth herein and no implied covenants or obligations shall be read into this

Agreement against the Dissemination Agent. The Dissemination Agent (i) shall not be liable for any error in judgment or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection therewith, except for its own gross negligence or willful misconduct, (ii) shall not be obligated to take any legal action or other action hereunder, which might in its judgment involve any expense or liability unless it has been furnished with indemnification satisfactory to it, and (iii) shall be entitled to consult with counsel satisfactory to it, and the opinion of such 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 accordance with the opinion of such counsel. The duties and responsibilities of the Dissemination Agent hereunder shall be determined solely by the express provisions of this Agreement, and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, or duty to inquire into the terms and provisions of any agreement or instructions, other than as outlined in this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. Any information mentioned in this Agreement, including any Annual Report or any information with respect to any event specified in Section 4(b) of this Agreement, shall be sufficiently authenticated for purposes of dissemination under this Agreement if it is accompanied by a written instrument signed by an authorized officer or employee of the Disclosure Parties. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the other parties hereto. In the administration of this Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged of its duties and obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Agreement without further act. The Disclosure Parties covenant and agree, jointly and severally, to defend, indemnify and hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, reasonable legal fees and expenses and the costs and expenses of defending or preparing to defend against any claim ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Agreement. In addition to and not in limitation of the immediately preceding sentence, the Disclosure Parties also covenant and agree, jointly and severally, to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of or in the Dissemination Agent's exercise or performance under this Agreement provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. Anything in this Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. The Disclosure Parties hereby agree, jointly and severally, to pay reasonable compensation to the Dissemination Agent for, and all costs and expenses (including attorneys' fees) of the Dissemination Agent incurred in, performing the services required of the Dissemination Agent under this Agreement. No provision of this 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 under this Agreement or in the exercise of any of its

rights or powers. This Section 14 shall survive termination of this Agreement, the resignation or removal of the Dissemination Agent for any reason, and the payment of the Bonds.

Section 15. No Recourse to Authority; Indemnified Parties. No recourse shall be had for the performance of any obligation, agreement or covenant of the Disclosure Parties, the Trustee or the Dissemination Agent under this Agreement against the Authority or against any member, official, employee, counsel, consultant and agent of the Authority or any person executing the Bonds. The Disclosure Parties agree to indemnify and hold harmless the Authority, any member, officer, official, employee, counsel, consultant and agent of the Authority, and the Trustee (collectively called the “Indemnified Parties”), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by the Disclosure Parties’ or the Dissemination Agent’s failure to perform or observe any of its obligations, agreements or covenants under the terms of this Agreement but only if and insofar as such losses, claims, damages, liabilities or expenses are caused by any such failure of the Disclosure Parties or the Dissemination Agent to perform. In case any action shall be brought against the Indemnified Parties based upon this Agreement in respect of which indemnity may be sought against the Disclosure Parties, the Indemnified Parties shall promptly notify the Disclosure Parties in writing. Upon receipt of such notification, the Disclosure Parties shall promptly assume the defense of such action, including the retention of counsel, the payment of all expenses in connection with such action and the right to negotiate and settle any such action on behalf of such party. Any Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the employment of such counsel has been specifically authorized by the Disclosure Parties, or unless by reason of conflict of interest determined by the written opinion of counsel shall be borne by the Disclosure Parties. The Disclosure Parties shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the Disclosure Parties or if there be a final judgment for the plaintiff in any such action with or without written consent, the Disclosure Parties agree to indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Nothing in this Agreement shall require the Disclosure Parties to indemnify and hold harmless the Indemnified Parties from or against any loss, claim, damage, liability or expense caused by any gross negligence, recklessness or intentional misconduct of the Indemnified Parties in connection with the Disclosure Parties’ or the Dissemination Agent’s performance of their obligations, agreements and covenants under this Agreement. The indemnification rights under this Section 15 do not limit, and are in addition to, any other indemnification rights of the Indemnified Parties.

Section 16. Execution. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

Section 17. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be given by telecopier or electronic transmission and promptly confirmed in writing and shall be deemed given when given by telecopier or electronic transmission or addressed as follows:

School: North Star Academy Charter School of Newark, Inc.
10 Washington Place
Newark, NJ 07102
Attn: Karin Gerald
Telephone: 973-733-2285
Email:

and

North Star Academy Charter School of Newark, Inc. c/o
Uncommon Schools
826 Broadway, 9th Floor
New York, NY 10003
Attn: Chief Financial Officer
Telephone: 212-227-6601
Email: investors@uncommonschoools.org

Borrower: NSA 377 Washington Street, LLC c/o Uncommon Schools
826 Broadway, 9th Floor
New York, NY 10003
Attn: Chief Financial Officer
Telephone: 212-227-6601
Email: investors@uncommonschoools.org

Dissemination Agent: Zions Bancorporation, National Association
Corporate Trust, Zions Bank Division
225 Peachtree Street NE, Suite 1450
Atlanta, GA 30303
Attn: Ryan M. Pollihan
Telephone: (470) 437-3936
Email: ryan.pollihan@zionsbancorp.com

Underwriter: Stifel, Nicolaus & Company, Incorporated
Attn: John Kim
515 S. Figueroa Street, Suite 1800
Los Angeles, CA 90071
Email: jkim@stifel.com

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications shall be sent. In addition, the parties hereto may agree to any other means by which subsequent notices, certificates, requests or other communications may be sent.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have each caused this Continuing Disclosure Agreement to be executed in its name and in its behalf, all as of the date and year first above written.

NORTH STAR ACADEMY CHARTER SCHOOL
OF NEWARK, INC.

By: _____
Name: Ravi Bellur
Title: Trustee

NSA 377 WASHINGTON STREET, LLC

By: North Star Academy Foundation, Inc., its sole
member

By: _____
Name: Jennifer Consilvio
Title: Authorized Signatory

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Dissemination Agent

By: _____
Name: Ryan M. Pollihan
Title: Vice President, Zions Bank Division

[Signature Page to Continuing Disclosure Agreement]

SCHEDULE I

INFORMATION SET FORTH IN APPENDIX A TO BE UPDATED IN EACH ANNUAL REPORT

Pursuant to Section 3(a)(ii) of this Agreement, each Annual Report shall include an update of the following information set forth in Appendix A to the Limited Offering Memorandum:

1. Table 3 – Student Attendance and Retention
2. Table 15 – Per-Pupil Funding Rate
3. Enrollment data (except to the extent included in the quarterly report provided pursuant to Section 3(b)(ii))
4. Results of North Star with respect to the New Jersey Student Learning Assessment (or other state-mandated student assessments) (but only to the extent such information is available from the New Jersey Department of Education and is authorized for public disclosure)