PRELIMINARY OFFICIAL STATEMENT DATED JULY 27, 2026

NEW ISSUE—BOOK ENTRY ONLY

Ratings: S&P: "A"
See "RATINGS" herein

In the opinion of Maynard Nexsen PC, Bond Counsel (the proposed form of which is attached here as Appendix E, under existing statutes, regulations, rulings, and judicial decisions, and assuming compliance with certain covenants intended to ensure compliance with the applicable provisions of the Code and the regulations thereunder, interest on the Bonds is excludable from the gross income of the holder thereof for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals under the Code. Bond Counsel is also of the opinion that, under the Enabling Law defined herein, interest on the Bonds is exempt from present income taxation by the State of Alabama. See "TAX MATTERS" herein for a more complete discussion of the tax status of interest on the Bonds.

$45,000,000*
THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE-RANDOLPH SCHOOL

Lease Revenue Bonds
(Randolph School Project)
Series 2026

Dated	Due August 1,	Principal Amount*	Interest Rate	Yield	Price	CUSIP^
Date of Delivery	____	$45,000,000	___%	_____%	_____	__________

The Educational Building Authority of the City of Huntsville-Randolph School (the "**Issuer**") intends to issue its Lease Revenue Bonds (Randolph School Project), Series 2026 in the principal amount of $45,000,000* (the "**Bonds**") pursuant to a Trust Indenture dated August 1, 2026 (as amended, restated, supplemented, and otherwise modified from time to time, the "**Indenture**") between the Issuer and Pinnacle Bank, as trustee (with its successors and assigns, the "**Trustee**"). The proceeds of the Bonds will be made available by the Issuer to Randolph School, a nonprofit corporation organized under the laws of the State of Alabama (with its permitted successors and assigns, the "**School**") pursuant to the Lease described herein and applied, together with other available funds, to refinance the Existing Debt described herein, to finance the Lower School Project described herein, to pay capitalized interest if determined by the School to be necessary or desirable, and to pay certain costs of issuance of the Bonds, as more fully described herein. For more information, see "**PLAN OF FINANCE**" herein.

The Bonds will be payable from the monies held for the payment thereof by the Trustee under the Indenture, including payments to be made by the School under the Lease. Interest is payable on February 1 and August 1 of each year, commencing February 1, 2027.

The Bonds will be issued as fully registered bonds in book-entry form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. The Bonds will be issued in denominations of $5,000 and integral multiples thereof. See "**THE BONDS – Book-Entry-Only System**" herein. The Bonds are subject to optional, extraordinary optional, and mandatory redemption, and purchase in lieu of redemption, as described herein under "**THE BONDS**." The Bonds are also subject to mandatory purchase upon conversion to a new Interest Rate Mode or a new Fixed Period, as described herein.

This Official Statement summarizes certain terms of the Bonds only while the bear interest at the Fixed Rates established on the original issue date of the Bonds. Should the Bonds, or portions thereof, be converted at the School's election to operate in a different Interest Rate Mode or to bear interest at new Fixed Rates, such Bonds will be subject to mandatory tender for purchase and, if such Bonds are publicly reoffered at that time, it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document will be prepared for such Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS MADE BY THE SCHOOL UNDER THE LEASE AND THE GUARANTY AND CERTAIN OTHER FUNDS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. THE BONDS SHALL NEVER CONSTITUTE A PERSONAL LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER OR A PERSONAL LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF ALABAMA, THE CITY OF HUNTSVILLE, ALABAMA, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF ALABAMA.

For more complete information with respect to the security for and sources of payment of the Bonds and certain risks with respect thereto, see "**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**" and "**CERTAIN BONDHOLDERS' RISKS**" herein.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement including the Appendices attached hereto to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued by the Issuer and received by the Underwriter, subject to receipt of the legal opinion of Maynard Nexsen PC, Bond Counsel to the School. Certain legal matters will be passed upon for the School by its counsel, Maynard Nexsen PC and for the Underwriter by its counsel, Polsinelli. The Bonds in definitive form are expected to be available for delivery through the facilities of The Depository Trust Company on or about __________, 2026.

STIFEL

___________, 2026

* Preliminary, subject to change.

^ CUSIP is a registered trademark of the American Bankers Association (the "**ABA**"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc.

No dealer, broker, salesperson, or other person has been authorized by the Issuer or the School to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement. Such other information or representations, if given or made, must not be relied upon as having been authorized by the Issuer or the School. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof or the dates of the information contained herein.

The information with respect to the Issuer set forth herein under the captions "**THE ISSUER**" and "**LITIGATION—The Issuer**" has been furnished by the Issuer. The Issuer does not warrant the accuracy of the statements contained herein relating to the School or the Lower School Project nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the School, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds. The Issuer makes no representations or warranties whatsoever with respect to any information contained herein except for the information relating to it under the captions "**THE ISSUER**" and "**LITIGATION—The Issuer**." The information set forth in **Appendix D** has been furnished by DTC. All other information set forth herein has been obtained from the School and other sources (other than the Issuer) that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Issuer or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the School, or DTC since the date hereof.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement 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.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any 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 forward-looking statements speak only as of the date of this Official Statement. The Issuer, the School, and the Underwriter disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and are being issued in reliance on exemptions under the Securities Act. The Bonds are not exempt in every jurisdiction in the United States; some jurisdictions' securities laws may require a filing and a fee to secure the Bonds' exemption from registration. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), in reliance upon an exemption contained in the Trust Indenture Act.

THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE SCHOOL AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE 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 CUSIP numbers in this Official Statement have been assigned by an organization not affiliated with the Issuer, the School, or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and none of the Issuer, the School, or the Underwriter makes any representation with respect to such CUSIP numbers or undertakes any responsibility for the accuracy thereof now or at any time in the future. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Issuer, the School, or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as "forward-looking statements." Such statements generally are identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "may," "believe," "will," "project," "intend," "anticipate," "continue" or other similar words. Such forward-looking statements include, among others, certain statements in **Appendix A** to this Official Statement and certain statements under the captions "**PLAN OF FINANCE**" and "**CERTAIN BONDHOLDERS' RISKS**" in the forepart of this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the School nor any other party plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions, or circumstances upon which such statements are based occur.

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$45,000,000*
THE EDUCATIONAL BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE-RANDOLPH SCHOOL
LEASE REVENUE BONDS
(RANDOLPH SCHOOL PROJECT)
SERIES 2026

INTRODUCTION

Purpose

This Official Statement, including the cover page and appendices attached hereto, sets forth certain information in connection with the issuance by The Educational Building Authority of the City of Huntsville-Randolph School (the "**Issuer**") of its $45,000,000* Lease Revenue Bonds (Randolph School Project), Series 2026 (the "**Bonds**") pursuant to a Trust Indenture dated August 1, 2026 (as amended, restated, supplemented, and otherwise modified from time to time, the "**Indenture**") between the Issuer and Pinnacle Bank, as trustee (with its successors and assigns, the "**Trustee**"). The Bonds are being issued for the benefit of Randolph School, an Alabama nonprofit corporation (with its successors and assigns, the "**School**").

Sources of Payment and Security for the Bonds

To facilitate the issuance of the Bonds, the real estate comprising the Acquired Property (as defined herein) is leased by the School to the Issuer pursuant to a Ground Lease Agreement dated August 1, 2026 (as amended, restated, supplemented, and otherwise modified from time to time, the "**Ground Lease**"). By its terms, the Ground Lease will remain in effect while the Bonds are Outstanding. Title to the Drake Campus and the Garth Campus (each as defined herein) is held in the Issuer. The Drake Campus and the Garth Campus are leased, and the Acquired Property is subleased, by the Issuer to the School pursuant to a Lease Agreement dated August 1, 2026 (as amended, restated, supplemented, and otherwise modified from time to time, the "**Lease**").

Pursuant to the Lease, the School will agree to make rental payments at times and in amounts sufficient to pay when due the Debt Service on the Bonds and the Purchase Price of Tendered Bonds. Payment of the Debt Service on the Bonds and the Purchase Price of Tendered Bonds is also guaranteed by the School pursuant to a Guaranty Agreement given by the School in favor of the Trustee dated August 1, 2026 (as amended, restated, supplemented, and otherwise modified from time to time, the "**Guaranty**"). The Indenture, the Ground Lease, the Lease, and the Guaranty are referred to herein as the "**Bond Documents**."

The Bonds and the interest thereon are limited obligations of the Issuer, payable by the Issuer solely from certain payments to be made by the School pursuant to the Lease and the Guaranty and certain other funds held by the Trustee pursuant to the Indenture, and not from any other fund or source of the Issuer.

The Bonds are secured only by the Lease, the Guaranty, and certain funds held by the Trustee pursuant to the Indenture. The payments pursuant to the Lease and the Guaranty are an unsecured general obligation of the School. The School is not restricted by the Lease or the Guaranty from incurring additional indebtedness. Such additional indebtedness, if issued, may be either unsecured or secured by certain property of the School, and may be entitled to payment prior to payment on the Bonds. The School

* Preliminary, subject to change.

is restricted by the Lease and the Guaranty from placing certain liens on its property. See "**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**."

Use of Proceeds

The proceeds of the Bonds will be used and applied, together with other available funds, (a) to refinance the Existing Debt described herein, (b) to finance the Lower School Project described herein, (c) to pay capitalized interest if determined by the School to be necessary or desirable, and (d) to pay costs of issuance of the Bonds. See "**PLAN OF FINANCE**" and "**ESTIMATED SOURCES AND USES OF FUNDS**."

THE ISSUER

The Issuer is a public corporation and instrumentality of the State of Alabama established under Chapter 17, Title 16, Section 16-17-1 *et seq.* of the Code of Alabama 1975 (the "**Enabling Law**"). The Issuer is authorized under the Enabling Law to issue its bonds for the purposes of providing funds to refinance the Existing Debt and to pay the costs of the Lower School Project, and also to lease and sublease the applicable property pursuant to the Ground Lease and the Lease. The Issuer has no taxing power.

The Issuer has not furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and in the section entitled "**LITIGATION – The Issuer**." The Issuer does not and will not in the future monitor the financial condition of the School or otherwise monitor payment of the Bonds or compliance with the documents relating thereto.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS MADE BY THE SCHOOL UNDER THE LEASE AND THE GUARANTY AND CERTAIN OTHER FUNDS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. THE BONDS SHALL NEVER CONSTITUTE A PERSONAL LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER OR A PERSONAL LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF ALABAMA, THE CITY OF HUNTSVILLE, ALABAMA, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF ALABAMA.

THE SCHOOL

The School is an independent, co-educational college preparatory school located in Huntsville, Alabama. The School is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**") and exempt from federal corporate income tax under Section 501(a) of the Code. For more information about the School, see **Appendix A** and **Appendix B**.

The School's current PK-8 campus (the "**Drake Campus**") is located on 16 acres in an urban setting. The School's current Upper School campus is located on 51 acres (the "**Garth Campus**"), approximately one half mile away from the Drake Campus. In 2024, the School acquired an additional 26 acres of buildable land contiguous to the Garth Campus (the "**Acquired Property**"). The Acquired Property presents the opportunity to relocate the School's PK-8 campus to this site, reuniting the School's two campuses. See "**PLAN OF FINANCE – The Lower School Project**."

PLAN OF FINANCE

The Bonds are expected to be used, together with other available funds, (a) to refinance the Existing Debt, (b) to finance and reimburse the School for costs of the Lower School Project and other capital expenditures of the School, (c) to pay capitalized interest if determined by the School to be necessary or desirable, and (d) to pay certain expenses incurred in connection with the issuance of the Bonds.

The Lower School Project

A portion of the Bond proceeds, together with other available funds, will be used to construct, equip, and furnish new Lower School facilities on the Garth Campus and the Acquired Property (the "**Lower School Project**") as part of its Campus Master Plan, paving the way for unification of its school facilities on a single campus. For more information about the Lower School Project and the School's Campus Master Plan, see **Appendix A – "CAMPUS MASTER PLAN AND THE LOWER SCHOOL PROJECT**."

Existing Debt and Existing Swap Agreement

The School is obligated on existing debt that is outstanding in the approximate principal amount of $28.4 million (the "**Existing Debt**"). On or prior to the date of the issuance of the Bonds, the Existing Debt will be paid in full and the documents and instruments relating to the Existing Debt will be fully discharged. On or around the date of issuance of the Bonds, the School also intends to terminate its existing interest rate swap agreement and pay the related termination payment with cash on hand. The termination payment is currently estimated to be less than $500,000, but fluctuates based on indexed interest rates outside of the School's control and no assurance can be given as to the final payment amount. See **Appendix A – "FINANCIAL MATTERS – Outstanding Indebtedness and Swaps**" and **Appendix B**.

Issuer Approval

The issuance of the Bonds is subject to receiving the Issuer's approval thereof, which is scheduled for consideration at the Issuer's July 28, 2026 meeting. The School has no reason to believe that such approval will not be obtained.

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ESTIMATED SOURCES AND USES OF FUNDS

The table below sets forth the estimated sources and uses of the proceeds of the Bonds.

SOURCES OF FUNDS	**Series 2026 Bonds**
Principal Amount of Bonds	
[Net] Original Issue [Premium][Discount]	
TOTAL SOURCES	
USES OF FUNDS	
Lower School Project Costs	
Refinancing of Existing Debt	
Costs of Issuance [(1)]	
TOTAL USES	

[(1)] Includes underwriter's discount, legal fees, Trustee's fee, rating agency fees, printing expenses and other miscellaneous costs and expenses related to the issuance and sale of the Bonds.

THE BONDS

This Official Statement summarizes certain terms of the Bonds only while the Bonds bear interest at the Fixed Rate(s) established on the original issue date of the Bonds. Should the Bonds, or portions thereof, be converted at the School's election to operate in a different Interest Rate Mode or to bear interest at new Fixed Rate(s), such Bonds will be subject to mandatory tender for purchase and, if such Bonds are publicly reoffered at that time, it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document will be prepared for such Bonds.

Description of the Bonds

The Bonds will be dated the date of their initial delivery and bear interest and mature as set forth on the cover page of this Official Statement. The Bonds are being issued in a Fixed Rate Period at the rate(s) indicated on the cover of this Official Statement. The Bonds, or portions thereof, may be converted, at the School's election, to operate in one or more of a Daily Rate Mode, a Weekly Rate Mode, an Index Rate Mode, a Commercial Paper Rate Mode, a Term Rate Mode, a new Fixed Period, or as Bonds in a Direct Loan Form, all as defined in the Indenture. Any such conversion may occur only during the period the Bonds are subject to optional redemption pursuant to the provisions of the Indenture as described under "**Redemption Prior to Maturity – Optional Redemption**" below. See "**Mandatory Tender of Bonds on or after Optional Redemption Date on a Conversion Date**."

The Bonds are issued only as fully registered bonds without coupons. The Bonds will be issued in the denominations of $5,000 or any multiple thereof ("**Authorized Denominations**"). Payment of Debt Service on the Bonds and the Purchase Price of Tendered Bonds shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2027 (each, an "**Interest Payment Date**"). Any Conversion Date is also an Interest Payment Date with respect to the Bonds. Each Bond shall bear interest from the date of initial issuance of the Bonds. Interest on the Bonds shall be computed on the basis of a 360-day year with 12 months of 30 days each.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the month next preceding such Interest Payment Date (the "**Regular Record Date**") for such Interest Payment Date.

For so long as the Bonds are held in the book-entry system of DTC, payment shall be subject to the provisions relating to the book-entry only system with respect to the Bonds described under the heading "**Book-Entry-Only System**" below. If the Book-Entry System is discontinued, the following provisions shall control the payment of Bonds:

> Payment of the principal of (and premium, if any, on) the Bonds and payment of accrued interest on the Bonds due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender thereof at the Office of the Trustee.
>
> Payment of interest on the Bonds which is due on any Interest Payment Date shall be made by check or draft mailed by the Trustee to the persons entitled thereto at their addresses appearing in the Bond Register. Such payments of interest shall be deemed timely made if so mailed on the Interest Payment Date (or, if such Interest Payment Date is not a Business Day, on the Business Day next following such Interest Payment Date).
>
> Upon the written request of any Holder, the Trustee shall make payments of Debt Service by wire transfer, provided that (i) such request contains adequate instructions for the method of payment, and (ii) payment of the principal of (and redemption premium, if any, on) such Bonds and payment of the accrued interest on such Bonds due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender of such Bonds to the Trustee.

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "**Defaulted Interest**") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Issuer to the persons in whose names such Bonds are registered at the close of business on a special record date (herein called a "**Special Record Date**") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Issuer shall notify the Trustee of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence), and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this paragraph described and not to be deemed part of the Trust Estate. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at their address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds are registered on such Special Record Date.

Interest shall be payable on overdue principal on any Bond and (to the extent legally enforceable) on any overdue installment of interest on any Bond at the interest rate applicable to such Bond on the date such Debt Service became due.

Redemption Prior to Maturity

Optional Redemption. The Bonds may be redeemed, at the option of the School, in whole or in part on any Business Day on or after __________ 1, _____ at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date.

Purchase in Lieu of Redemption. The School shall have the option to purchase Bonds subject to optional redemption as described in the immediately preceding paragraph ("**Callable Bonds**") in lieu of optional redemption. If a Callable Bond has been called for optional redemption, the School may exercise its right of purchase by delivery to the Trustee on or prior to the Business Day preceding the optional redemption date of written notice from the School specifying that the Callable Bonds shall not be redeemed, but instead shall be purchased as described in this paragraph. Upon delivery of such notice from the School, the Callable Bonds shall not be redeemed but shall instead be subject to mandatory tender on the date that would have been the optional redemption date at a purchase price equal to the redemption price that would have been payable with respect to such Callable Bonds. The School's option to purchase shall be effective whether or not the notice of optional redemption sent to Holders indicates that the School has exercised, or intends to exercise, such option. No further or additional notice to Holders shall be required in connection with the purchase in lieu of redemption. Callable Bonds so purchased (i) shall not be cancelled or retired, but shall continue to be outstanding, (ii) shall be delivered to, or as directed by, the School, and (iii) shall continue to bear interest at the rate provided for in the Indenture.

Extraordinary Optional Redemption Upon Damage, Destruction or Condemnation of The Project. The Bonds may be redeemed in whole or in part on any Business Day at the option of the Borrower at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the redemption date if all or a substantial portion of the Project is damaged or destroyed by fire or other casualty, or title to, or the temporary use of, all or a substantial portion of such facilities is condemned or taken for any public or quasi public use by any authority exercising or threatening the exercise of the power of eminent domain or title thereto is found to be deficient, to such extent that in the determination of the Borrower (A) the Project cannot be reasonably restored or replaced to the condition thereof preceding such event, or (B) the Borrower is thereby prevented from carrying on its normal operations of the Project, or (C) the cost of restoration or replacement thereof would exceed the net proceeds of any casualty insurance, title insurance, condemnation awards or sale under threat of condemnation with respect thereto.

Mandatory Redemption Upon Determination of Taxability. The Bonds are also subject to mandatory redemption prior to their stated maturity, as a whole, on any Business Day not more than sixty (60) days after the Trustee receives notice of a Determination of Taxability with respect to such Bonds, at a redemption price of par, plus interest accrued thereon to the date of redemption, without premium. "**Determination of Taxability**" means interest on the Bonds, or any of them, is determined not to be excludable from taxable gross income of the Holder thereof by a final administrative determination of the Internal Revenue Service or final judicial decision of a court of competent jurisdiction in a proceeding of which the School received a notice. A determination or decision will not be considered final for this purpose until the conclusion of any appellate review, if sought.

Notice of Redemption. Notice of redemption shall be given to the affected Holder not less than 20 days prior to the redemption date. If the Book Entry System is in effect, notice of redemption shall be given to DTC and shall be forwarded by DTC to Holders through methods established by the rules and regulations of the Book Entry System. If the Book Entry System is not in effect, notice of redemption shall be given to Holders by certified mail.

All notices of redemption shall state: (i) the redemption date; (ii) the redemption price; (iii) the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (iv) that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date; and (v) any conditions to such redemption specified in accordance with the Indenture.

Notice of optional redemption shall be given by the School or, at the School's request, by the Trustee on behalf of the School. Notice of redemption of Bonds in accordance with the mandatory redemption provisions of the Bonds shall be given by the Trustee on behalf of the Issuer and the School without any notice to, or consent of, the Issuer or the School.

A notice of optional redemption may state that the redemption of Bonds is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the School shall not be required to redeem the Bonds (or portions thereof) identified in such notice, and any Bonds surrendered on the specified redemption date shall be returned to the Holders of such Bonds.

Any notice of redemption to DTC or a Holder shall be deemed given when received by DTC or the Holder, as the case may be, or when sent by certified mail. Any defect in a notice of redemption to any particular Holder shall not affect the sufficiency of such notice with respect to other Holders.

Partial Redemption of Bonds; Selection of Bonds. Except as otherwise provided in the specific redemption provisions for the Bonds, if less than all Bonds Outstanding are to be redeemed, the principal amount of Bonds to be redeemed may be specified in the notice of election to redeem, or, in the absence of specification in such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Bonds to be redeemed may not be larger than the principal amount of Bonds then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

Except as otherwise provided in the specific redemption provisions for the Bonds, if less than all Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by the Trustee from the Outstanding Bonds then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of such Bonds of a denomination larger than the smallest Authorized Denomination.

If the Book Entry System is in effect, partial redemption of any Bond shall be effected in accordance with the Book Entry System. If the Book Entry System has been terminated, any Bond which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same maturity and interest rate and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

Deposit of Redemption Price; Effect of Redemption. On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date shall be deposited with the Trustee, unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

If notice of redemption is given and any specified conditions to such redemption are met, the Bonds to be redeemed shall become due and payable on the redemption date at the applicable redemption price and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds shall cease to bear interest.

Mandatory Tender of Bonds on or after Optional Redemption Date on a Conversion Date

At the option of the School, any Bond may be converted to another Interest Rate Mode, including to a new Fixed Rate Period, as described herein and in the form of the Indenture attached as **Appendix C-1**. Each Bond shall be in only one Interest Rate Mode at a time, but different Interest Rate Modes may be applicable at the same time to different Bonds. Upon conversion of any Bonds, if such Bonds are publicly reoffered in the new Interest Rate Mode, it is expected that a reoffering circular or a supplement to this Official Statement or other disclosure document will be prepared for such Bonds.

Any day proposed by the School for conversion of the Interest Rate Mode on a Bond from one Interest Rate Mode to another Interest Rate Mode (each, a "**Proposed Conversion Date**") must be a date when such Bond is subject to optional redemption as described above under "**Redemption Prior to Maturity – Optional Redemption**." On the Proposed Conversion Date, the Trustee must receive a Favorable Tax Opinion.

The Holder of each Bond shall be required to tender such Bond to the Trustee for purchase on each Proposed Conversion Date with respect to such Bond. If any such date is not a Business Day, the Mandatory Tender Date shall be the next succeeding Business Day. Notice of any such Mandatory Tender shall be given by the Trustee to the affected Holder not less than 15 days prior to the Mandatory Tender Date.

The Trustee shall hold any Tendered Bond delivered to it in trust solely for the benefit of the tendering Holder until money representing the Purchase Price of such Bond shall have been delivered to or for the account of such Holder.

On the Mandatory Tender Date with respect to any Bond, the Trustee shall pay to the Holder of such Bond an amount equal to the Purchase Price, unless a Failed Conversion (as defined below) has occurred. Funds available for the Purchase Price of Tendered Bonds shall be applied by the Trustee as follows, in the order and priority indicated: (1) First, Remarketing Proceeds shall be used to pay the Purchase Price of Tendered Bonds other than Obligor Bonds; (2) Second, funds provided by the School shall be used to pay the Purchase Price of Tendered Bonds that are not purchased with Remarketing Proceeds. The Trustee shall not be required to use its own funds to pay the Purchase Price of Tendered Bonds. The Trustee shall not pay the Purchase Price of any Tendered Bond, unless and until the Holder of such Bond presents such Bond to the Trustee. Any Bond so delivered to the Trustee after the Trustee's close of business on a Business Day shall be deemed delivered on the following Business Day.

If there has been irrevocably deposited in the Bond Purchase Fund an amount sufficient to pay the Purchase Price of any Bond to be purchased on a Mandatory Tender Date and a Failed Conversion has not occurred, such Bond shall be deemed to be tendered for purchase and purchased from the Holder thereof on such Mandatory Tender Date and the Holder of such Bond shall not be entitled to receive interest on such Bond for any period on and after the relevant Mandatory Tender Date. The Trustee shall issue a new Bond or Bonds in the same aggregate principal amount, maturity and interest rate for any such Bond which is not tendered for purchase on any Mandatory Tender Date and, upon receipt by the Trustee of any such Bond from the Holder thereof, shall pay, or cause to be paid, the Purchase Price of such Tendered Bond to the Holder thereof and cancel such Tendered Bond.

If less than all Bonds with the same Maturity Date and Interest Rate Mode are being converted to a new Interest Rate Mode, the Bonds to be converted shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate. Less than the entire principal amount of a Bond may be converted if both the amount converted and the remaining portion of such Bond will be in Authorized Denominations.

The election to convert a Bond to another Interest Rate Mode shall be deemed revoked under the following circumstances (each a "**Failed Conversion**"): (i) the conditions for conversion of such Bond to the new Interest Rate Mode are not satisfied on the Proposed Conversion Date; (ii) such Bond is not remarketed or purchased in the new Interest Rate Mode on the Proposed Conversion Date; or (iii) the School elects to revoke the conversion to the new Interest Rate Mode by notice delivered to the Trustee and the other Financing Participants before such Bond has been delivered to the purchaser or purchasers in the new Interest Rate Mode.

In the event of a Failed Conversion, the Mandatory Tender on the Proposed Conversion Date shall be deemed cancelled, and the tendered Bond shall be returned to the Holder of such Bond. Such Bond shall remain in the Interest Rate Mode that was applicable on the Proposed Conversion Date. Such Bond shall remain subject to conversion to another Interest Rate Mode at the option of the School in accordance with the Indenture.

Failure of the School to provide sufficient funds for the purchase of all tendered Bonds on a Conversion Date shall not constitute an Event of Default under the Bond Documents. If such Bonds are not purchased when required, then such Bonds shall continue to bear interest at the current interest rate as in effect immediately prior to such Proposed Conversion Date.

Acceleration

In addition to the foregoing redemption provisions, the Trustee may declare all of the Bonds due and payable at par prior to maturity during the continuance of an Event of Default under the Indenture. See **Appendix C-1**.

Book-Entry-Only System

The Bonds will be registered in the name of Cede & Co., as nominee for DTC. Purchases of beneficial interests in the Bonds will be made only in book-entry form. Purchasers of beneficial interests in the Bonds (the "**Beneficial Owners**") will not receive physical delivery of certificates representing their interest in the Bonds. The Debt Service on the Bonds and the Purchase Price of Tendered Bonds will be paid by the Trustee directly to DTC, so long as DTC or its nominee is the registered owner of the Bonds. The final disbursement of such payments to Beneficial Owners of the Bonds will be the responsibility of DTC's Direct Participants and Indirect Participants, all as defined and more fully described herein. See **Appendix D**.

Registration, Transfer and Exchange

The Trustee has been appointed as agent of the Issuer for the purpose of registering Bonds and transfers of Bonds as provided in the Indenture and agrees in the Indenture to keep at the Office of the Trustee a register (herein sometimes referred to as the "**Bond Register**") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Bonds and registration of transfers of Bonds.

While the Book Entry System is in effect, the registration, transfer, and exchange of Bonds shall be governed by the Book Entry System administered by DTC. While Bonds are in the Book Entry System the following provisions shall govern for purposes of the Indenture and shall supersede any contrary provisions of the Indenture: (1) DTC shall be the registered holder of the Bonds on the Bond Register maintained by the Trustee pursuant to the Indenture; (2) notwithstanding the fact that DTC may hold one or more Bond certificates for purposes of the Book Entry System, the term “Bond” means each separate security credited to a Beneficial Owner (or entitlement holder) pursuant to the Book Entry System, and the term “Holder” means the person identified pursuant to the Book Entry System as the Beneficial Owner of the related security; and (3) the terms and limitations of the Indenture with respect to each separate Bond shall be applicable to each separate security credited to a Beneficial Owner under the Book Entry System.

If the Book Entry System is discontinued, the following describes the provisions of the Indenture controlling the registration, transfer, and exchange of the Bonds:

> Upon surrender for transfer of any Bond at the Office of the Trustee, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same maturity and interest rate, of any Authorized Denominations and of a like aggregate principal amount.
>
> At the option of the Holder, Bonds may be exchanged for other Bonds of the same maturity and interest rate, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Office of the Trustee. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Holder making the exchange is entitled to receive.
>
> No service charge shall be made for any transfer or exchange of Bonds, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.
>
> The Issuer is not required (i) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

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DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year of the School ending June 30, the amounts required to be made available in such year by the School for the payment of the principal of and interest on the Bonds. Upon the issuance of the Bonds and the application of the proceeds thereof, the School will have no other outstanding long-term indebtedness.

Fiscal Year Ending June 30,	Series 2026 Bonds Principal	Series 2026 Bonds Interest	Total Annual Debt Service
Total			

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Sources of Payment Generally

The Bonds and the interest thereon are special, limited obligations of the Issuer payable solely out of the payments to be made by the School pursuant to the Lease and the Guaranty, and certain other available moneys specified in the Indenture.

Under the Indenture, the Issuer pledges and assigns to the Trustee, and grants to the Trustee a security interest in: (a) money and investments from time to time on deposit in, or forming a part of, the Indenture Funds; (b) All right, title, and interest of the Issuer in and to the Lease, including all Lease Payments and all other payments by the School pursuant to the Lease; provided however, that the Issuer retains the right to reimbursement of its expenses and indemnity payments pursuant to the Lease, as well as its right to receive notices and other communications to be sent to it under the Lease.

Pursuant to the Lease and the Guaranty, the School agrees to make payments sufficient to pay in full the Debt Service on the Bonds and the Purchase Price of Tendered Bonds. The School also will be obligated under the Lease and the Guaranty to pay certain fees and expenses (consisting generally of fees, charges and expenses of the Trustee and the Issuer) associated with the Bonds. The School's obligations under the Lease and the Guaranty are general obligations of the School to which the full faith and credit of the School is pledged.

Limited Covenants; No Pledged Collateral

No reserve fund will be established in connection with the issuance of the Bonds and no other collateral will be pledged to secure the repayment of the Bonds.

Under the Lease, the Issuer, and under the Lease and the Guaranty, the School, covenant agree that they shall not: (a) create, incur, assume or suffer to exist any lien, mortgage, pledge, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, right of way or other encumbrance (including the retained security title of a conditional vendor, but excluding the

Permitted Encumbrances and Permitted Liens under this Lease Agreement) on title to real property of any nature in, upon or with respect to the Drake Campus, the Garth Campus, or the Project Site (as defined in the Lease) or the Improvements on any of the foregoing, or (b) grant, bargain, sell, convey, assign, transfer or otherwise dispose of, any of Borrower's or Issuer's rights, titles and interests in and to the Garth Campus, or any Improvements thereon, or the Project Site, or any Improvements thereon, whether now owned or hereafter acquired, other than transfers of any of the foregoing upon which none of the primary operations of the Borrower is conducted and that does not constitute a material or integral part of the operations of the Borrower.

The ability of the School to incur indebtedness, and the amount and terms of such indebtedness, is not limited by the Lease or the Guaranty.

See **Appendix C-2** and **Appendix C-3**.

CERTAIN BONDHOLDERS' RISKS

The following is intended only as a summary of certain risk factors attendant to an investment in the Bonds and is not intended to be exhaustive. In order to identify risk factors and make informed investment decisions, potential investors should be thoroughly familiar with the entire Official Statement (including each Appendix) in order to make a judgment as to whether the Bonds are an appropriate investment. For additional information regarding the School, see **Appendix A** and **Appendix B**.

Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks or other financial institutions or certain recipients of Social Security benefits are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds. See "**TAX MATTERS**" herein.

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS MADE BY THE SCHOOL UNDER THE LEASE AND THE GUARANTY AND CERTAIN OTHER FUNDS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. THE BONDS SHALL NEVER CONSTITUTE A PERSONAL LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER OR A PERSONAL LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF ALABAMA, THE CITY OF HUNTSVILLE, ALABAMA, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF ALABAMA.

Payment of Debt Service

The Bonds are limited obligations of the Issuer and are payable by the Issuer solely from payments to be made by the School pursuant to the Lease and the Guaranty, and from certain funds held by the Trustee under the Indenture. No representation or assurance can be given that the School will realize revenues in amounts sufficient to make such payments under the Lease or the Guaranty. The realization of future revenues is dependent upon, among other things, the demand for the School's educational services, the ability of the School to provide the required educational services, management capabilities, economic trends and events, the School's ability to control expenses, competition, costs, legislation, governmental regulation and developments affecting the federal or state tax-exempt status of non-profit organizations and future changes in other conditions that are unpredictable. Unanticipated events and circumstances may occur that cause variations from the School's expectations. The risk factors discussed below should be considered in evaluating the ability of the School to make such payments in a timely manner.

Bonds Not Initially Secured by Real Property or Other Collateral; Additional Debt

The School has not granted a mortgage on or security interest in any of its property or pledged or granted a security interest in any of its revenues or other property as security for the Bonds. Subject to compliance with the restrictions in the Lease and the Guaranty as to Permitted Encumbrances, the School may issue or incur indebtedness secured by liens that constitute Permitted Encumbrances on property that do not secure the Bonds, and the Bonds would be effectively subordinated to such secured indebtedness to the extent of the value of that collateral. The School's incurrence of additional secured or unsecured indebtedness could adversely affect the investment security of the Bonds.

In the event of any proceeding for any remedy available to the Trustee under the Bond Documents, the Beneficial Owners of the Bonds will be unsecured creditors with no rights to any revenues or other property of the School. See "**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**" and **Appendix C-1, C-2, and C-2**.

Amendments of the Indenture, Lease, and Guaranty

Under certain circumstances provided in the Indenture, the Lease, and the Guaranty, such documents may be amended or supplemented without the consent of any Bondholders. Certain other amendments to such documents may be made with the consent of only the affected holders or the consent of the holders of a majority in aggregate principal amount of outstanding Bonds. Such amendments and supplements may adversely affect the security or interests of the owners of the Bonds. See **Appendix C-1**, **Appendix C-2** and **Appendix C-3**.

Limited Nature and Enforceability of Remedies

The remedies available to the Trustee, the Issuer and the Bondholders upon an Event of Default under the Bond Documents are in many respects dependent upon judicial actions that are, in turn, often subject to discretion and delay. Under existing constitutional and statutory laws and judicial decisions, including specifically Title 11 of the United States Code (the Federal Bankruptcy Code), a particular remedy specified by a Bond Document may not be readily available or, if available, may be limited or subject to substantial delay. For example, a court may decide not to order the specific performance of certain covenants contained in such instruments. Accordingly, the Trustee's ability to exercise remedies under the Bond Documents upon an Event of Default could be impaired by the need for judicial or regulatory approval.

The various legal opinions to be delivered concurrently with the issuance and delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium, and similar laws affecting the rights of creditors generally.

There exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such a corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other persons who have interests different from those of the general public pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses. A court could restrict the ability of the Trustee to compel the liquidation of the School and its property to pay a judgment against it for payment of the Bonds because the School is a nonprofit corporation carrying out charitable purposes.

Possible Redemption and Acceleration

The Bonds are subject to redemption or acceleration upon the occurrence of certain events more particularly described under "**THE BONDS – Redemption Prior to Maturity**" and " – **Acceleration**" herein. Rights of redemption include, under certain circumstances, the right of optional redemption in whole or in part by the School without premium. Bondholders are subject to these rights of redemption and acceleration and Bondholders will be unable to continue to hold their Bonds in the event of redemption or acceleration. Redemption or acceleration prior to maturity may be at par or at a redemption price that results in the realization of less than the anticipated yield to maturity.

Tax-Exempt/Nonprofit Status

In recent years, the activities of tax-exempt organizations have been subjected to increasing scrutiny by federal, state, and local legislative and administrative agencies (including the United States Congress, the Internal Revenue Service (the "**IRS**"), and local taxing authorities). Various proposals either have been considered previously or are presently being considered at the federal, state, and local level which could restrict the definition of tax-exempt status, impose new restrictions on the activities of tax-exempt corporations and/or tax or otherwise burden the activities of such corporations (including proposals to broaden or strengthen federal tax provisions respecting unrelated business income of nonprofit, tax-exempt corporations). There can be no assurance that future changes in the laws, rules, regulations, interpretations, and policies relating to the definition, activities and/or taxation of tax-exempt corporations will not have material adverse effects on the future operations of the School.

Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the School to charge and collect revenues, finance or incur indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Bonds. Although the School has covenanted to maintain its tax-exempt status, loss of tax-exempt status by the School would likely have a significant adverse effect on the School and could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to their date of issue. The loss by the School of federal tax exemption could trigger a challenge to its state income tax exemption. Such event could be adverse and material.

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("**UBTI**"). To the extent the School does not properly account for and report UBTI, if any, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the School, as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Covenant to Maintain Tax-Exempt Status of the Bonds and Limitations with respect to Tax-Exempt Bonds

The tax-exempt status of interest on the Bonds is based on the continued compliance by the Issuer and the School with certain covenants contained in the Bond Documents, the Tax Certificate and Agreement, and certain other documents executed by the Issuer and the School. These covenants are aimed at satisfying applicable requirements of the Code, and relate generally to use by the School of proceeds of the Bonds, maintenance of the status of the School as an organization meeting the requirements of Section 501(c)(3) of the Code, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the Bonds. Failure to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds.

The Code places certain limitations on the ability of educational institutions to finance certain projects, invest bond proceeds and advance refund prior tax-exempt bond issues. These limitations may increase the interest costs and restrict the use of tax-exempt bonds for future borrowing by the School.

Bond Ratings

S&P Global Ratings ("**S&P**") has assigned a credit rating to the Bonds. The rating of the Bonds is not a recommendation to purchase, hold or sell the Bonds, and the rating does not comment on the market price or suitability of the Bonds for a particular investor. The rating of the Bonds may not remain for any given period of time and may be lowered or withdrawn depending on, among other things, the rating agency's assessment of the School's financial strength. A downward revision or withdrawal of any such rating may have a substantial adverse effect on the market price for, and marketability of, the Bonds in secondary market trading.

Secondary Market for the Bonds

There can be no guarantee there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

The financial condition of the School as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the School's control. There can be no assurance that an adverse event will not occur that might affect the market price of and the market for the Bonds. If a significant event should occur in the affairs of the School, the market for and the market value of the Bonds could be adversely affected.

The School will enter into the Continuing Disclosure Agreement described below. Any failure in the future to comply with the Continuing Disclosure Agreement and the related Rule 15c2-12 (defined below) may adversely affect the liquidity of the affected Bonds and their market price, if any, in the secondary market.

Investments; Philanthropy

The School has significant investment holdings. Market fluctuations have affected and may in the future affect the value of those investments and those fluctuations have been and may in the future be material. For a discussion of the School's investments, see **Appendix A** – "**FINANCIAL MATTERS – Investments and Endowment**."

Philanthropic opportunities at the School include capital campaign initiatives, annual fundraising to support current-year operations, and planned giving from bequests and estate gifts. The School has in the past demonstrated an ability to raise the funds from a variety of benefactors necessary, in combination with revenues generated from other sources, to finance its operations and to provide the funds to construct, renovate and improve its facilities, as necessary. There can be no assurance, however, that these efforts will continue to be successful. Such efforts may be affected adversely by a number of factors, including changes in general economic conditions and changes in federal and state tax laws affecting the deductibility of charitable contributions.

Cybersecurity Risks

The School's business operations rely upon secure information technology systems for data capture, processing, storage and reporting. Increased global information technology security requirements, vulnerabilities, threats and a rise in sophisticated and targeted cybercrime pose a risk to the security of the School's systems, its information networks, and to the confidentiality, availability, and integrity of its data. The School's information technology systems, and those of its third party providers or partners, could become subject to employee error or malfeasance, cyber-attacks by common hackers, criminal groups or nation-state organizations or social activist (hacktivist) organizations, geopolitical events, natural disasters, failures or impairments of telecommunications networks or other catastrophic events. Network, system, application and data breaches could result in operational disruptions or information misappropriation including, but not limited to, interruption to systems availability, denial of access to and misuse of applications required by the School's partners to conduct business with the School. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential company, employee, customer or vendor information, could stem from such incidents.

Among the School's top security threats are malware, phishing, and ransomware. Despite the School's efforts to address cybersecurity risks, there can be no assurance that a system or network failure, or security breach, will not occur. This could lead to system interruption, operational disruptions, the disclosure, modification or destruction of proprietary and/or highly sensitive or personal and other key information, which could have an adverse effect on the School's reputation, financial results, and results of operations. The costs of remedying any such damage or protecting against future attacks could be material. Further, cybersecurity breaches could expose the School to material litigation and other legal risks, which could cause the School to incur material costs related to such legal claims or proceedings.

The School has experienced two attacks on its computer operating systems in recent years. One incident was identified before any actual breach occurred or loss was experienced and the School was able to immediately put protective controls in place. The other resulted in a misdirected payment that was covered by the School's cybersecurity insurance (after payment of the applicable deductible). Following this, the School enhanced its policies and procedures, and implemented additional training for staff, to prevent future incidents. The School's commercial insurance continues to include cybersecurity coverage. See **Appendix A –** "**INSURANCE**."

School Choice Initiatives

Various State of Alabama legislative initiatives have been introduced in recent years proposing the shifting of public school funds away from Alabama's public schools and toward parents and guardians for individual expenditure on an array of educational expenses, including tuition at non-public schools, such as the School (these proposals are broadly known as "**School Choice Initiatives**"). For example, Alabama recently enacted the "Creating Hope and Opportunity for Our Students' Education Act of 2024, or the CHOOSE Act," which creates Education Savings Accounts (ESAs) to be funded through appropriations by means of a refundable income tax credit. The tax credits deposited into individual ESAs may be used by parents of participating students on "qualifying educational expenses," which include, among other things, tuition and fees at qualifying private schools.

The scope of the CHOOSE Act may be expanded, and additional School Choice Initiatives may be introduced and adopted, during the period in which the Bonds are outstanding. Expanding School Choice Initiatives can increase the number of students seeking enrollment at private schools, such as the School and, alternatively, reductions in funding available through such initiatives could have the opposite effect. School Choice Initiatives may also make private schools more desirable, due to the increased availability of financial assistance, which may increase the volume of private schools and cause increased competition for the School.

At this time, the School does not anticipate that the CHOOSE Act or any other School Choice Initiative will have a material adverse impact on its financial condition, operations or enrollment.

Construction Risks

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of qualified contractors or materials and labor, and adverse weather conditions. Such events could delay occupancy of major construction projects. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor and other factors. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require the School to borrow additional funds to complete projects. See **Appendix A – "CAMPUS MASTER PLAN AND THE PROJECT**."

Environmental Risks

The School and its facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations and there are risks relating to liabilities for environmental hazards with respect to the ownership of, as well as the development and construction on, any real property, including the Lower School Project. These laws and regulations include, but are not limited to: (i) air and water quality control requirements; (ii) waste management requirements; (iii) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; (iv) requirements for providing notice to employees and members of the public about hazardous material handled by or located at the School's facilities; and (v) other requirements. There are significant practical, financial and legal risks associated with compliance with such laws and regulations, which costs and liabilities could exceed the value of a project. For example, hazardous substances are found to be located on property, owners of such property may be held liable for costs and other liabilities related to the removal or remediation of such substances. The cost of addressing environmental risks could negatively affect the School's operations or financial condition. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Public Health Emergencies

The occurrence of a public health emergency or crisis, including a widespread outbreak of an infectious disease or contagious virus, such as COVID-19, may materially impact the School's financial condition and operations, in ways that cannot be predicted. In such events, responses at the school, state, local and national levels can differ, and schools can be closed for various periods of time, either as mandated by governmental authorities or because families choose to keep their children at home.

Natural Disasters and Climate Risks; Insurance

The occurrence of natural disasters, such as tornadoes, floods, droughts, wildfires, landslides and severe storms and environmental and other impacts of climate change, including rising sea levels (any of which could damage the School's facilities), may occur in the future and have significant disruptive and negative impacts and may directly or indirectly adversely impact the School's finances, facilities and operations. Extreme weather, drought and shifting climate patterns may intensify the challenges associated with many of the other risks facing the School and its assets and operations, resulting in severe business disruptions, prolonged power outages or property damage.

The School carries commercial insurance coverage for certain purposes, including property insurance coverage for natural disasters, all as described in **Appendix A –** "**INSURANCE**." The provision for losses and expenses are based on estimates of the liabilities and related expenses resulting from asserted and unasserted claims. No assurance can be given by the School that it has, or will have, sufficient reserves to cover actual liabilities and related expenses resulting from asserted and unasserted claims. No assurance can be given that the School will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all damages or all judgments rendered against the School or that any commercial coverages will be available at a reasonable cost in the future. See **Appendix A –** "**INSURANCE**."

Factors Generally Affecting Private Educational Schools

In competing for students, the School must maintain a positive reputation within the local community. Certain factors such as the quality of teachers, quality of academic and other programs, quality of extra-curricular activities and the absence (or presence) of litigation can contribute to the reputation of any school. Negative changes to the reputation of the School could impact future enrollment and result in the inability of the School to generate sufficient revenues to meet its obligations under the Bond Documents. The School's reputation in the educational community and its financial results may be affected by events, developments, and conditions relating generally to, among other things, the ability of the School to (a) conduct educational activities of the types and quality required to maintain its reputation; (b) generate sufficient revenues, while controlling expenses, to adequately fund the costs of these activities; (c) attract faculty, staff, and management necessary to conduct these activities; (d) attract a quality student body; and (e) build and maintain the facilities necessary to conduct these activities.

Success in these areas depends upon the ability of the School and its management to respond to challenges affecting the environment for private educational institutions, including, among others:

1. Volatility and disruptions in the global financial markets that may impact investment returns and reduce investment income distributable from the endowment for operations and affect the ability of donors to contribute resources to support the School's operations and capital needs;

2. Liquidity constraints arising from any continuing or future credit crisis impacting the School's ability to fund its commitments for operating and capital expenses;

3. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in tuitions, donations or other revenues;

4. Suspension or revocation of or failure to renew a license or accreditation necessary to the School's operations or any portion thereof;

5. Developments in the regional, national, and global economies, such as protracted recessions, variations in economic growth, changes in monetary policy and the related impact on the School's investment portfolio, increased demand for financial aid, and increased interest rates and the associated impact on future debt service;

6. Legislation and regulation by governmental authorities, including developments affecting the tax-exempt status of educational institutions such as the School;

7. Establishment of mandatory wage, rent or price controls; increases in the limitations on the availability of insurance;

8. Changes in management affecting the School's operations;

9. The ability to recruit and retain faculty in light of, among other factors, the high regional cost of living;

10. Claims respecting unauthorized behavior involving employees, administration, or students; future claims for accidents or other torts at the School's facilities and the extent of insurance coverage for such claims;

11. Unionization, employee strikes, or other adverse labor actions that could result in an increase in expenditures without a corresponding increase in revenue;

12. Competition from other educational institutions, including other private schools and schools in area school districts, including charter schools;

13. The ability of the School to attract and retain students who can pay the School's tuition and fees as they exist from time to time; decreases in the number of students seeking to attend the school at optimum levels for each grade level;

14. Increased costs associated with technological advances; and

15. The ability of the School's graduates to gain acceptance to reputable independent middle or high schools, or to secure other desirable post-elementary school outcomes, given changing economic, legislative, regulatory, and cultural conditions, including but not limited to "test optional" and other admissions policies at the independent schools to which the School's students apply.

All of these factors are unpredictable and are affected by numerous circumstances both within and outside the control of the School, including the competitive appeal and perceived quality of the School's curriculum; the ability and energy of its faculty and administration; and the benevolence of its supporters. There can be no assurance that revenues of the School will not decrease or that the revenues available to the School from its operations and development efforts will be available in amounts sufficient to make the required debt service payments on the Bonds. Regulatory and other changes resulting from the factors mentioned above, among others, or the occurrence of other unanticipated events could have a material adverse effect on the School's financial condition or results of its operations.

The paragraphs above discuss only certain risks to holders of the Bonds. They are not intended to be a complete enumeration of the risks involved in purchasing and holding the Bonds.

TAX MATTERS

General Matters

In the opinion of Bond Counsel (the proposed form of which is attached hereto as **Appendix E**) and subject to the caveats below, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants intended to assure compliance with the applicable provisions of the Code and the regulations thereunder, interest on the Bonds is excludable from the gross income of the holders thereof for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

Under Section 148 of the Code, interest on the Bonds will not be excluded from gross income for federal income tax purposes unless (i) the investment of the proceeds of the Bonds meets certain arbitrage requirements and (ii) certain "excess" earnings on such investments are rebated to the United States of America (collectively, the "**Arbitrage Restrictions**").

The Code imposes various restrictions, conditions and requirements (including the Arbitrage Restrictions) relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Issuer and the School have covenanted to comply with certain requirements designed to assure that interest paid on the Bonds will not become includable in gross income for federal income tax purposes. In concluding that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel will (i) rely as to certain factual matters upon representations and certifications of the School with respect to the use of the proceeds of the Bonds and the design, scope, function, cost, reasonably expected remaining economic useful life and use of the facilities constituting the Lower School Project, without undertaking to verify the same by independent investigation, and (ii) assume the continued compliance by the School with its covenants relating to the use of the proceeds of the Bonds and compliance with other requirements of the Code. The inaccuracy of any such representations, or noncompliance with such covenants, may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

Bond Counsel has not undertaken to determine or to inform any person, as to whether any actions are taken (or not taken) or events occur (or do not occur) after the date of delivery of the Bonds which may affect exclusion from gross income of interest on the Bonds for federal income tax purposes.

From time to time, there have been legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The accrual or receipt of interest on the Bonds may otherwise affect a Holder's income tax liability. The nature and extent of these other tax consequences will depend upon the Holder's particular tax status and the Holder's other items of income and deduction. Bond Counsel expresses no opinion regarding such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, and United States branches of foreign corporations), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits, or taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors concerning their tax consequences of purchasing and holding the Bonds.

Bond Counsel is also of the opinion that, under the Enabling Law, interest on the Bonds is exempt from present income taxation by the State of Alabama.

Collateral Tax Consequences

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state tax consequences of acquiring, carrying, owning, or disposing of the Bonds, or the accrual or receipt of interest on, the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Original Issue Discount

The Bonds, if any, that have an original yield above their respective interest rates, as shown on the cover of this Official Statement (collectively, the "**Discount Bonds**"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (excluding "qualified stated interest" within the meaning of Section 1.1273-1 of the regulations promulgated under the Code) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium

The Bonds, if any, that have an original yield below their respective interest rates, as shown on the cover of this Official Statement (collectively, the "**Premium Bonds**"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

RATINGS

S&P has assigned a rating of "A" (stable outlook) to the Bonds. This rating reflects only the views of S&P. The School has furnished S&P with certain materials and information not included in this Official Statement. Prospective purchasers of the Bonds should contact S&P to obtain an explanation of the significance of its rating.

No assurance may be given that the S&P rating will remain in effect for any given period of time. S&P may lower, suspend or withdraw its rating. The Underwriter has undertaken no responsibility either to bring to the attention of the Bondholders any proposed revision, suspension, or withdrawal of a rating of the Bonds or to oppose any such proposed revision, suspension, or withdrawal. Any downward revision, suspension, or withdrawal of a rating could have an adverse effect on the market price of the Bonds. Such ratings should not be taken as a recommendation to buy or hold the Bonds.

LITIGATION

The Issuer

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

The School

There is not now pending (as to which the School has received service of process), nor, to the knowledge of the School, threatened any litigation against the School seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or challenging the creation, organization or existence of the School, the title of any of the present members or other officers of the School, the validity of the Bonds or the proceedings or authority under which they are to be issued, or the Bond Documents. There is no litigation pending (as to which the School has received service of process) or, to the knowledge of the School, threatened against the School that in any manner questions the right of the School to enter into the

Bond Documents or to take any other action provided in the Bond Documents or the resolutions of the School.

From time to time, the School, the Lower School Project, and the proposed issuance of the Bonds may be involved in or subject to claims, litigation or other proceedings. Although the School believes these potential claims would be without merit and intends to defend any such claims vigorously, if any of the plaintiffs were to prevail on such claims by a final, non-appealable judgment, it could have a material adverse effect on the School, its ability to complete the Lower School Project in a timely manner or at all, or on an investment in the Bonds. See **Appendix A**.

In the course of the operation of its property, the School may be subject to claims as result of any accidents or other incidents that may occur in connection with its property. Risks associated with legal liability are often difficult to assess or quantify and their existence and magnitude may not be known for significant periods of time. While the School maintains insurance (including self-insurance) that it believes is appropriate for purposes of the operation of its property, the amount of insurance coverage (or with respect to self-insured claims, the amount of reserves) may not cover, or be sufficient to cover, individually or in the aggregate, any pending, threatened or potential future claims involving, or related to, its property or the operation thereof.

Any future claims or proceedings may require or cause the School to expend substantial time and resources and the School's property, business, financial condition, operating results, cash flows, liquidity and prospects could be materially adversely affected.

LEGAL MATTERS

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

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Maynard Nexsen PC, Bond Counsel to the School. A complete copy of the proposed form of Bond Counsel's opinion is set forth in **Appendix E**. Certain legal matters will be passed upon for the School by its counsel, Maynard Nexsen PC and for the Underwriter by its counsel, Polsinelli.

Andy Watson, Vice Chair of the Board of Trustees of the School, is a shareholder with Maynard Nexsen PC. Maynard Nexsen PC also represents the Underwriter from time to time in unrelated matters.

CONTINUING DISCLOSURE

The Issuer

Because the Bonds are limited obligations of the Issuer, payable solely from certain payments to be made by the School pursuant to the Lease and the Guaranty and certain other funds held by the Trustee pursuant to the Indenture, and not from any other fund or source of the Issuer, the Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information. The Issuer shall have no liability to the holders of the Bonds or any other person with respect to Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**").

The School

At the time of issuance of the Bonds, the School will execute and deliver the Continuing Disclosure Agreement (as amended, restated, supplemented, and otherwise modified from time to time, the "**Continuing Disclosure Agreement**") for the benefit of the Bondholders with the Trustee, as dissemination agent (with its successors and assigns, the "**Dissemination Agent**"), under which the School has agreed to provide certain annual financial information and operating data relating to the School for each of its fiscal years (each, an "**Annual Report**"), commencing with the fiscal year ended June 30, 2026, and notices of certain enumerated events regarding the School to the Municipal Securities Rule Making Board (with its successors and assigns, the "**MSRB**") as required by Rule 15c2-12, in an electronic form specified by MSRB. The form of Continuing Disclosure Agreement is attached as **Appendix F**. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

In the past five years, the School has not been obligated under any continuing disclosure agreements or undertakings under Rule 15c2-12.

FINANCIAL STATEMENTS

The financial statements of the School as of and for the years ended June 30, 2025 and 2024, the years ended June 30, 2024 and 2023, the years ended June 30, 2023 and 2022, and the years ended June 30, 2022 and 2021 included in **Appendix B** have been audited by Warren Averett, LLC, independent auditors ("**Warren Averett**"), as stated in the respective reports appearing herein. Warren Averett has not performed any specified agreed-upon procedures relating to this Official Statement.

UNDERWRITING

Subject to the terms and conditions set forth in a bond purchase agreement among Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"), the Issuer, and the School, the Underwriter will agree to purchase the Bonds at an aggregate purchase price of $_________, representing the aggregate principal amount of the Bonds of $_________, less an Underwriter's discount of $_______ [plus][minus] [net] original issue [premium][discount] of $_________. The expenses associated with the issuance of the Bonds are being paid by the School from proceeds of the Bonds. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds. The Underwriter will initially offer the Bonds for sale at the respective prices or yields set forth on the cover page of this Official Statement. Such prices or yields may subsequently change in connection with the marketing of the Bonds. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds for sale.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the Issuer and the School and their affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the

Issuer and the School (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer and the School. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

MISCELLANEOUS

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

Copies of any of the documents referenced or summarized herein will be available following the date of issuance of the Bonds, upon delivery of a written request, and the payment of reasonable copying, mailing and handling charges, to the Trustee. The references, excerpts, and summaries of all documents, referenced herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for and the repayment of the Bonds, and the rights and obligations of the holders thereof.Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

Appendices A, B, C, D, E and F attached to this Official Statement are hereby expressly incorporated herein as a part hereof. This Official Statement has been duly approved by the School, and the School has authorized its distribution in connection with the underwriting of the Bonds.

The Issuer has not participated in the preparation of this Official Statement and makes no representation with respect to the accuracy or completeness of any of the material contained in this Official Statement other than in the sections entitled "**THE ISSUER**" and "**LITIGATION—The Issuer**." The Issuer is not responsible for providing any purchaser of the Bonds with any information relating to the Bonds or any of the parties or transactions referred to in this Official Statement or for the accuracy or completeness of any such information obtained by any purchaser. Except as otherwise stated herein, neither the Issuer nor the Underwriter makes any representations or warranties whatsoever with respect to the information contained herein. The agreements of the Issuer with the holders of the Bonds are fully set forth in the Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

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The preparation of this Official Statement and its distribution have been authorized by the School and the Issuer; provided that neither approval nor authorization of distribution of this Official Statement by the Issuer shall be construed as a representation that the Issuer has reviewed or approved the accuracy or completeness of this Official Statement other than the information under the captions "**THE ISSUER**" and "**LITIGATION – THE ISSUER**." This Official Statement is not to be construed as an agreement or contract between the Issuer or the School and any purchaser, owner, or holder of any Bond.

RANDOLPH SCHOOL

By: ____

Head of School

APPENDIX A

CERTAIN INFORMATION CONCERNING RANDOLPH SCHOOL

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RANDOLPH SCHOOL

APPENDIX A

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INTRODUCTION

Randolph School ("**Randolph**" or the "**School**"), is an independent, coeducational college preparatory school located in Huntsville, Alabama. Randolph enrolled 1,035 students during the 2025-26 academic year in Pre-Kindergarten through Grade 12. The School's PK-8 campus (the "**Drake Campus**"), is located on 16 acres in a suburban setting. In 1998, the School acquired an additional 51 acres upon which it built the current Upper School campus, which is less than a mile from the Drake campus and known as the "**Garth Campus**." Long recognized as a top ranked school in Alabama, Randolph attracts students from throughout the region including the neighboring state of Tennessee.

Randolph encourages students to cultivate the values and integrity needed to become responsible decision-makers. Randolph's mission promotes high academic standards and the School prides itself on being an open and welcoming community of learners which seeks to reveal the goodness and potential within each individual. The School's Board of Trustees (the "**Board**"), administration, and faculty believe the following characteristics best define the School:

> <u>Student Demand and Academic Outcomes</u>. Enrollment at Randolph has grown consistently in recent years, increasing by over 11% since the 2021-22 academic year to an all-time high of 1,035 in the 2025-26 academic year. Admission to Randolph is competitive. Over the past five application cycles, 66.5% of applicants were accepted to the School, and 83.8% of students accepted to Randolph chose to matriculate to the School, indicating that Randolph is the school of choice for over four-fifths of accepted students. Randolph graduates regularly gain acceptance to some of the most selective colleges and universities throughout Alabama and the United States. Over the past five years, Randolph graduates have most often matriculated to Auburn University, The University of Alabama, Texas Christian University, University of Mississippi, and University of Miami, among others.
>
> <u>Financial Operating Performance and Balance Sheet Resources</u>. Over the past five years, Randolph's financial position has improved significantly. The School's total net assets grew to $53.5 million as of June 30, 2025, an increase of 39.3% from the School's $38.4 million of total net assets as of June 30, 2021. The School's net asset growth has been fueled by significant philanthropic giving and enrollment growth. Total investments as of June 30, 2025 were $38.6 million, an increase of $9.3 million, or 31.7%, when compared to the School's $29.3 million of total investments as of June 30, 2021. Additionally, the School produced a positive GAAP-based change in net assets without donor restrictions in four out of the last five fiscal years ended 2021 to 2025.
>
> <u>Strategic Importance of the Lower School Project</u>. In 2023, the School adopted a campus master plan (the "**Campus Master Plan**") to accomplish its single campus goal in two phases, described herein. The School believes that creating a single campus will enhance the sense of community and belonging among its stakeholders and to facilitate operational efficiencies, all as described herein. In 2024, the School acquired an additional 26 acres of contiguous, buildable land (the "**Acquired Property**"), expanding its 51-acre Garth Campus to a 77-acre site. The Acquired Property presents the opportunity to relocate the School's PK-8 campus to this site, reuniting the School on one campus.
>
> In the spring of 2026, the School completed the first building phase of the Campus Master Plan with the opening of The Leo Center for Excellence (the "**Leo Center**"), a

multipurpose facility described in more detail below under "**CAMPUS MASTER PLAN AND THE PROJECT – Strategic Plan and Campus Master Plan**." The Leo Center is designed to encourage connection and prioritize belonging while ensuring the quality of Randolph's physical space aligns with the quality of its pedagogy.

The second building phase of the Campus Master Plan includes the construction of new Lower School facilities located on the Garth Campus and the Acquired Property (the "**Lower School Project**"). Randolph engaged Hastings Architecture, LLC, to lead the conceptualization design of the Lower School Project and JOHNSONKREIS Construction are the general contractor for the Lower School Project. The project budget for the Lower School Project is currently expected to be approximately \$24 million. Randolph began construction in July 2026 and the Lower School Project is estimated to be completed by August 2027, in time to open the new Lower School facilities for the 2027-28 academic year. "**CAMPUS MASTER PLAN AND THE LOWER SCHOOL PROJECT – Strategic Plan and Campus Master Plan**."

<u>Capital Campaign</u>. In support of its campus unification efforts, Randolph has embarked on the \$36.0 million *Building Community: The Campaign for Randolph School* capital campaign. As of June 2026, the School had raised \$10.1 million of capital commitments, comprised of \$5.7 million in cash and the remaining \$4.4 million scheduled to be received in future years in accordance with donor pledge schedules. Additionally, the School has secured \$4.0 million in planned gifts and bequests (approximately \$1.5 million received and the remainder anticipated in 2027), which the Board has designated for the capital campaign. The School has also committed \$1.0 million of institutional funds through an endowment draw and self-investment to support campaign priorities.

HISTORY AND MISSION

Randolph began with a handful of elementary classes in an antebellum home in 1959. Within a few years the School relocated to the Drake Campus. Huntsville was rapidly growing, transplanting its economic roots in cotton production to U.S. missile defense, rockets and space-age technology. The high academic standards of the School were reflected in the careers and dreams of the parent community. Numerous scientists and engineers, including the legendary space pioneer Dr. Wernher von Braun, sent their children to Randolph. The School's rigorous college preparatory curriculum and successful alumni rapidly became the pride of the Huntsville business community. In 1981, a local Fortune 500 company donated a computer lab, one of the first of its kind in a high school setting. Since those early days, the School has maintained high academic standards in all curricula, and in 1998, attracted national attention for successfully integrating laptop computers and a wireless network.

Randolph prides itself on its high-quality faculty, small class sizes and strong advisor-advocate program where teachers and counselors help students navigate through the transitional teen years and make appropriate life choices. Students are known on campus—to each other and to the faculty and staff. Students' opinions, ideas, and concerns are solicited and heard, through forums ranging from an intimate student gathering at the home of the Head of School to service initiatives promoted by student government.

Randolph's mission of *Seeking Truth: Building Character: Nurturing All,* is as follows:

> *Randolph School provides a rigorous and well-rounded PreK-12 college preparatory education within a nurturing community. Through a commitment to excellence in academics, the arts and athletics, the School's program and its faculty demand diligence and discipline while encouraging creativity and discovery. Above all, the School emphasizes honor, integrity, and character so that all in partnership with Randolph are elevated and inspired to enrich their families, communities, the nation, and the world.*

GOVERNANCE

The School is governed by the Board. The School's bylaws provide for the Board to be self-perpetuating and to be comprised of an odd number of members ("**Trustees**"), no less than nineteen and no more than 25. The Board meets six times each year for regular meetings; special meetings are called on an as needed basis. Trustees are elected to a three-year term and may serve a maximum of three consecutive three-year terms. Trustees must then retire from the Board, but may be reelected after at least a one-year absence from membership. The Chair of Randolph Community Network, the President of Randolph Alumni Association, the Chair of Merit Council, and the Immediate past-Chair of the Board serve as voting *ex-officio* members of the Board and the Head of School serves as a nonvoting *ex-officio* member of the Board.

The Board is responsible for the affairs and property of, and conducting the business of, the School. Specific Board duties include selecting, evaluating, and terminating the Head of School; authorizing the School to borrow money, and to sell or mortgage School real estate, buildings, and property; approving the budget, establishing tuition on fees, and supervising the monetary affairs of the School; developing policies affecting and directing the operation of the School, and assuring the School meets its mission. The Board also has responsibility for the School maintaining appropriate ethical standards.

There are six standing committees of the Board: Executive Committee, Development Committee, Committee on Trustees, Finance Committee, Operations Committee, and Strategic Planning Committee. From time to time, the Chair of the Board may appoint additional Ad Hoc committees for specific purposes as needed. The Executive Committee is comprised of the Chair, Vice-Chair, Secretary, and Treasurer of the Board, the Head of School, and the chair of each standing committee. Other committees consist of not fewer than three voting members of the Board, including the committee Chair. Sub-committees of each Committee are made up of Trustees and any of the following: Advisory Council members (members who will potentially sit on the Board), Merit Council members (past Board members continuing their relationship with the Board), staff persons, and subject matter experts.

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Current members and officers of the Board, the year of their initial election to the Board, the year their term ends, and their principal business or professional affiliations are as follows:

Board of Trustees
2026-27 Academic Year

Name of Board Member	Year of Initial Election	Year Term Ends	Principal Affiliation
Erin Bailey, *Chair*	2020	2029	Alumna, Current parent; Vice President of Marketing, Del Mar Thoroughbred Club
Andy Watson, *Vice Chair*	2018	2029	Current parent; Attorney, Maynard Nexsen PC
Mitch Coley, *Secretary*	2023	2029	Current parent; Division Manager, Robins & Morton
Riley Parker, *Treasurer*	2023	2029	Current parent; Senior Vice President, PNC Bank
Amit Arora	2018	2027	Current parent; Physician, Neurology Consultants of Huntsville
Missy Baldone	2021	2027	Current parent; Formerly AmSouth Bank
Caroline Beitel-Taylor	2024	2027	Alumna, Randolph Alumni Association Chair; Owner, Beitel Pediatric Dentistry
Bobby Bradley	2021	2029	Co-Founder and Board Member, Village of Promise (nonprofit)
Clint Caudle	2025	2028	Alumnus; President, Carina Technology, Inc.
Sara Cooper	2022	2028	Current parent; Faculty Investigator; Hudson Alpha Institute for Biotechnology
Leslie Crosby	2024	2027	Past parent; Community Volunteer; also served 1996-2005, 2011-2017
Jane Daniel	2023	2029	Past parent; Past Randolph School Assistant to Head for Strategic Initiatives
Melissa Dodgen	2013	2027	Past parent; Community Chair; Merit Council Chair 2026-27
Adam Dubé	*Ex Officio*		Head of School, *Randolph School*
Lindsay Ferguson	2026	2029	Current parent; Vice President, Talent Initiatives, Huntsville-Madison County Chamber of Commerce
Brian Hinson	2022	2028	Past parent; Managing Partner, Financial Advisor, Savant Wealth Management
Rudy Hornsby	2016	2028	Past parent; Senior Vice President of Facilities Operations, Huntsville Hospital Health Systems
Wendy Joseph	2019	2027	Current parent; Supervisory Budget Analyst, National Aeronautics and Space Administration
Frederick Lanier	2022	2028	Past parent; Senior Vice President, Marsh McLennan
DeMarco McClain	2025	2028	Current parent; Area President, Bank Independent
Denzel Okinedo	2021	2028	Alumnus; Attorney, Burr and Foreman LLP
Marshall Schreeder	2025	2028	Alumna, current parent; Chief Business Officer, Discovery Life Sciences; also served 2011-2024
Lady Smith	2023	2029	Current parent; Co-Owner, Snail on the Wall Bookstore
Christina Tabereaux	2021	2027	Current parent; Co-Owner, Snail on the Wall Bookstore

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The Randolph Board of Trustees 2026-27 committee chair assignments are as follows:

2026-27 Committee Chair Assignments

Standing Committees:	**Chair**
Development	Christina Tabereaux
Committee on Trustees	Jane Daniel
Operations	Rudy Hornsby
Finance	Riley Parker
Strategic Planning	Marshall Schreeder
Current Ad Hoc Committees:	
Safety and Security	Frederick Lanier
Community and Belonging	Sara Cooper

All Trustees and officers are required to disclose any potential conflicts of interest arising from their service on the Board. From time to time, Trustees may be associated with organizations doing business with the School. Randolph's conflict of interest policy requires Trustees and officers to excuse themselves from voting on matters involving their associated organizations and the Board is required to determine whether the transaction is in the best interest of the School notwithstanding the relationship, with the Trustee(s) and officer(s) in question leaving the meeting while such matter is discussed and voted on.

ADMINISTRATION

The Head of School is responsible for administration of the School, supported by the School's administrative leadership team. Short biographies for the Head of School and certain of these team members appear below.

Adam Dubé, *Head of School*, joined Randolph School in 2020 from Columbia Independent School (CIS) in Columbia, Missouri, where he served as Head of School since 2013. Mr. Dubé holds a B.A. from The University of Missouri and an M.A. in education leadership from the Klingenstein Center at Columbia University. Mr. Dubé has extensive independent school experience both domestically and abroad, serving as a teacher, admissions representative, education coordinator, and middle and upper school director, prior to his role as Head of School at CIS. Prior to his career as an educator, Mr. Dubé served for four years in the United States Marine Corps.

His leadership, both at CIS and Randolph School, is highlighted by a strong emphasis on academic excellence, character development, a robust learning support system, the education of the whole child, and hiring and developing outstanding faculty. Under his direction, CIS experienced annual increases in enrollment, the design and funding of a Center for Inspiration, Innovation and Investigation, and an expansion of arts and athletics facilities.

Jerry B. Beckman, *Assistant Head of School for Academic Affairs*, has served in this position at Randolph since 2003. Mr. Beckman oversees the day-to-day operations of both campuses, directing the K-12 educational program and supervising numerous departments, including Division Heads, Counseling, Health Services, and Faculty Development. His leadership extends to the Board and its Strategic Planning Committee, where he is responsible for implementing key initiatives to ensure program relevance.

In addition to driving academic strategy, Mr. Beckman works in tandem with the Dean of Faculty to oversee faculty recruitment and chairs key administrative search committees. Mr. Beckman holds a B.S. degree in education from Tennessee Technological University, and a Master of Education degree and Education Specialist degree from Middle Tennessee State University. He is completing his thirty-eighth year in education as a teacher and administrator. Prior to his work in education, Mr. Beckman served in the United States Army for three years as a member of The Army Field Band, the Musical Ambassadors of the Army.

Adam Bernick, *Assistant Head of School for Advancement and Strategy*. In his 20th year at Randolph, Mr. Bernick provides executive oversight for both the Office of Admissions and Enrollment and the Development Office, working to facilitate integration between institutional growth and philanthropic sustainability. His strategic focus lies in managing the complexities of independent school enrollment and fundraising models. Mr. Bernick leads the School's efforts in enrollment projection and net-tuition revenue modeling, providing a data-driven foundation for long-range financial planning. Simultaneously, he oversees the School's philanthropic initiatives, including capital campaigns and annual giving.

Mr. Bernick holds a Master of Education degree from Vanderbilt University (Peabody College) and a Bachelor's degree from Vanderbilt's Blair School of Music. Mr. Bernick's community leadership positions include his long-term service on the Board of the Huntsville Chamber Music Guild, SAIS Accreditation Chair, and Leadership Huntsville.

James Cooper, *Chief Financial Officer*, joined Randolph School in January 2023. He brings more than 30 years of experience in independent schools, with a career spanning information technology, finance, and operations. Mr. Cooper was Director of Information Technology at The Brooks School in Andover, Massachusetts, before relocating to Los Angeles and transitioning into senior financial and operational leadership roles. Mr. Cooper has held key positions at several independent schools, including Director of Finance and Operations at The Archer School for Girls in Brentwood, Business Manager at The Walden School, and Chief Financial Officer at Sequoyah School in Pasadena.

A long-time leader in the independent school business community, Mr. Cooper has served on the Board of Directors of the National Business Officers Association (NBOA) and the California Independent Schools Business Office Association (Cal-ISBOA), where he also chaired the Statistics Committee. He currently serves on the Governance Committee of the Mid-South Independent School Business Officers (MISBO) and is a member of the Association of Business Officers in Independent Schools (ABOIS), where he previously served as Chair of the organization. In addition, Mr. Cooper has contributed to multiple National Association of Independent Schools (NAIS) task forces and has served on numerous California Association of Independent Schools (CAIS) accreditation teams.

Mr. Cooper holds a Bachelor of Science in information technology from University of Massachusetts Lowell, an M.B.A. from the University of Phoenix, an M.Ed., and a Graduate Certificate in business leadership for independent schools from Johns Hopkins University.

CURRICULUM

Randolph School is a community of learners. The School believes its students are best served by learning how—not what—to think. By nurturing natural curiosity and encouraging an ability and eagerness to ask the right questions, Randolph strives to develop the critical thinking and reasoning skills necessary for success in every discipline and endeavor. Randolph learners are encouraged to embrace opportunities, accept difficulty and disappointment, and interpret failure as a chance for a new start.

The Randolph School Idea Path is the School's faculty-developed, research-based approach to learning to inspire critical thinking. The Idea Path consists of six main components: ask, imagine, plan, create, share, and improve. These elements are long-standing hallmarks of a Randolph education and are transferable to higher educational and professional settings.

Academic Program

Pre-Kindergarten. Pre-Kindergarten at Randolph is a place where energetic, bright, and eager learners are welcomed and supported. As part of the Lower School, these students build a strong foundation in social, pre-academic, and life skills designed to help them succeed in Kindergarten and beyond. The School's four- and five-year-olds are immersed in a nurturing and safe learning environment that encourages curiosity and creativity. The teacher-student ratio does not exceed 1:8. Carefully selected materials, including imaginative play furniture, books, and toys, help create a learning space that is both challenging and supportive.

The Pre-K program offers a well-rounded curriculum that includes research-based academic tools to help develop reading and math skills, build fine and gross motor skills, as well as social and emotional development. There are also specialist classes in science, world languages, music, art, technology, and physical education.

Lower School. Randolph believes that learning is a process, not a destination. From the moment students begin their educational journey at Randolph, the School strives to prepare them for the future, cultivating a love of learning that will serve them well throughout their schooling and in life, and building relationships that will support and sustain them as they move through the School and beyond. Lower School classes provide a learning environment focused on the needs of the whole child, nurturing creativity, supporting natural curiosity, and teaching foundational habits of heart and mind.

Randolph endeavors to uncover the potential in every student. The School's research-based curriculum offers a developmentally-appropriate learning experience that allows for differentiation of curriculum. Art, music, technology, science lab, world language, library, and physical education classes are taught by specialist teachers who work to impart their enthusiasm to their students.

Greengate School. Greengate School at Randolph serves students in grades 1-6 using an Orton-Gillingham approach to provide a specialized program of instruction that meets individual learning needs, while also offering students with dyslexia a full complement of co-curricular and extra-curricular school experiences. Greengate, one of 18 schools in the nation accredited by the Orton-Gillingham Academy and the only such school in Alabama, has educated children with dyslexia and related language-learning differences since 2002.

Randolph believes that access to dyslexia support is a critical resource for students. Greengate School at Randolph is accredited by SAIS and the Southern Association of Independent Schools. Greengate School at Randolph is a dyslexia resource for the community, offering testing, training for teachers and parents, tutoring, summer reading camps, dyslexia simulations, community education, and advocacy. These services are open to the community and not limited to students enrolled at Greengate School at Randolph.

Middle School. The Middle School program at Randolph is known for the strong academic grounding and preparation that all students receive. Teachers, coaches, and advisors strive to help students set high expectations, work cooperatively with others, find their passions, and develop the enduring self-confidence that comes from engaging with the world and communities around us. Randolph's program encourages intellectual growth and social development in a safe and nurturing environment.

Upper School. Randolph's Upper School is an engaging, challenging environment for students in 9th through 12th grade. The School is proud of its rigorous academic program, wide-ranging extracurricular activities, nurturing environment, and culture of trust. Each student experience is personal but is defined by opportunities in academics, the arts, and athletics.

The Upper School curriculum is purposefully developed to ensure that students are exposed to a breadth of experiences while also being provided the support and structure to examine the depth of their interests and passions. Each student belongs to an advisory group, a small collection of students in their grade led by a teacher who will guide their advisees through their entire four-year experience in the Upper School. The advisor becomes the main point of contact for families and helps their advisees select an appropriately challenging course load, which includes, for all students, robust offerings in World Languages and Fine Arts, as well as the opportunity to enroll in advanced placement ("**AP**") offerings across the curriculum. Randolph is a member of Global Online Academy ("**GOA**"), a consortium of leading independent schools from around the world. GOA courses equip students with the tools to be modern learners in a global society.

Students' work in the classroom, on the stage, and on the athletic field is further supported through unique off-campus programming, such as the School's Interim Week or Summer Internship Program, where students work with professional mentors, serve within the community, and engage with cultures different from their own to allow them to develop as citizens and connect their learning to real-world experiences.

The Arts. Woven into each grade's curriculum, the arts influence the intellectual, cultural, and creative growth of each Randolph student. The School's emphasis on process and expression challenges students to discover their own creative spirits and voices. Randolph believes that a strong arts program is essential for students to grow intellectually, culturally, and creatively.

Kindergarten students begin by exploring line, shape, color, and texture, the tools through which the language of art develops. As students grow and master the fundamentals, they move toward more personal expression. They may join the band or choir, or they may take courses in art history, painting, drawing, two-dimensional and three-dimensional art, ceramics, photography, and theater. Randolph offers a sophisticated AP program for juniors and seniors where they may produce their own design portfolios.

Athletics

Randolph's commitment to excellence and emphasis on honor, integrity, and character include its approach to athletics. The School strives to instill commitment, accountability, responsibility, discipline, and sacrifice to best prepare its students for life as young adults. Selectivity is a key ingredient to Randolph's well-rounded success: the School believes that sport only builds character if it is overseen by intentional coaches following an intentional process. In the past three years, Randolph has earned five team State Championships, finished 1st runner-up seven times, and won 14 individual state titles across ten different sports.

The School recognizes the needs of each grade and strives to prepare student-athletes for their next level using terminology, techniques, drills, and strategies of the varsity program, where applicable. The K-6 Randolph Athletics Program focuses on building interest and developing fundamentals. A higher level of competition is an option for certain programs.

Middle School athletics is about participation. At Randolph, evaluations determine if athletes should participate as "competitive" or "developmental" athletes, with the goal of fielding as many teams of competitive players as the School can and giving developmental players opportunities to learn and develop.

Randolph students have a number of interscholastic athletic opportunities which are highlighted in the following table.

Interscholastic Athletics

Baseball (B)	Football (B)	Swim & Dive (B/G)
Basketball (B/G)	Golf (B/G)	Tennis (B/G)
Bowling (B/G)	Indoor Track & Field (B/G)	Track (B/G)
Cheer (G)	Soccer (B/G)	Volleyball (G)
Cross Country (B/G)	Softball (G)	Wrestling (B/G)
Dance (G)		

FACULTY AND STAFF

Randolph's faculty work to promote a passion for learning at all levels of the academic experience. The following table depicts the number of full-time and part-time faculty employed by the School for the 2021-22 through 2025-26 academic years.

Faculty and Staff Composition

	# of Faculty and Staff				
Faculty	2021-22	2022-23	2023-24	2024-25	2025-26
Full time:	95	106	106	111	109
Part time:	24	18	21	17	16
Total Faculty	**119**	**124**	**127**	**128**	**125**
Non-Faculty					
Full time:	69	73	65	61	65
Part time:	6	8	10	4	6
Total Non-Faculty	**75**	**81**	**75**	**65**	**71**

The following table depicts the years of teaching experience of Randolph's faculty for the 2025-26 academic year.

2025-26 Faculty Teaching Experience

Years of Teaching Experience	# of Full-Time Teachers
0-5 years	12
6-10 years	17
11-15 years	19
16-20 years	17
21+ years	44
Total	109

The School is committed to attracting and retaining a diverse, highly qualified faculty. For the five academic years from 2020-21 through 2024-25, the School's median faculty salary totaled an average of 91.3% of the National Association of Independent Schools (NAIS) median salary. Attracting and retaining high quality faculty members is a priority for the School, and a key driver of the quality of the School's academic program. The School benchmarks faculty salaries against area independent and public schools.

In recent years, the School's leadership team reports minimal faculty turnover, and strong candidate pools for open faculty positions. The following table compares the median salaries of Randolph's faculty with the median faculty salary for NAIS schools for academic years 2020-21 through 2024-25.

Median Full-Time Faculty Salaries

	2020-21	2021-22	2022-23	2023-24	2024-25
Randolph School	$55,294	$55,749	$57,061	$61,032	$59,325
NAIS Median Faculty Salary	59,617	60,000	63,103	65,368	68,103
Randolph Salaries as % of NAIS	*92.7%*	*92.9%*	*90.4%*	*93.4%*	*87.1%*

Source: NAIS Facts at a Glance Report, Median of Median Faculty Salary – All Schools and

STUDENT ENROLLMENT

Admission to Randolph is competitive. Over the application cycles for the past five completed academic years, 66.5% of applicants were accepted to the School, and 83.8% students accepted to Randolph have chosen to matriculate at the School, indicating that Randolph is the school of choice for over four-fifths of accepted students. The following table shows the number of applications, acceptances, and matriculants to Randolph over the past five and upcoming academic years.

Student Demand Statistics

Academic Year	Applicants	Acceptances	Acceptance Ratio (%)	Matriculants	Matriculation Ratio (%)	Total Enrollment
2021-22	240	154	64.2%	136	88.3%	929
2022-23	246	166	67.5%	132	79.5%	972
2023-24	252	163	64.7%	129	79.1%	1,000
2024-25	258	176	68.2%	150	85.2%	1,014
2025-26	264	179	67.8%	155	86.6%	1,035
2026-27	236	179	75.8%	143	79.9%	1,049

Note: 2026-27 reflects partial-year data as of July 1, 2026

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Randolph enrolled 1,035 students for the 2025-26 academic year. Student enrollment by grade for the past five academic years is shown in the table below.

Annual Opening Enrollment by Grade

Grade	Fall 2021	Fall 2022	Fall 2023	Fall 2024	Fall 2025
Greengate 1-6	62	64	65	64	47
Pre-Kindergarten	n/a	32	47	48	50
Kindergarten	52	47	51	62	67
Grade One	54	53	52	52	64
Grade Two	56	53	55	55	53
Grade Three	53	56	56	57	57
Grade Four	45	54	57	57	60
Grade Five	59	54	65	64	72
Grade Six	68	73	65	71	71
Grade Seven	71	71	74	82	88
Grade Eight	82	83	74	73	83
Grade Nine	90	85	85	75	75
Grade Ten	88	86	82	85	78
Grade Eleven	73	90	85	84	86
Grade Twelve	76	71	87	85	84
Total Enrollment	929	972	1,000	1,014	1,035

Attrition occurs at Randolph when students decide not to enroll for the following year or are counseled out by the School. Over the past five academic years, Randolph's attrition rate has averaged 4.4%. In the School's view, financial considerations, mission misalignment, and family relocation have been the most frequent reasons for student attrition.

The following table depicts the percentage of students who have withdrawn or have not been granted re-enrollment to the School on an annual basis for the academic years 2020-21 through 2024-25:

Five Year History of Attrition

Academic Year	Students Eligible for Re-enrollment	Students Departing	Percentage of Enrollment
2020-21	820	47	5.7%
2021-22	817	36	4.4%
2022-23	853	34	4.0%
2023-24	896	32	3.6%
2024-25	914	39	4.3%

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COLLEGE TESTING AND PLACEMENT

The AP Program is a cooperative educational endeavor between secondary schools and colleges and universities. High school students take college-level AP courses, culminating in an opportunity to demonstrate what they have learned by taking an AP exam. Some colleges and universities may choose to grant credit, placement, or both, to students who score well. Scoring is based on a 1 to 5 point system, with a score of 3 indicating "qualified," 4 indicating "well qualified," and 5 indicating "very well qualified."

In 2025, Randolph students took a total of 454 AP Exams. The following table sets forth the number of AP exams taken by Randolph students and the number and percentage of Randolph students earning the highest possible score of "5", for the academic years 2020-21 through 2024-25.

Advanced Placement Examination Scores

	2020-21	2021-22	2022-23	2023-24	2024-25
Number of exams taken	307	336	381	366	454
Number of scores "3" or higher	245	282	328	331	413
Percent of scores "3" or higher	*79.8%*	*83.9%*	*86.1%*	*90.4%*	*91.0%*
Number of scores "5" or higher	64	101	101	120	123
Percent of scores "5" or higher	*20.9%*	*30.1%*	*26.5%*	*32.8%*	*27.1%*

Over the past five years of available data, SAT scores for Randolph students have averaged 124.6% of the national mean. The following table shows the mean SAT scores for Randolph students compared to the national mean scores for the classes of 2021 through 2025.

SAT Scores

	Class of 2021	Class of 2022	Class of 2023	Class of 2024	Class of 2025
Randolph Mean	1246	1264	1323	1325	1300
National Mean	1060	1050	1028	1024	1024
% of National Mean	*117.5%*	*120.4%*	*128.7%*	*129.4%*	*127.0%*

Source: The College Board Total Group Profile Report and Randolph internal records

Over the past five years of available data, ACT scores for Randolph students have averaged 143.9% of the national mean. The following table shows the mean ACT scores for Randolph students compared to the national mean scores for the classes of 2021 through 2025.

Average ACT Scores

	Class of 2021	Class of 2022	Class of 2023	Class of 2024	Class of 2025
Randolph Average ACT	28	29	28	28	28
National Average	20	20	20	19	19
% of National Average	*140.0%*	*145.0%*	*140.0%*	*147.4%*	*147.4%*

Source: American College Testing and Randolph internal records

Randolph's College Counseling Office provides a personalized experience for each student, ensuring that they can choose from schools which fit them best. Beginning in 9th grade, the College Counseling Office works closely with students and families to provide the appropriate guidance and resources necessary to navigate the college admissions process. This program is designed to ensure that Upper School students graduate from Randolph prepared to succeed in college and beyond, while also making meaningful contributions within their new communities.

Randolph graduates regularly gain acceptance to some of the most selective colleges and universities throughout Alabama and the United States. Over the past five years, Randolph graduates have matriculated at Auburn University, The University of Alabama, Texas Christian University, University of Mississippi, and University of Miami, among others.

The following table depicts those colleges and universities to which ten or more members of the graduating classes of 2021 through 2025 matriculated:

College Matriculation of Graduates
(Classes of '21 through '25)

Institution	Number Matriculated
Auburn University	102
The University of Alabama	65
University of Alabama at Birmingham	23
University of Alabama in Huntsville	8
Texas Christian University	8
University of Mississippi	7
University of Miami	7
Mississippi State University	6
Samford University	6
University of Montevallo	5
American University	5
Southern Methodist University	5
Sewanee: The University of the South	4
Rhodes College	4
Belmont University	4
George Washington University	4
Wake Forest University	4

TUITION & FINANCIAL AID

The following table shows the School's tuition rates by academic program for the past five and upcoming academic years.

Randolph Historic Tuition Levels

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Preschool	n/a	$14,900	$15,700	$16,250	$16,820	$ 17,410
Grades K-4	$17,676	18,300	19,250	19,924	20,620	21,340
Grades 5-8	19,880	20,580	21,600	22,356	23,140	23,950
Grades 9-12	22,391	23,180	24,400	25,254	26,140	27,055
Greengate 1-6	26,132	27,050	28,400	29,394	30,420	31,485

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For the 2025-26 academic year, Randolph's tuition was 11.6% less than the least expensive competitor the School benchmarks itself against. The following table depicts the 2025-26 academic year tuition rates for Randolph School and other regional day schools against which the School compares itself and with which it competes for students:

Comparative 2025-26 Tuition (12th Grade)

School	Tuition
McCallie School (Chattanooga, TN)	$ 36,970
Baylor School (Chattanooga, TN)	32,650
Altamont School (Birmingham, AL)	30,632
Indian Springs (Birmingham, AL)	30,600
Randolph School	**27,055**

Source: Randolph internal records and websites of peer institutions

For the 2025-26 academic year, the School awarded $4.0 million in tuition assistance to 27.6% of its students. The following table shows the tuition assistance awarded to students by the School for the past five academic years:

Tuition Assistance

Academic Year	Recipients	% of Student Body Receiving Aid	% of Tuition Revenue	Average Grant as % of Tuition	Total Grants
2021-22	283	30.5%	17.4%	57.0%	$ 3.5 million
2022-23	269	27.7%	16.8%	60.7%	3.5 million
2023-24	293	29.4%	15.9%	54.2%	3.8 million
2024-25	287	28.4%	15.8%	55.8%	4.0 million
2025-26	286	27.6%	16.5%	59.8%	4.0 million

Randolph offers tuition remission to its full-time employees. Eligible employees may receive 75% tuition remission for **one child** enrolled in grades K-12 and 50% remission for one child enrolled in Pre-Kindergarten. Any full-time salaried employee whose tenure at Randolph dates back to the 2015-16 academic year and has since been continuously employed by the School is eligible for 75% tuition remission for **each child** enrolled in grades K-12 and 50% remission for one child enrolled in Pre-K. Remission awarded by Randolph covers only the cost of tuition and excludes all other fees and expenses.

FINANCIAL MATTERS

The following summaries and discussions of financial matters should be read in conjunction with the School's audited financial statements for the fiscal years ended June 30, 2021 through 2025, which have been audited by Warren Averett, LLC, independent auditors ("**Warren Averett**"), as stated in the respective reports appearing herein. Warren Averett has not performed any specified agreed-upon procedures relating to this Official Statement. The financial statements of the School have been prepared on an accrual basis in accordance with the U.S. Generally Accepted Accounting Principles (U.S. GAAP) for educational institutions.

The following table summarizes the Unrestricted Statement of Activities, referred to as "Without Donor Restrictions (Unrestricted)" for the fiscal years ended June 30, 2021 through 2025. The information presented in these tables has been extracted from the School's audited financial statements for the respective years.

Statement of Unrestricted Activities
(Fiscal Year Ended June 30,)

	2021*	2022	2023	2024	2025
Revenues and support					
Tuition and fees, net	$ 15,622,660	$ 17,238,967	$ 18,947,376	$ 20,244,385	$ 21,342,735
Contributions	551,641	930,662	767,530	1,168,159	896,894
Investment income, net	5,477,516	(3,834,904)	2,186,492	3,214,906	3,309,329
Auxiliary services	726,588	1,858,839	2,243,848	2,598,103	2,746,580
Fundraising	83,980	306,161	361,865	327,994	238,566
Net assets released from restriction	659,308	150,472	332,931	417,093	188,277
Total revenues and support	23,121,693	16,650,197	24,840,042	27,970,640	28,722,381
Expenses:					
Instruction and student activities	14,316,351	16,845,772	18,304,285	19,436,858	21,377,049
Auxiliary services	469,932	545,806	705,376	759,200	753,277
Fundraising	405,787	381,552	371,489	444,047	560,950
General and administrative	2,842,239	2,754,500	3,133,171	3,260,611	3,470,923
Total expenses	18,034,308	20,527,600	22,514,321	23,900,716	26,162,199
Change in net assets before other adjustments	5,087,385	(3,877,403)	2,325,721	4,069,924	2,560,182
Gain (loss) on interest rate swap	1,770,588	2,558,582	974,428	391,547	(227,260)
PPP Loan Forgiveness	2,269,300	-	-	-	-
Change in net assets	9,127,273	(1,318,821)	3,300,149	4,461,471	2,332,922
Net assets at beginning of year	22,681,317	31,808,590	30,489,769	33,789,918	38,251,389
Net assets at end of year	$ 31,808,590	$ 30,489,769	$ 33,789,918	$ 38,251,389	$ 40,584,311

** As restated to reflect reclassification from net assets with donor restrictions to net assets without donor restrictions resulting from management review of donor restricted funds, which determined that certain restrictions had previously been satisfied but not properly released in the accounting records.*
Source: Randolph School audited financial statements

Randolph's net assets as of last day of fiscal years ended June 30, 2021 through 2025 were as follows:

Net Assets
(As of June 30,)

	2021*	2022	2023	2024	2025
Without Donor Restriction	$ 31,808,590	$ 30,489,769	$ 33,789,918	$ 38,251,389	$ 40,584,311
With Donor Restriction					
Purpose / Time Restricted	5,788,793	5,522,607	4,712,868	9,466,920	11,921,852
Restricted in Perpetuity	771,574	882,324	912,926	955,776	955,776
Restricted subtotal	6,560,367	6,404,931	5,625,794	10,422,696	12,877,628
Total net assets	$ 38,368,957	$ 36,894,700	$ 39,415,712	$ 48,674,085	$ 53,461,939

** As restated to reflect reclassification from net assets with donor restrictions to net assets without donor restrictions resulting from management review of donor restricted funds, which determined that certain restrictions had previously been satisfied but not properly released in the accounting records.*
Source: Randolph School audited financial statements

Management Discussion of Financial Performance

Over the past five fiscal years, Randolph's financial position has improved substantially. The School's total net assets have grown to $53.5 million as of June 30, 2025, an increase of 39.3% from the School's $38.4 million of total net assets as of June 30, 2021.

The School's net asset growth has been fueled by significant philanthropic giving, returns, and performance of the School's investment portfolio, and enrollment growth. Randolph's 2025-26 enrollment of 1,035 represents an 11.4% increase over the School's 2021-22 enrollment of 929 students. Total investments as of June 30, 2025 were $38.6 million, an increase of $9.3 million, or 31.7%, when compared to the School's $29.3 million of total investments as of June 30, 2021. Additionally, less than $1.0 million of the School's net assets are restricted in perpetuity; the vast majority of the School's cash and investments assets are classified as "without donor restriction."

For the recently completed fiscal year ended June 30, 2026, Randolph continued its trend of sound financial operating performance combined with strong fundraising support and positive investment performance. Despite certain expenses related to recently completed and on-going capital projects, the School achieved year-end results that were favorable when compared to budget estimates.

Investments and Endowment

The School maintains investment assets both as part of its endowment fund and separate investments that represent excess working capital, reserves, and donor funds held until appropriated for donor-specified purposes. The Finance Committee is responsible for the overall operation and implementation of the School's investment policy, and the School has engaged Twickenham Advisors as its external investment advisor. The School's investment policy provides that the investment programs shall be guided by the following general considerations: (i) security and preservation of assets against permanent loss under normal or reasonably likely or foreseeable conditions; (ii) liquidity and marketability consistent with Randolph's anticipated short term cash requirements balanced with long term capital needs and growth; and (c) diversification and minimization of risk.

The following table shows the market value of the School's investment portfolio for the five fiscal years ended 2021 through 2025:

Investments

(Presented at Fair Value)

	2021*	2022*	2023	2024	2025
Money market funds	$ -	$ -	$ -	$ 202,361	$ 6,710,687
Common stocks	9,753,497	7,382,691	8,555,580	17,081,719	18,071,342
Mutual funds	12,258,396	10,547,478	12,108,481	7,451,123	9,055,762
Exchange traded funds	415,169	605,971	1,318,322	801,233	-
Alternative investments	3,339,768	2,612,906	2,893,612	3,720,310	3,465,520
Corporate bonds	-	2,780,235	2,149,140	-	-
U.S. Treasury securities	2,450,633	617,502	1,049,031	1,918,443	851,008
Mortgage-backed securities	671,804	781,987	630,322	-	-
Real estate	355,000	-	-	-	-
Other	31,420	30,804	29,535	155,096	395,684
Total	$ 29,275,687	$ 25,359,574	$ 28,734,023	$ 31,330,285	$ 38,550,003

* *As restated.*
Source: Randolph School audited financial statements

As of June 30, 2025, the School reported a total investment portfolio value of $38.6 million.

The endowment fund, part of the School's investment portfolio, is designed to support the long-term financial health and sustainability of the School as well as a predictable, recurring stream of income for the School's annual operating budget via the Board-approved spend rate appropriation. The School's endowment fund includes both donor-restricted assets (the initial gift amount is classified as perpetually restricted, and earnings above the original amount are classified as donor-restricted until appropriated) and assets without donor restriction that have been designated by the Board to serve as endowment.

To achieve its long-term return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The School targets a diversified asset allocation with a bias toward equity and equity-like investments to achieve long-term objectives with prudent risk constraints.

The Board determines the method to be used to appropriate endowment funds for expenditure. The long-term objective of the School's spending policy is to maintain or increase the purchasing power of the endowment with the goal of providing a predictable and sustainable level of income to support current operations. Under this policy, spending for a given year is evaluated and approved by the Board each December and shall not exceed 5% for the endowment funds for the coming year based on the financial statements and anticipated needs of the School. Earnings in excess of the spending rate are to be allocated to the principal balance of the endowment funds.

The School's endowment funds have increased in value from $26.4 million as of June 30, 2021 to $32.0 million as of June 30, 2025, an increase of $5.6 million, or 21.2%. The following table shows the market value of the School's endowment by level of restriction for the fiscal years ended June 30, 2021 through 2025.

Endowment Funds

	2021*	2022*	2023	2024	2025
Without Donor Restriction	$ 23,666,658	$ 20,173,470	$ 25,342,609	$ 27,063,724	$ 28,808,840
With Donor Restriction					
Purpose / Time Restricted	1,993,832	1,615,048	1,827,501	1,973,632	2,268,634
Restricted in Perpetuity	771,574	882,324	912,926	955,776	955,776
Restricted subtotal	2,765,406	2,497,372	2,740,427	2,929,408	3,224,410
Total endowment assets	$ 26,432,064	$ 22,670,842	$ 28,083,036	$ 29,993,132	$ 32,033,250

** As restated.*
Source: Randolph School audited financial statements

Outstanding Indebtedness and Swaps

The School is presently obligated on The Educational Building Authority of the City of Huntsville – Randolph School Lease Revenue Bonds (Randolph School Project), Series 2008 and The Educational Building Authority of the City of Huntsville – Randolph School issued Lease Revenue Bonds (Randolph School Project), Series 2025 (collectively, the "**Existing Debt**"). The Existing Debt is secured by liens on the revenues and assets of the School, but will be paid in full and discharged upon the issuance of the Bonds and application of the proceeds thereof, at which time such liens will be released and discharged.

The School is party to an interest rate swap agreement with a notional amount of $27.5 million under which the School pays a fixed interest rate and receives a variable interest rate from the counterparty. See

Appendix B for additional detail on the Existing Debt. The School is terminating this swap agreement substantially concurrently with the issuance of the Bonds. See "PLAN OF FINANCE – Existing Debt and Existing Swap Agreement" in the front part of this offering document and **Appendix B** for additional detail on this interest rate swap agreement.

ADVANCEMENT

Randolph's advancement office solicits philanthropic contributions in support of the School through four primary giving channels: the Randolph Fund, the School's annual fund; direct contributions to the School's endowment; sponsorships and events; and support of capital campaigns.

The following table depicts total sources of philanthropic support by donor group during the 2020-21 through 2024-25 academic years:

Annual Giving

Donor Group	2020-21	2021-22	2022-23	2023-24	2024-25
Trustees	$ 130,819	$ 111,551	$ 129,287	$ 77,525	$ 99,650
Alumni	93,093	111,561	147,883	129,767	96,936
Current Parents	294,735	338,205	424,164	390,009	401,272
Grandparents	85,384	107,404	95,396	151,890	121,555
Past Parents	22,014	23,741	64,226	62,540	44,365
Faculty/Staff	9,767	10,741	8,996	10,325	10,131
Other individuals	2,208	13,869	608	3,878	7,550
Organizations	74,250	43,553	82,431	131,221	161,460
Total	$ 712,270	$ 760,625	$ 952,991	$ 957,155	$ 942,919

The following table depicts total sources of philanthropic support by category during the 2020-21 through 2024-25 academic years:

Total Philanthropic Support – All Gifts

Donor Group	2020-21	2021-22	2022-23	2023-24	2024-25
Annual Fund	$ 712,270	$ 760,625	$ 952,991	$ 957,155	$ 942,919
Capital Campaign	182,056	315,255	108,087	3,778,325	1,600,024
Other Giving*	-	-	329,631	102,437	260,266
Total	$ 894,326	$ 1,075,880	$ 1,390,709	$ 4,837,917	$ 2,803,209

*Other Giving includes outright gifts, payments received to fulfill pledges in the current or previous years, irrevocable planned gifts at face value, and funds received from realized bequests/legacies.

See "**CAMPUS MASTER PLAN AND THE LOWER SCHOOL PROJECT – Capital Campaign**" for preliminary data on capital campaign commitments and receipts in fiscal year 2026.

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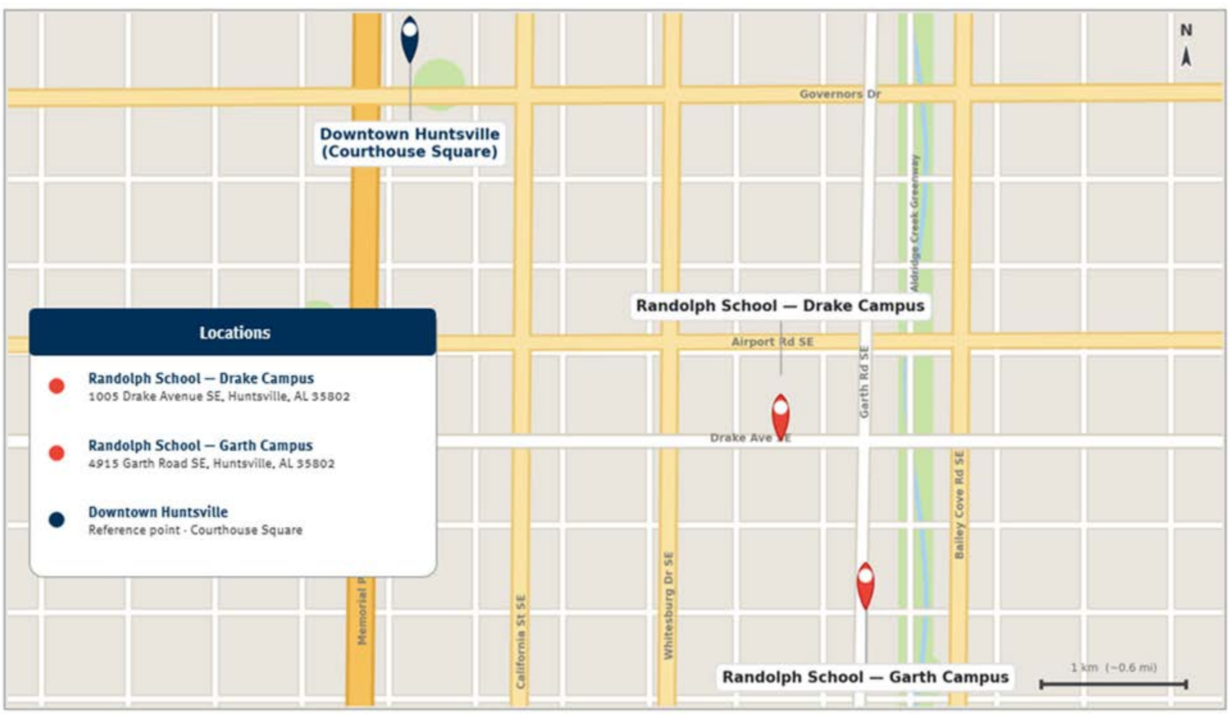
CAMPUS MASTER PLAN AND THE LOWER SCHOOL PROJECT

Geographic Area and Existing Facilities

Over the past 65 years, both Huntsville and Randolph School have undergone notable growth and change. As Huntsville has become a hub for 21st century industries, Randolph has grown in tandem. Since opening its doors in 1959, Randolph has been an educational leader in its community, providing a nurturing environment that fosters intellectual curiosity, personal growth, and excellence in academics, the arts, and athletics.

The Huntsville, Alabama area is currently experiencing a period of particularly significant population expansion. The city and region are responding with substantial infrastructure and new housing unit investments, including major infrastructure like the new Northern Bypass and a new recreation center at John Hunt Park. This growth and expansion supports the School's growing enrollment and campus master planning process described herein.

The following map depicts the location of the School's campuses relative to each other and Downtown Huntsville:



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The following table identifies Randolph's existing buildings by campus and approximate square footage.

Randolph Existing Facilities

Facilities	Square Footage
Garth Campus	
Nichols Academic Building	70,138
Thurber Arts Center	29,457
Shields-Jones Athletic Complex	28,100
Leo Center for Excellence	22,100
Garth Campus Subtotal	*149,795*
Drake Campus	
Randolph House	5,000
Rhett Fine Arts Center	13,000
Pre-Kindergarten Buildings	3,200
Kindergarten Hall	7,000
First / Second Grade Hall	9,000
Rison Hall (Third & Fourth Grade, Dining, Library)	25,000
Fifth / Sixth Grade Hall	12,000
Seventh / Eighth Grade	28,000
Music and Fitness Building	12,000
Knight Lowe Gym	13,000
Maintenance Building	3,000
Greenhouse Building	100
Storage Shed 1	200
Storage Shed 2	400
Storage Shed 3	400
Drake Campus Subtotal	*131,300*
Total	**281,095**

· *Randolph internal records*

Randolph School owns approximately 90 acres of land. Based on the School's current insurance policy, the estimated replacement value of the campus is $90 million.

Strategic Plan and Campus Master Plan

In 2022, the School adopted a Strategic Plan that identified the following strategic priorities:

- One Randolph: Strengthen our community of belonging and support
- Prepare for More: Prepare, support and inspire students through life-changing learning experiences
- Build for the Future: Enhance our learning environment to support student needs for current and future generations

The School's success in implementing the first two strategic priorities are described herein under "**CURRICULUM**," "**FACULTY AND STAFF**," and "**STUDENT ENROLLMENT**."

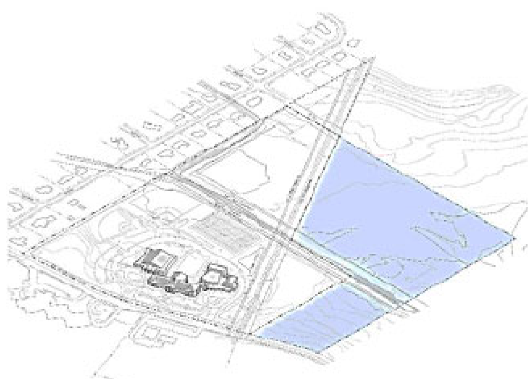
In 2023, the School adopted its Campus Master Plan in furtherance of the third strategic priority. The Campus Master Plan provides for a single, unified campus comprised of the Garth Campus and the Acquired Property (77 acres in total), to be accomplished in two phases.

The School believes that creating a unified, cohesive environment on this single campus will enhance the sense of community and belonging among students, faculty, parents, grandparents, alumni, and the greater Huntsville community. This strategic move aligns with Randolph's mission to provide a rigorous and well-rounded college preparatory education within a nurturing community. A unified campus is also expected to facilitate numerous operating efficiencies, both for the School and for current and prospective families, particularly those families with multiple children at Randolph.

The School completed the first phase in Spring 2026 with the opening of the Leo Center, a multipurpose facility that includes community gathering space, an additional gymnasium for all student divisions, an expanded performance space for student-athletes, and an Innovation Hub and Technology lab for the STEM program. At a cost of $14.0 million, construction of the Leo Center was funded by a combination of fundraising contributions and by the Series 2025 Existing Debt.

In 2024 the School completed the purchase of the Acquired Property, which allows Randolph to move forward with the second phase of the Campus Master Plan, the relocation of the Lower School facilities on the Drake Campus to the Acquired Property.

The schematic below depicts the current Garth Campus (outlined in black) and the Acquired Property (outlined in blue) from an aerial perspective.



The second building phase of the School’s campus master plan includes the construction of new Lower School facilities, comprising the Lower School Project. Randolph engaged Hastings Architecture, LLC, to lead the conceptualization design of the Lower School Project. JOHNSONKREIS Construction is the general contractor. The School and the contractor have agreed to a guaranteed maximum price (“**GMP**”) construction contract with a GMP of $19.8 million. Randolph’s owner costs, including contingency, are anticipated to be an additional $1.0 million. Randolph began construction in July 2026. The Lower School Project is estimated to be completed by August 2027, in time to open the new Lower School facilities for the 2027-28 academic year.

After relocation of the Lower School facilities to the expanded Garth Campus, the School will begin evaluating options for the Drake Campus, which could include disposition of that property.

Preliminary renderings of the Lower School Project follow below.

Capital Campaign

In support of its campus unification project, Randolph has embarked on the $36.0 million *Building Community: The Campaign for Randolph School* capital campaign following a campaign readiness assessment by Johnson Grossnickle Associates ("**JGA**"), a campaign feasibility consultant. JGA identified more than $91 million in overall giving capacity from Randolph's top prospects, including 233 households which exhibit strong engagement with Randolph and are estimated to have the capacity to give $25,000 or more to any charity over the next five years. As of June 2026, the School had raised $10.1 million of capital commitments, comprised of $5.7 million in cash and the remaining $4.4 million scheduled to be received in future years in accordance with donor pledge schedules.

Additionally, the School has secured $4.0 million in planned gifts and bequests (approximately $1.5 million received and the remainder anticipated in 2027), which the Board has designated for the capital campaign. The School has also committed $1.0 million of institutional funds through an endowment draw and self-investment to support campaign priorities.

ACCREDITATION AND MEMBERSHIPS

Randolph is accredited by the Southern Association of Independent Schools (SAIS) and Cognia and is a member of the National Association of Independent Schools (NAIS), the Independent School Data Exchange (INDEX), the National Business Officers Association (NBOA), Mid-South Independent School Business Officers (MISBO), the Alabama Independent School Association (AISA), the Council for the Advancement and Support of Education (CASE), and the Association of Independent School Admission Professionals (AISAP).

RETIREMENT PLANS

The School has adopted a defined contribution plan for all eligible employees. Prior to 2024, the plan operated under Section 403(b) of the Internal Revenue Code and used the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) to provide benefits. In 2024, the School moved the plan to the Mid-South Independent School Business Officers (MISBO) Multi-Employer Plan. All employees are eligible to begin participation upon employment. The School matches 100% of contributions up to 6% of the employee's salary for all full-time employees upon employment. The School expensed a total of $486,510 and $468,028 in contributions to the plan for the years ended June 30, 2025 and 2024, respectively.

INSURANCE

The School carries standard industry insurance policies, including but not limited to property, general liability, professional liability, crime, auto, umbrella, directors & officers liability, cybersecurity, employment practice liability, business interruption, and workers compensation.

LITIGATION

The School has no knowledge of any threatened or existing claim or litigation for which adequate insurance coverage does not exist or which could otherwise have a material adverse effect on the School's financial condition or operations or affect its ability to carry out its responsibilities relating to any financing agreement.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF RANDOLPH SCHOOL FOR THE FISCAL YEARS DESCRIBED HEREIN

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RANDOLPH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

RANDOLPH SCHOOL
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JUNE 30, 2025 AND 2024

Warren Averett
CPAs AND ADVISORS

2500 Acton Road
Birmingham, AL 35243
205.979.4100
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Randolph School

Opinion
We have audited the accompanying financial statements of Randolph School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Randolph School as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Randolph School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Randolph School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Warren Averett, LLC

Huntsville, Alabama
December 3, 2025

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	$ 3,061,594	$ 7,210,008
Investments – short-term	325,046	202,361
Accounts receivable	83,895	111,371
Beneficial interest in trust – current portion	77,000	77,000
Promises to give, net – current portion	514,130	340,607
Prepaid expenses	130,850	183,340
Total current assets	4,192,515	8,124,687
PROPERTY AND EQUIPMENT, NET	34,474,472	30,674,772
OTHER ASSETS		
Investments – long-term	38,224,957	31,127,924
Investments in real estate	107,000	107,000
Beneficial interest in trust – long-term	2,846,507	2,658,969
Promises to give, net	1,499,428	1,196,596
Other assets	170,553	222,831
Total other assets	42,848,445	35,313,320
TOTAL ASSETS	$ 81,515,432	$ 74,112,779

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Accounts payable	$ 2,068,897	$ 262,145
Accrued expenses	1,037,776	911,634
Unearned tuition	3,171,812	2,632,574
Refundable advance	1,042,804	638,126
Current portion of long-term debt	1,065,000	1,010,000
Total current liabilities	8,386,289	5,454,479
LONG-TERM LIABILITIES		
Long-term debt, net	18,866,518	19,385,108
Interest rate swap	731,423	504,163
Other long-term liabilities	69,263	94,944
Total long-term liabilities	19,667,204	19,984,215
TOTAL LIABILITIES	28,053,493	25,438,694
NET ASSETS		
Without donor restrictions	40,584,311	38,251,389
With donor restrictions		
Restricted by purpose or time	11,921,852	9,466,920
Restricted in perpetuity	955,776	955,776
Total with donor restrictions	12,877,628	10,422,696
Total net assets	53,461,939	48,674,085
TOTAL LIABILITIES AND NET ASSETS	$ 81,515,432	$ 74,112,779

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Tuition and fees, net of tuition credits of $3,966,316 and $3,815,732, respectively	$ 21,342,735	$ -	$ 21,342,735	$ 20,244,385	$ -	$ 20,244,385
Contributions	896,894	2,029,103	2,925,997	1,168,159	4,743,442	5,911,601
Investment income, net	3,309,329	321,887	3,631,216	3,214,906	286,822	3,501,728
Auxiliary services	2,746,580	-	2,746,580	2,598,103	-	2,598,103
Net change in fair value of beneficial interest in trust	-	292,219	292,219	-	183,731	183,731
Fundraising	238,566	-	238,566	327,994	-	327,994
Net assets released from restrictions	188,277	(188,277)	-	417,093	(417,093)	-
Total revenues and support	28,722,381	2,454,932	31,177,313	27,970,640	4,796,902	32,767,542
EXPENSES						
Instruction and student activities	21,377,049	-	21,377,049	19,436,858	-	19,436,858
Auxiliary services	753,277	-	753,277	759,200	-	759,200
Fundraising	560,950	-	560,950	444,047	-	444,047
General and administrative	3,470,923	-	3,470,923	3,260,611	-	3,260,611
Total expenses	26,162,199	-	26,162,199	23,900,716	-	23,900,716
CHANGE IN NET ASSETS BEFORE OTHER ADJUSTMENTS	2,560,182	2,454,932	5,015,114	4,069,924	4,796,902	8,866,826
GAIN (LOSS) ON INTEREST RATE SWAP	(227,260)	-	(227,260)	391,547	-	391,547
CHANGE IN NET ASSETS	2,332,922	2,454,932	4,787,854	4,461,471	4,796,902	9,258,373
NET ASSETS AT BEGINNING OF YEAR	38,251,389	10,422,696	48,674,085	33,789,918	5,625,794	39,415,712
NET ASSETS AT END OF YEAR	$ 40,584,311	$ 12,877,628	$ 53,461,939	$ 38,251,389	$ 10,422,696	$ 48,674,085

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,787,854	$ 9,258,373
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,650,720	1,559,191
Interest expense related to debt issuance costs	3,092	3,093
Net change in fair value of beneficial interest in trust	(262,994)	(183,731)
Noncash contributions of securities	(1,053,282)	-
Net unrealized gain on investments	(265,005)	(1,285,851)
Gain from sale of investments	(2,101,981)	(885,173)
Loss (gain) on interest rate swap	227,260	(391,547)
Change in:		
Accounts receivable	27,476	(72,309)
Promises to give	(476,355)	(1,487,960)
Beneficial interest in trust	75,456	75,456
Prepaid expenses	52,490	1,571
Other assets	52,278	(164,888)
Accounts payable	1,806,752	(174,019)
Other liabilities	(25,681)	94,944
Accrued expenses	126,142	169,460
Unearned tuition	539,238	90,391
Refundable advance	404,678	638,126
Net cash provided by operating activities	5,568,138	7,245,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,450,420)	(4,828,694)
Purchase of investments	(36,005,287)	(30,887,547)
Proceeds from sale of investments	32,205,837	30,462,309
Net cash used in investing activities	(9,249,870)	(5,253,932)

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	$ 553,318	$ -
Payments on long-term debt	(1,020,000)	(970,000)
Net cash used in financing activities	(466,682)	(970,000)
CHANGE IN CASH AND CASH EQUIVALENTS	(4,148,414)	1,021,195
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,210,008	6,188,813
END OF YEAR	$ 3,061,594	$ 7,210,008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 791,017	$ 923,514

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Randolph School (the School) is an independent private school whose primary business activity is providing education for prekindergarten through grade 12. The School is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. The School is located in Huntsville, Alabama, and its targeted tuition base is comprised of students in the North Alabama area.

In July 2018, the School acquired the net assets of Greengate School for the purpose of expanding the educational and support facilities for students with dyslexia and related language-based learning differences.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. GAAP requires the School to report information regarding its financial position and activities based on the existence or absence or donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions*: Net assets available for general use are not subject to donor restrictions. Net assets without donor restrictions also include property, plant and equipment, net of related indebtedness and accumulated depreciation, and Board-designated quasi-endowment funds.
>
> *Net Assets With Donor Restrictions*: Net assets with donor restrictions are utilized to account for contributions that are donor restricted for uses that have not yet been fulfilled by either time, purpose or law, as well as to account for contributions whereby the donor has permitted the School to use the income for specified or unspecified purposes, but has restricted the spending of principal in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of noninterest-bearing checking accounts and savings accounts. For purposes of reporting cash flows, the School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains cash and cash equivalents in accounts with high quality, federally insured financial institutions. At times, the balances in these accounts may be in excess of federally insured limits.

Investments

Investments are reported at fair value. Unrealized gains and losses in the carrying values of investments are included in investment income in the accompanying statements of activities and changes in net assets. No investment or group of investments represents a significant concentration of market risk. Investment in real estate is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts.

Risks and Uncertainties
Marketable securities and other investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and those changes could materially affect the School's net assets.

Accounts Receivable
Accounts receivable are stated at unpaid balances, less an allowance for credit losses. The School provides for losses on accounts receivable using the allowance method. The allowance method is based on experience and adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the School. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There were no uncollectible accounts charged off during the years ended June 30, 2025 and 2024.

Promises to Give
Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions either by time and purpose or in perpetuity, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions by time and purpose are reclassified to net assets without donor restrictions.

The School uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance for the year ended June 30, 2025, was $67,731. There was no allowance recorded in 2024.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor conditions, amounts are reported as refundable advances. Conditional promises to give were $2,092,197 and $2,543,749 at June 30, 2025 and 2024, respectively.

Beneficial Interest in Trust
The School has been named as beneficiary of a charitable trust. The fair value of the School's interest in these funds was recognized as an asset and as contribution revenue when the trust was established. The value of the School's interest is adjusted annually for changes in fair value. The School is named the beneficiary of revocable trusts in which it is possible for the benefactor to change the beneficiary of the trusts; therefore, these trusts are not recorded in the accompanying financial statements.

Property and Equipment
Property and equipment is stated at cost. Donated building and equipment are recorded at fair market value at the date of donation. Additions, improvements and expenditures for repairs and maintenance that significantly add to the productivity or extend the useful life of the asset are capitalized. Other expenses for repairs and maintenance are charged to operations when incurred.

Depreciation is calculated using the straight-line method based on estimated useful lives of three to forty years. When assets are retired, the assets and related accumulated depreciation are removed from the respective accounts, and any profit or loss due to the disposition is credited or charged to income.

Revenues and Expenses
Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-stipulation or by law. Expirations of purpose or time restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Revenue from Contracts with Customers
Contracts with customers (primarily students) are recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the School expects to be entitled in exchange for those goods or services.

Revenue from student tuition is reflected net of reductions from institutional student aid. Tuition revenue is recognized as services are provided during the period of instruction. As amounts are received for tuition prior to the earnings period, the prepaid tuition is recorded as unearned tuition in the accompanying statements of financial position.

Contribution Revenue
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets restricted by purpose or time or in perpetuity support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as without donor restrictions.

Contributed services are recognized when the School would typically purchase such services if they require specialized skills and the contributor possesses such skills.

Contributed property and equipment or property usage is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Derivative Instruments
The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary risk managed by the School through the use of derivative instruments is interest rate risk. Derivatives are carried at fair value on the statements of financial position. The cash flow impact of derivative instruments is included in the statements of cash flows in cash paid for interest.

Income Taxes
The School is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and also is exempt from state income taxes under the applicable income tax regulations of the state of Alabama. The School files income tax returns in the U.S. federal jurisdiction. The School has filed its tax returns for all years through June 30, 2024, and is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2021.

The School is not aware of material uncertain tax positions that would require disclosure or accrual in accordance with U.S. GAAP.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments
The carrying amount of financial instruments, including cash, pledges receivable, accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short maturity of these instruments. The carrying value of long-term debt approximates fair value because the interest rates fluctuate with market interest rates, or the fixed rates are based on current rates offered to the School for debt with similar maturities. The fair value of the interest rate swaps (used for purposes other than trading) is the estimated amount the School would pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the School for liabilities.

Allocation of Expenses by Function and Nature
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Subsequent Events
The School has evaluated events and transactions for potential recognition or disclosure through December 3, 2025, the date the financial statements were available to be issued.

2. LIQUIDITY

The schedule below reflects the School's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general use within one year because of donor or Board-imposed restrictions. Amounts not available include Board-designated quasi-endowment funds.

	2025	2024
Financial assets, at year end	$ 46,632,557	$ 42,924,836
Less: assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	12,877,628	10,422,696
Board designations:		
Quasi-endowment funds	28,808,840	27,063,724
Financial assets available to meet cash needs for general expenditures within one year	$ 4,946,089	$ 5,438,416

The School obtains certain support from donor-restricted contributions. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. In addition, endowment funds include both donor-restricted funds and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Due to the donor restrictions and Board designations above, certain financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. INVESTMENTS

Investments consisted of the following at June 30:

	2025	2024
Money market funds	$ 6,710,687	$ 202,361
Common stocks	18,071,342	17,081,719
Mutual funds	9,055,762	7,451,123
Exchange traded funds	-	801,233
Alternative investments	3,465,520	3,720,310
U.S. Treasury securities	851,008	1,918,443
Other	395,684	155,096
	$ 38,550,003	$ 31,330,285

Investment income consisted of the following for the years ended June 30:

	2025	2024
Interest and dividends	$ 1,540,221	$ 1,536,206
Net realized gain on sale of investments	2,101,981	885,173
Net unrealized gain on investments	265,005	1,285,851
Fees	(275,991)	(205,502)
	$ 3,631,216	$ 3,501,728

4. PROMISES TO GIVE

Unconditional promises to give are summarized as follows at June 30:

	2025	2024
Funds with donor restrictions:		
Gross promises to give	$ 2,301,101	$ 1,729,143
Unamortized discount	(219,812)	(191,940)
Allowance for uncollectable pledges	(67,731)	-
Net promises to give with donor restrictions	$ 2,013,558	$ 1,537,203

Unconditional promises to give are collectible as follows at June 30:

	2025	2024
Amounts due in:		
Less than one year	$ 514,130	$ 340,607
One to five years	1,499,428	1,196,596
Net promises to give with donor restrictions	$ 2,013,558	$ 1,537,203

Promises to give due in more than one year were reflected at present value of estimated future cash flows using a discount rate ranging from 3.66% to 4.69%.

5. BENEFICIAL INTEREST IN TRUST

The School has been named as beneficiary of a charitable trust. Annually, the School is entitled to 5% of the total amount distributed from the trust. The trust will cease during the year ending June 30, 2028, and the School will be entitled to 10% of the trust's net assets.

The fair value is remeasured at the end of each fiscal year using a discount rate and estimated cash flows to estimate the value of the beneficial interest. The discount rates of 3.79% and 4.3% in 2025 and 2024, respectively, have been determined by management, which are the market yields on Treasury notes.

Beneficial interest in trust consisted of the following at June 30:

	2025	2024
Trust receivable expected to be collected in:		
Less than one year	$ 77,000	$ 77,000
One to five years	3,182,801	3,143,927
	3,259,801	3,220,927
Less: unamortized discount	(336,294)	(484,958)
Total net trust receivable	$ 2,923,507	$ 2,735,969

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2025	2024
Land	$ 8,461,140	$ 8,461,140
Buildings and improvements	39,151,424	38,788,994
School equipment	4,265,209	4,032,400
Vehicles	545,806	541,402
Construction in progress	5,470,478	629,162
	57,894,057	52,453,098
Less: accumulated depreciation	(23,419,585)	(21,778,326)
	$ 34,474,472	$ 30,674,772

Depreciation expense for the years ended June 30, 2025 and 2024, was $1,650,720 and $1,559,191, respectively. The estimated cost to complete construction in progress was $10,017,000 as of June 30, 2025,.

7. FAIR VALUE MEASUREMENTS

FASB ASC 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).
The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2025 and 2024:

Money market funds, common stock, mutual funds, exchange traded funds and U.S. Treasury securities: Where quoted prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation and discounted cash flows are used, securities are classified within Level 3 of the valuation hierarchy.

Other investments: These securities for real estate investment trusts (REIT) are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data and classified within Level 2 of the hierarchy.

The School also has investments measured at net asset value (NAV), as provided by the trustee, which is based on the fair value of the underlying investments held by the fund, less its liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the School's assets and liabilities at fair value as of June 30, 2025:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 6,710,687	$ -	$ -	$ 6,710,687
Common stock	18,071,342	-	-	18,071,342
Mutual funds	9,055,762	-	-	9,055,762
U.S. Treasury securities	851,008	-	-	851,008
Other investments	-	395,684	-	395,684
Beneficial interest in trust	-	-	2,923,507	2,923,507
Total investments in the fair value hierarchy	$ 34,688,799	$ 395,684	$ 2,923,507	38,007,990
Investments measured at NAV(*)				3,465,520
Investments, at fair value				$ 41,473,510
Interest rate swap liability	$ -	$ (731,423)	$ -	$ (731,423)

The following table sets forth by level, within the fair value hierarchy, the School's assets and liabilities at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 202,361	$ -	$ -	$ 202,361
Common stock	17,081,719	-	-	17,081,719
Mutual funds	7,451,123	-	-	7,451,123
Exchange traded funds	801,233	-	-	801,233
U.S. Treasury securities	1,918,443	-	-	1,918,443
Other investments	-	155,096	-	155,096
Beneficial interest in trust	-	-	2,735,969	2,735,969
Total investments in the fair value hierarchy	$ 27,454,879	$ 155,096	$ 2,735,969	30,345,944
Investments measured at NAV(*)				3,720,310
Investments, at fair value				$ 34,066,254
Interest rate swap liability	$ -	$ (504,163)	$ -	$ (504,163)

(*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following table sets forth a summary of changes in fair value of the School's Level 3 assets for the year ended June 30, 2025:

	Beneficial Interest in Trust
Balance at June 30, 2023	$ 2,627,694
Contribution from trust	(75,456)
Net appreciation	183,731
Balance at June 30, 2024	$ 2,735,969

The following table sets forth a summary of changes in fair value of the School's Level 3 assets for the year ended June 30, 2024:

	Beneficial Interest in Trust
Balance at June 30, 2024	$ 2,735,969
Contribution from trust	(70,485)
Net appreciation	258,023
Balance at June 30, 2025	$ 2,923,507

The following table presents information about the School's investments that have fair value estimated using net asset value per share as of June 30, 2025 and 2024:

	Fair Value Measurement of Investments that Calculate Net Asset Value					
	Fair Value 2025	Unfunded Commitments 2025	Fair Value 2024	Unfunded Commitments 2024	Redemption Frequency	Redemption Notice Period
Private funds						
Limited partnership [a]	$ 1,777,641	$ 222,359	$ 1,806,247	$ 193,753	Currently ineligible	n/a
Limited partnership [b]	-	-	451,546	48,454	Currently ineligible	n/a
Finance company [c]	1,687,879	312,121	1,462,517	537,483	Currently ineligible	n/a
Total	$ 3,465,520	$ 534,480	$ 3,720,310	$ 779,690		

(a) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until July 2028, unless terminated sooner or extended as provided for in its limited partnership agreement.

(b) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $500,000 to the fund. Investment in this fund was terminated in 2025.

(c) This investment is in a lending corporation that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until March 2029, unless terminated sooner by the fund manager.

8. LONG-TERM DEBT

The Educational Building Authority of the City of Huntsville – Randolph School issued certain educational institution revenue bonds on behalf of the School in 2008. The bond proceeds were issued to finance the construction of additional building facilities. Effective June 7, 2012, the bonds were converted into a “direct loan” with a local financial institution. The terms of the bond, maturity date and variable interest rate were modified. During 2019, the direct loan was refinanced under similar terms with a different local financial institution. Under the terms of the refinancing agreement, the School elected an option to defer the principal payment on the note until February 1, 2022, at which time annual principal payments commenced.

The Educational Building Authority of the City of Huntsville – Randolph School issued Lease Revenue Bonds (Randolph School Project), Series 2025, on behalf of the School in March 2025. The bond proceeds are being used to finance the construction of additional building facilities. Effective March 28, 2025, the bonds were issued as a direct loan with a local financial institution. Under the terms of the direct loan agreement, no principal payments are required during the initial draw period. Principal payments will commence on April 1, 2027, and will be due monthly thereafter in accordance with an agreed-upon amortization schedule. Interest is payable monthly in arrears at a variable rate based on the Adjusted One-Month SOFR plus a spread. The loan matures in March 2055, with a mandatory tender and full repayment of principal and interest due at the end of each Direct Loan Rate Period, unless renewed or refinanced. The loan is secured by the revenues and assets of the School.

Long-term debt consisted of the following as of June 30:

	2025	2024
Loan payable to a local financial institution, requiring interest payments monthly at a variable rate equal to 67% times Secured Overnight Financing Rate (SOFR), as adjusted plus 1.10%, and annual principal installments from 2022 to 2038 with amounts increasing incrementally from $895,000 to $3,400,000. The interest rate was 4.07% and 4.75% as of June 30, 2025 and 2024, respectively. (See conversion to fixed rate as described in Note 9) The loan matures in March 2038. The loan has a security interest in land and buildings.	$ 19,415,000	$ 20,425,000

	2025	2024
Loan payable to a local financial institution, requiring interest payments monthly at a variable rate equal to adjusted one-month Secured Overnight Financing Rate (SOFR) calculated as 175 basis points plus 82.5% of the term SOFR index. The interest rate was 6.07% as of June 30, 2025. The loan matures in March 2047. The loan has a security interest in land and buildings.	$ 513,318	$ -
Loan payable to private company. The loan is unsecured and bears no interest. The loan matures in May 2029.	40,000	-
	19,968,318	20,425,000
Less unamortized debt issuance costs	(36,800)	(29,892)
Less current portion of long-term debt	(1,065,000)	(1,010,000)
Long-term debt, net	$ 18,866,518	$ 19,385,108

Principal requirements of the above long-term debt are as follows:

2026	$ 1,065,000
2027	1,112,195
2028	1,168,646
2029	1,214,585
2030	1,255,497
Thereafter	14,152,395
	$ 19,968,318

As of June 30, 2025, the School had an outstanding balance of $513,318 under a loan agreement with a draw period ending April 1, 2027. The loan will begin amortizing thereafter over an expected term of 20 years. The lender has not yet provided the final amortization schedule. Accordingly, the maturities of long-term debt presented above are based on management's estimate of the repayment schedule for the outstanding balance.

Interest expense on long-term debt of $791,017 and $923,514 was recognized during 2025 and 2024, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The School is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the School's financial performance and are referred to as "market risks." The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks, when deemed appropriate. The primary market risk managed by the School is interest rate risk. The School uses an interest rate swap to manage risk from interest rate fluctuations associated with its variable rate debt. This derivative instrument has been designated as a cash flow hedge and assessed as an effective hedge.

In March 2008, the School entered into an interest rate swap agreement with a financial institution with a notional amount of $27,500,000, amortizing monthly concurrently with the related debt. The agreement terminates on February 1, 2038. Under the agreement, the School pays a fixed interest rate of 3.15% and receives a variable interest rate from the holders of the agreement. The interest rate swap is recorded on the statements of financial position at fair value, and the change in fair value of the derivative is recognized as a gain or loss on the statements of activities and changes in net assets.

At June 30, 2025 and 2024, the outstanding notional balance on the interest rate swap agreement was $19,415,000 and $20,425,000, respectively. The fair value of the swap agreement at June 30, 2025 and 2024, was a liability of $731,423 and $504,163, respectively. The fair value was included in liabilities at June 30, 2025 and 2024, with an unrealized loss of $227,260 and gain of $391,547, respectively, recognized in the statements of activities and changes in net assets for the years then ended. The debt is scheduled to mature in March 2034. The School will settle the agreement for cash determined by the fair value of the swap agreement at that date.

The difference in the pay and receive rates of interest on the interest rate swap is charged or credited to interest expense as incurred. No cash flow hedges were discontinued, and there was no impact to earnings due to hedge ineffectiveness during the years ended June 30, 2025 and 2024. The School is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, the School does not anticipate nonperformance by the counterparty.

10. ENDOWMENT FUNDS

The School's endowment consists of individual funds established for a variety of purposes including scholarships and financial aid, faculty and academic programs development, maintenance and general support. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board.

Each year, the School uses a Board-approved spending rate to determine the maximum amount to spend from the endowment, including those endowments deemed to be underwater. The Board of Trustees of the School has interpreted the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies net assets with donor restrictions restricted in perpetuity as (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund with donor restrictions that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions by purpose or time until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the. endowment fund with donor restrictions.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the organization.
(7) The investment policies of the organization.

Endowment net asset composition by type of fund was as follows as of June 30:

	2025	2024
With donor restrictions		
Restricted in perpetuity	$ 955,776	$ 955,776
Restricted by purpose or time	2,268,634	1,973,632
Total endowment funds with donor restrictions	3,224,410	2,929,408
Board-designated endowment funds		
Without donor restrictions	28,808,840	27,063,724
Total Board-designated endowment funds	28,808,840	27,063,724
Total endowment	$ 32,033,250	$ 29,993,132

Changes in endowment net assets for the year ended June 30, 2025, were:

For the Year Ended June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 27,063,724	$ 2,929,408	$ 29,993,132
Investment income, net of investment expenses	2,692,105	295,323	2,987,428
Net appreciation	237,926	26,212	264,138
Contributions	500	750	1,250
Appropriation of endowment assets for expenditure	(1,185,415)	(27,283)	(1,212,698)
Change in endowment net assets	1,745,116	295,002	2,040,118
Endowment net assets at end of year	$ 28,808,840	$ 3,224,410	$ 32,033,250

Changes in endowment net assets for the year ended June 30, 2024, were:

For the Year Ended June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 25,342,609	$ 2,740,427	$ 28,083,036
Investment income, net of investment expenses	1,897,070	217,021	2,114,091
Net appreciation	823,925	69,802	893,727
Contributions	620	21,100	21,720
Appropriation of endowment assets for expenditure	(1,000,500)	(118,942)	(1,119,442)
Change in endowment net assets	1,721,115	188,981	1,910,096
Endowment net assets at end of year	$ 27,063,724	$ 2,929,408	$ 29,993,132

Strategies Employed for Achieving Investment Objectives
To achieve its long-term return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The School targets a diversified asset allocation with a bias toward equity and equity-like investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees of the School determines the method to be used to appropriate endowment funds for expenditure. The long-term objective of the School's spending policy is to maintain or

increase the purchasing power of the endowment with the goal of providing a predictable and sustainable level of income to support current operations.

- Security of assets involved is the principal consideration and criterion applied in each investment decision.
- Liquidity and marketability consistent with anticipated cash requirements shall be the second criterion.
- Diversification and minimization of risk shall be the third requisite.

Under this policy, spending for a given year is evaluated and approved by the Board of Trustees each December and shall not exceed 5% for the endowment funds for the coming year based on the financial statements and anticipated needs of the School. The policy ensures that spending levels will be sensitive to fluctuating endowment market value levels, thereby providing stability in long-term purchasing power. Earnings in excess of the spending rate will be allocated to the principal balance of the endowment funds.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions by purpose or time are available for the following purposes, and net assets with donor restrictions in perpetuity are restricted to investment, the income from which is expendable for the following purposes at June 30:

	2025		2024	
	Restricted by Purpose or Time	Restricted in Perpetuity	Restricted by Purpose or Time	Restricted in Perpetuity
Under the Christmas Tree	$ 18,205	$ -	$ 15,150	$ -
Restricted Annual Giving	332,697	-	683,044	-
Capital Campaign	4,104,749	-	1,892,482	-
Ford Endowment	175,321	50,000	152,890	50,000
EE Ford Endowment	321,243	-	289,261	-
Tonetti Endowment	82,142	21,925	74,160	21,925
Lowe Academy Endowment	173,700	-	156,407	-
M. Naylor Memorial Endowment	83,962	27,871	73,780	27,871
Kakani Endowment	97,201	57,331	81,154	57,331
Kofskey Endowment	51,370	14,128	46,276	14,128
Neidergese Endowment	72,248	4,709	64,587	4,709
Wilbourn Endowment	192,309	33,194	170,810	33,194
Lyle Endowment	126,810	22,770	112,870	22,770
Lynch Endowment	146,868	78,263	124,506	78,263
Grisham Endowment	446,418	105,894	391,433	105,894
Hughes-Monaghan	80,857	189,691	62,261	189,691
Minority Financial Aid	99,064	150,000	82,274	150,000
Wessel-Robin Learning	87,392	100,000	71,115	100,000
Sapra Foundation Scholarship	31,729	100,000	19,849	100,000
Cooper Gift	73,224	-	-	-
Lowe Trust	2,923,507	-	2,735,969	-
Nichols Capital Gift	1,535,545	-	1,535,545	-
Shields Planned Gift	665,291	-	631,097	-
	$ 11,921,852	$ 955,776	$ 9,466,920	$ 955,776

Net assets were released from donor restrictions during the years ended June 30, 2025 and 2024, by incurring expenditures satisfying the restricted purposes by specified donors as follows:

	2025	2024
Instructional programs and support	$ 34,595	$ 95,625
Financial assistance	27,283	118,942
Other	126,399	202,526
Total	$ 188,277	$ 417,093

12. FUNCTIONAL EXPENSES

Functional expenses by natural classification were as follows for the year ended June 30, 2025:

	Instruction and Student Activities	Auxiliary Services	Fundraising	General and Administrative	Total Expenses
Salaries	$ 10,040,699	$ 554,130	$ 194,346	$ 2,148,264	$ 12,937,439
Other programs	2,416,103	-	-	-	2,416,103
Depreciation	1,571,298	28,874	17,534	33,014	1,650,720
Interest expense	751,601	13,811	8,387	17,218	791,017
Teaching supplies and expenses	1,814,126	-	99,329	-	1,913,455
Group insurance	727,591	40,155	15,870	153,886	937,502
Payroll taxes	740,637	40,874	16,154	156,645	954,310
Repairs and maintenance	1,667,387	30,640	18,607	35,033	1,751,667
Telephone and utilities	625,203	13,792	8,354	29,726	677,075
Retirement	377,579	20,838	8,236	79,858	486,511
Books and supplies	314,726	-	-	-	314,726
Development expenses	-	-	170,117	130,805	300,922
Office supplies	-	-	-	157,869	157,869
Insurance	184,146	10,163	4,016	38,947	237,272
Professional services	-	-	-	337,499	337,499
Dues and subscriptions	-	-	-	75,196	75,196
Travel and meetings	-	-	-	33,528	33,528
Teacher recruitment	14,457	-	-	-	14,457
Miscellaneous	113,282	-	-	37,435	150,717
Admissions	18,214	-	-	-	18,214
Bank service charge	-	-	-	6,000	6,000
	$ 21,377,049	$ 753,277	$ 560,950	$ 3,470,923	$ 26,162,199

Functional expenses by natural classification were as follows for the year ended June 30, 2024:

	Instruction and Student Activities	Auxiliary Services	Fundraising	General and Administrative	Total Expenses
Salaries	$ 9,667,188	$ 595,245	$ 177,332	$ 1,935,797	$ 12,375,562
Other programs	1,371,263	-	-	-	1,371,263
Depreciation	1,496,500	14,946	16,562	31,183	1,559,191
Interest expense	883,414	8,823	9,777	21,500	923,514
Teaching supplies and expenses	1,644,234	-	107,090	-	1,751,324
Group insurance	664,641	40,646	13,744	131,539	850,570
Payroll taxes	721,375	44,115	14,917	142,767	923,174
Repairs and maintenance	1,473,838	14,719	16,311	30,712	1,535,580
Telephone and utilities	569,408	9,433	7,647	25,813	612,301
Retirement	365,601	22,511	7,560	72,356	468,028
Books and supplies	258,027	-	-	-	258,027
Development expenses	-	-	70,144	142,003	212,147
Office supplies	-	-	-	158,237	158,237
Insurance	143,284	8,762	2,963	28,357	183,366
Professional services	-	-	-	367,719	367,719
Dues and subscriptions	-	-	-	89,338	89,338
Travel and meetings	-	-	-	50,426	50,426
Teacher recruitment	44,685	-	-	-	44,685
Miscellaneous	112,419	-	-	26,721	139,140
Admissions	20,981	-	-	-	20,981
Bank service charge	-	-	-	6,143	6,143
	$ 19,436,858	$ 759,200	$ 444,047	$ 3,260,611	$ 23,900,716

13. RETIREMENT PLAN

The School adopted a defined contribution plan for all eligible employees. The plan operates under Section 403(b) of the Internal Revenue Code and uses the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) to provide benefits. All employees are eligible to begin participation upon employment. The School matches 100% of contributions up to 5% of the employee's salary for all full-time employees after one year and 1,000 or more hours of service. The School expensed a total of $486,510 and $468,028 in contributions to the plan for the years ended June 30, 2025 and 2024, respectively.

RANDOLPH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

RANDOLPH SCHOOL
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JUNE 30, 2024 AND 2023

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101 Monroe St NE
Huntsville, AL 35801
warrenaverett.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Randolph School

Opinion
We have audited the accompanying financial statements of Randolph School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Randolph School as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Randolph School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Randolph School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Warren Averett, LLC

Huntsville, Alabama
December 4, 2024

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$ 7,210,008	$ 6,188,813
Investments – short-term	202,361	301,713
Accounts receivable	111,371	39,062
Beneficial interest in trust – current portion	77,000	77,000
Promises to give, net – current portion	340,607	20,000
Prepaid expenses	183,340	184,911
Total current assets	8,124,687	6,811,499
PROPERTY, PLANT AND EQUIPMENT, NET	30,674,772	27,405,269
OTHER ASSETS		
Investments – long-term	31,127,924	28,432,310
Investments in real estate	107,000	107,000
Beneficial interest in trust – long-term	2,658,969	2,550,694
Promises to give, net	1,196,596	29,243
Other assets	222,831	57,943
Total other assets	35,313,320	31,177,190
TOTAL ASSETS	$ 74,112,779	$ 65,393,958

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$ 262,145	$ 436,164
Accrued expenses	911,634	742,174
Unearned tuition	2,632,574	2,542,183
Refundable advance	638,126	-
Current portion of long-term debt	1,010,000	970,000
Total current liabilities	5,454,479	4,690,521
LONG-TERM LIABILITIES		
Long-term debt, net	19,385,108	20,392,015
Interest rate swap	504,163	895,710
Other long-term liabilities	94,944	-
Total long-term liabilities	19,984,215	21,287,725
TOTAL LIABILITIES	25,438,694	25,978,246
NET ASSETS		
Without donor restrictions	38,251,389	33,789,918
With donor restrictions		
Restricted by purpose or time	9,466,920	4,712,868
Restricted in perpetuity	955,776	912,926
Total with donor restrictions	10,422,696	5,625,794
Total net assets	48,674,085	39,415,712
TOTAL LIABILITIES AND NET ASSETS	$ 74,112,779	$ 65,393,958

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
REVENUES AND SUPPORT						
Tuition and fees, net of tuition credits of $3,815,732 and $3,468,197, respectively	$ 20,244,385	$ -	$ 20,244,385	$ 18,947,884	$ -	$ 18,947,884
Contributions	1,168,159	4,743,442	5,911,601	767,530	214,230	981,760
Investment income, net	3,214,906	286,822	3,501,728	2,186,492	279,734	2,466,226
Auxiliary services	2,598,103	-	2,598,103	2,243,341	-	2,243,341
Net change in fair value of beneficial interest in trust	-	183,731	183,731	-	(940,171)	(940,171)
Fundraising	327,994	-	327,994	361,865	-	361,865
Net assets released from restrictions	417,093	(417,093)	-	332,930	(332,930)	-
Total revenues and support	27,970,640	4,796,902	32,767,542	24,840,042	(779,137)	24,060,905
EXPENSES						
Instruction and student activities	19,436,858	-	19,436,858	18,304,285	-	18,304,285
Auxiliary services	759,200	-	759,200	705,376	-	705,376
Fundraising	444,047	-	444,047	371,489	-	371,489
General and administrative	3,260,611	-	3,260,611	3,133,171	-	3,133,171
Total expenses	23,900,716	-	23,900,716	22,514,321	-	22,514,321
CHANGE IN NET ASSETS BEFORE OTHER ADJUSTMENTS	4,069,924	4,796,902	8,866,826	2,325,721	(779,137)	1,546,584
GAIN ON INTEREST RATE SWAP	391,547	-	391,547	974,428	-	974,428
CHANGE IN NET ASSETS	4,461,471	4,796,902	9,258,373	3,300,149	(779,137)	2,521,012
NET ASSETS AT BEGINNING OF YEAR	33,789,918	5,625,794	39,415,712	30,489,769	6,404,931	36,894,700
NET ASSETS AT END OF YEAR	$ 38,251,389	$ 10,422,696	$ 48,674,085	$ 33,789,918	$ 5,625,794	$ 39,415,712

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 9,258,373	$ 2,521,012
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,559,191	1,465,047
Interest expense related to debt issuance costs	3,093	3,092
Net change in fair value of beneficial interest in trust	(183,731)	940,171
Net unrealized gain on investments	(1,285,851)	(1,341,981)
(Gain) loss from sale of investments	(885,173)	146,199
Gain on interest rate swap	(391,547)	(974,428)
Change in:		
Accounts receivable	(72,309)	3,637
Promises to give	(1,487,960)	99,975
Beneficial interest in trust	75,456	75,812
Prepaid expenses	1,571	(74,872)
Other assets	(164,888)	11,259
Accounts payable	(174,019)	80,486
Other liabilities	94,944	-
Accrued expenses	169,460	(3,688)
Unearned tuition	90,391	305,152
Refundable advance	638,126	-
Net cash provided by operating activities	7,245,127	3,256,873
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,828,694)	(1,746,838)
Purchase of investments	(30,887,547)	(19,980,072)
Proceeds from sale of investment in real estate	-	85,000
Proceeds from sale of investments	30,462,309	17,810,405
Net cash used in investing activities	(5,253,932)	(3,831,505)

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (970,000)	$ (930,000)
Net cash used in financing activities	(970,000)	(930,000)
CHANGE IN CASH AND CASH EQUIVALENTS	1,021,195	(1,504,632)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,188,813	7,693,445
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,210,008	$ 6,188,813
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 923,514	$ 916,787

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
Randolph School (the School) is an independent private school whose primary business activity is providing education for prekindergarten through grade 12. The School is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. The School is located in Huntsville, Alabama, and its targeted tuition base is comprised of students in the North Alabama area.

In July 2018, the School acquired the net assets of Greengate School for the purpose of expanding the educational and support facilities for students with dyslexia and related language-based learning differences.

Basis of Accounting and Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. GAAP require the School to report information regarding its financial position and activities based on the existence or absence or donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for general use are not subject to donor restrictions. Net assets without donor restrictions also include property, plant and equipment, net of related indebtedness and accumulated depreciation and Board-designated quasi-endowment funds.

Net Assets With Donor Restrictions: Net assets with donor restrictions are utilized to account for contributions that are donor restricted for uses that have not yet been fulfilled by either time, purpose or law, as well as to account for contributions whereby the donor has permitted the School to use the income for specified or unspecified purposes, but has restricted the spending of principal in perpetuity.

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of noninterest-bearing checking accounts and savings accounts. For purposes of reporting cash flows, the School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk
Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains cash and cash equivalents in accounts with high quality, federally insured financial institutions. At times, the balances in these accounts may be in excess of federally insured limits.

Investments
Investments are reported at fair value. Unrealized gains and losses in the carrying values of investments are included in investment income in the accompanying statements of activities and changes in net assets. No investment or group of investments represents a significant concentration of market risk.

Investment in real estate is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts.

Risks and Uncertainties
Marketable securities and other investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and those changes could materially affect the School's net assets.

Accounts Receivable
Accounts receivable are stated at unpaid balances, less an allowance for credit losses. The School provides for losses on accounts receivable using the allowance method. The allowance method is based on experience and adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events and any other factors deemed relevant by the School. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There were no uncollectible accounts charged off during the years ended June 30, 2024 and 2023.

Promises to Give
Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions either by time and purpose or in perpetuity, depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions by time and purpose are reclassified to net assets without donor restrictions.

The School uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor conditions, amounts are reported as refundable advances. Conditional promises to give at June 30, 2024, were $2,543,749. There were no conditional promises to give at June 30, 2023.

Beneficial Interest in Trust
The School has been named as beneficiary of a charitable trust. The fair value of the School's interest in these funds was recognized as an asset and as contribution revenue when the trust was

established. The value of the School's interest is adjusted annually for changes in fair value. The School is named the beneficiary of revocable trusts in which it is possible for the benefactor to change the beneficiary of the trusts; therefore, these trusts are not recorded in the accompanying financial statements.

Property Plant and Equipment

Property, plant and equipment is stated at cost. Donated building and equipment are recorded at fair market value at the date of donation. Additions, improvements and expenditures for repairs and maintenance that significantly add to the productivity or extend the useful life of the asset are capitalized. Other expenses for repairs and maintenance are charged to operations when incurred.

Depreciation is calculated using the straight-line method based on estimated useful lives of three to 30 years. When assets are retired, the assets and related accumulated depreciation are removed from the respective accounts, and any profit or loss due to the disposition is credited or charged to income.

Revenues and Expenses

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-stipulation or by law. Expirations of purpose or time restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Revenue from Contracts with Customers

Contracts with customers (primarily students) are recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the School expects to be entitled in exchange for those goods or services.

Revenue from student tuition is reflected net of reductions from institutional student aid. Tuition revenue is recognized as services are provided during the period of instruction. As amounts are received for tuition prior to the earnings period, the prepaid tuition is recorded as unearned tuition in the accompanying statements of financial position.

Contribution Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets restricted by purpose or time or in perpetuity support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as without donor restrictions.

Contributed services are recognized when the School would typically purchase such services if they require specialized skills and the contributor possesses such skills.

Contributed property and equipment or property usage is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Derivative Instruments
The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary risk managed by the School through the use of derivative instruments is interest rate risk. Derivatives are carried at fair value on the statements of financial position. The cash flow impact of derivative instruments is included in the statements of cash flows in cash paid for interest.

Income Taxes
The School is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and also is exempt from state income taxes under the applicable income tax regulations of the state of Alabama. The School files income tax returns in the U.S. federal jurisdiction. The School has filed its tax returns for all years through June 30, 2023, and is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2020.

The School is not aware of material uncertain tax positions that would require disclosure or accrual in accordance with U.S. GAAP.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments
The carrying amount of financial instruments, including cash, pledges receivable, accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short maturity of these instruments. The carrying value of long-term debt approximates fair value because the interest rates fluctuate with market interest rates, or the fixed rates are based on current rates offered to the School for debt with similar maturities. The fair value of the interest rate swaps (used for purposes other than trading) is the estimated amount the School would pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the School for liabilities.

Allocation of Expenses by Function and Nature
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Reclassifications
Certain reclassifications have been made to the 2023 financial statement amounts in order to conform to the 2024 presentation. Such reclassifications had no impact on the School's previously reported change in net assets.

Subsequent Events
The School has evaluated events and transactions for potential recognition or disclosure through December 4, 2024, the date the financial statements were available to be used.

2. LIQUIDITY

The schedule below reflects the School's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use within one year because of donor or Board-imposed restrictions. Amounts not available include Board-designated quasi-endowment funds.

	2024	2023
Financial assets, at year-end	$ 42,924,836	$ 37,337,122
Less: assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	10,422,696	5,625,794
Board designations:		
Quasi-endowment funds	27,063,724	25,342,609
Financial assets available to meet cash needs for general expenditures within one year	$ 5,438,416	$ 6,368,719

The School obtains certain support from donor-restricted contributions. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. In addition, endowment funds include both donor-restricted funds and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Due to the donor restrictions and Board designations above, certain financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. INVESTMENTS

Investments consisted of the following at June 30:

	2024	2023
Common stocks	$ 17,081,719	$ 8,555,580
Mutual funds	7,653,484	12,108,481
Exchange traded funds	801,233	1,318,322
Alternative investments	3,720,310	2,893,612
Corporate bonds	-	2,149,140
U.S. Treasury securities	1,918,443	1,049,031
Mortgage-backed securities	-	630,322
Other	155,096	29,535
	$ 31,330,285	$ 28,734,023

Investment income consisted of the following for the years ended June 30:

	2024	2023
Interest and dividends	1,536,206	$ 1,460,729
Net realized gain (loss) on sale of investments	885,173	(146,199)
Net unrealized gain on investments	1,285,851	1,341,981
Fees	(205,502)	(190,285)
	$ 3,501,728	$ 2,466,226

4. PROMISES TO GIVE

Unconditional promises to give are collectible as follows at June 30:

	2024	2023
Funds with donor restrictions:		
Gross promises to give	$ 1,729,143	$ 71,937
Unamortized discount	(191,940)	(22,694)
Net promises to give with donor restrictions	$ 1,537,203	$ 49,243

Unconditional promises to give are collectible as follows at June 30:

	2024	2023
Amounts due in:		
Less than one year	$ 340,607	$ 20,000
One to five years	1,196,596	29,243
Net promises to give with donor restrictions	$ 1,537,203	$ 49,243

Promises to give due in more than one year were reflected at present value of estimated future cash flows using a discount rate ranging from 3.91% to 4.69%.

5. BENEFICIAL INTEREST IN TRUST

The School has been named as beneficiary of a charitable trust. Annually, the School is entitled to 5% of the total amount distributed from the trust. The trust will cease during the year ending June 30, 2028, and the School will be entitled to 10% of the trust's net assets.

The fair value is remeasured at the end of each fiscal year using a discount rate and estimated cash flows to estimate the value of the beneficial interest. The discount rates of 4.3% and 4% in 2024 and 2023, respectively, have been determined by management, which are the market yields on Treasury notes.

Beneficial interest in trust consisted of the following at June 30:

	2024	2023
Trust receivable expected to be collected in:		
Less than one year	$ 77,000	$ 77,000
One to five years	3,143,927	3,106,881
	3,220,927	3,183,881
Less: unamortized discount	(484,958)	(556,187)
Total net trust receivable	$ 2,735,969	$ 2,627,694

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30:

	2024	2023
Land	$ 8,461,140	$ 4,880,910
Buildings and improvements	38,788,994	38,340,579
School equipment	4,032,400	3,363,458
Vehicles	541,402	541,402
Construction in progress	629,162	514,654
	52,453,098	47,641,003
Less: accumulated depreciation	(21,778,326)	(20,235,734)
	$ 30,674,772	$ 27,405,269

Depreciation expense for the years ended June 30, 2024 and 2023, was $1,559,191 and $1,465,047, respectively.

7. FAIR VALUE MEASUREMENTS

FASB ASC 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2024 and 2023:

Common stock, mutual funds, exchange traded funds, U.S. Treasury securities and mortgage-backed securities: Where quoted prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation and discounted cash flows are used, securities are classified within Level 3 of the valuation hierarchy.

Corporate bonds: These securities are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data and classified within Level 2 of the hierarchy.

Other investments: These securities for real estate investment trusts (REIT) are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data and classified within Level 2 of the hierarchy.

The School also has investments measured at net asset value (NAV), as provided by the trustee, which is based on the fair value of the underlying investments held by the fund, less its liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the School's assets and liabilities at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments				
Common stock	$ 17,081,719	$ -	$ -	$ 17,081,719
Mutual funds	7,653,484	-	-	7,653,484
Exchange traded funds	801,233	-	-	801,233
U.S. Treasury securities	1,918,443	-	-	1,918,443
Other investments	-	155,096	-	155,096
Beneficial interest in trust	-	-	2,735,969	2,735,969
Total investments in the fair value hierarchy	$ 27,454,879	$ 155,096	$ 2,735,969	30,345,944
Investments measured at NAV(*)				3,720,310
Investments, at fair value				$ 34,066,254
Interest rate swap liability	$ -	$ (504,163)	$ -	$ (504,163)

The following table sets forth by level, within the fair value hierarchy, the School's assets and liabilities at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments				
Common stock	$ 8,555,580	$ -	$ -	$ 8,555,580
Mutual funds	12,108,481	-	-	12,108,481
Exchange traded funds	1,318,322	-	-	1,318,322
Corporate bonds	-	2,149,140	-	2,149,140
U.S. Treasury securities	1,049,031	-	-	1,049,031
Mortgage-backed securities	-	630,322	-	630,322
Other investments	-	29,535	-	29,535
Beneficial interest in trust	-	-	2,627,694	2,627,694
Total investments in the fair value hierarchy	$ 23,031,414	$ 2,808,997	$ 2,627,694	28,468,105
Investments measured at NAV(*)				2,893,612
Investments, at fair value				$ 31,361,717
Interest rate swap liability	$ -	$ (895,710)	$ -	$ (895,710)

(*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following table sets forth a summary of changes in fair value of the School's Level 3 assets for the year ended June 30, 2024:

	Beneficial Interest in Trust
Balance at June 30, 2023	$ 2,627,694
Contribution from trust	(75,456)
Net appreciation	183,731
Balance at June 30, 2024	$ 2,735,969

The following table sets forth a summary of changes in fair value of the School's Level 3 assets for the year ended June 30, 2023:

	Beneficial Interest in Trust
Balance at June 30, 2022	$ 3,643,677
Contribution from trust	(75,812)
Net depreciation	(940,171)
Balance at June 30, 2023	$ 2,627,694

The following tables present information about the School's investments that have fair value estimated using net asset value per share as of June 30, 2024 and 2023:

Fair Value Measurement of Investments that Calculate Net Asset Value

	Fair Value 2024	Unfunded Commitments 2024	Redemption Frequency	Redemption Notice Period
Private funds				
Limited partnership [a]	$ 1,806,247	$ 193,753	Currently ineligible	n/a
Limited partnership [b]	451,546	48,454	Currently ineligible	n/a
Finance company [c]	1,462,517	537,483	Currently ineligible	n/a
Total	$ 3,720,310	$ 779,690		

Fair Value Measurement of Investments that Calculate Net Asset Value

	Fair Value 2023	Unfunded Commitments 2023	Redemption Frequency	Redemption Notice Period
Private funds				
Limited partnership [(a)]	$ 1,791,460	$ 250,000	Currently ineligible	n/a
Limited partnership [(b)]	447,823	62,500	Currently ineligible	n/a
Finance company [(c)]	654,329	1,350,000	Currently ineligible	n/a
Total	$ 2,893,612	$ 1,662,500		

(a) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until July 2028, unless terminated sooner or extended as provided for in its limited partnership agreement.

(b) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $500,000 to the fund. The fund will continue until January 2027, unless terminated sooner or extended as provided for in its limited partnership agreement.

(c) This investment is in a lending corporation that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until March 2029, unless terminated sooner by the fund manager.

8. LONG-TERM DEBT

The Educational Building Authority of the City of Huntsville – Randolph School issued certain educational institution revenue bonds on behalf of the School in 2008. The bond proceeds were issued to finance the construction of additional building facilities. Effective June 7, 2012, the bonds were converted into a "direct loan" with a local financial institution. The terms of the bond, maturity date and variable interest rate were modified. During 2019, the direct loan was refinanced under similar terms with a different local financial institution. Under the terms of the refinancing agreement, the School elected an option to defer the principal payment on the note until February 1, 2022, at which time annual principal payments commenced.

Long-term debt consisted of the following as of June 30:

	2024	2023
Loan payable to a local financial institution, requiring interest payments monthly at a variable rate equal to 67% times Secured Overnight Financing Rate (SOFR), as adjusted plus 1.10%, and annual principal installments from 2022 to 2038 with amounts increasing incrementally from $895,000 to $3,400,000. The interest rate was 4.75% and 4.63% as of June 30, 2024 and 2023, respectively. (See conversion to fixed rate as described in Note 9) The loan matures in March 2034. The loan has a security interest in land and buildings.	$ 20,425,000	$ 21,395,000
	20,425,000	21,395,000
Less unamortized debt issuance costs	(29,892)	(32,985)
Less current portion of long-term debt	(1,010,000)	(970,000)
Long-term debt, net	$ 19,385,108	$ 20,392,015

Principal requirements of the above long-term debt are as follows:

2025	$ 1,010,000
2026	1,055,000
2027	1,100,000
2028	1,145,000
2029	1,190,000
Thereafter	14,925,000
	$ 20,425,000

Interest expense on long-term debt of $923,514 and $865,886 was recognized during 2024 and 2023, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The School is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the School's financial performance and are referred to as "market risks." The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks, when deemed appropriate. The primary market risk managed by the School is interest rate risk. The School uses an interest rate swap to manage risk from interest rate fluctuations associated with its variable rate debt. This derivative instrument has been designated as a cash flow hedge and assessed as an effective hedge.

In March 2008, the School entered into an interest rate swap agreement with a financial institution with a notional amount of $27,500,000, amortizing monthly concurrently with the related debt. The agreement terminates on February 1, 2038. Under the agreement, the School pays a fixed interest rate of 3.15% and receives a variable interest rate from the holders of the agreement. The interest rate swap is recorded on the statements of financial position at fair value and the change in fair value of the derivative is recognized as a gain or loss on the statements of activities and changes in net assets.

At June 30, 2024 and 2023, the outstanding notional balance on the interest rate swap agreement was $20,425,000 and $21,395,000, respectively. The fair value of the swap agreement at June 30, 2024 and 2023, was a liability of $504,163 and $895,710, respectively. The fair value was included in liabilities at June 30, 2024 and 2023, with an unrealized gain of $391,547 and $974,428, respectively, recognized in the statements of activities and changes in net assets for the years then ended. The debt is scheduled to mature in March 2034. The School will settle the agreement for cash determined by the fair value of the swap agreement at that date.

The difference in the pay and receive rates of interest on the interest rate swap is charged or credited to interest expense as incurred. No cash flow hedges were discontinued, and there was no impact to earnings due to hedge ineffectiveness during the years ended June 30, 2024 and 2023. The School is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, the School does not anticipate nonperformance by the counterparty.

10. ENDOWMENT FUNDS

The School’s endowment consists of individual funds established for a variety of purposes including scholarships and financial aid, faculty and academic programs development, maintenance and general support. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board.

Each year, the School uses a Board-approved spending rate to determine the maximum amount to spend from the endowment, including those endowments deemed to be underwater. The Board of Trustees of the School has interpreted the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies net assets with donor restrictions restricted in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund with donor restrictions that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions by purpose or time until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the endowment fund with donor restrictions
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization.

Endowment net asset composition by type of fund was as follows as of June 30:

	2024	2023
With donor restrictions		
Restricted in perpetuity	$ 955,776	$ 912,926
Restricted by purpose or time	1,973,632	1,827,501
Total endowment funds with donor restrictions	2,929,408	2,740,427
Board-designated endowment funds		
Without donor restrictions	27,063,724	25,342,609
Total board-designated endowment funds	27,063,724	25,342,609
Total endowment	$ 29,993,132	$ 28,083,036

Changes in endowment net assets for the year ended June 30, 2024, were:

For the year ended June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 25,342,609	$ 2,740,427	$ 28,083,036
Investment income, net of investment expenses	1,897,070	217,021	2,114,091
Net appreciation	823,925	69,802	893,727
Contributions	620	21,100	21,720
Appropriation of endowment assets for expenditure	(1,000,500)	(118,942)	(1,119,442)
Change in endowment net assets	1,721,115	188,981	1,910,096
Endowment net assets at end of year	$ 27,063,724	$ 2,929,408	$ 29,993,132

Changes in endowment net assets for the year ended June 30, 2023, were:

For the year ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 20,173,470	$ 2,497,372	$ 22,670,842
Investment income, net of investment expenses	666,371	125,107	791,478
Net appreciation	1,365,836	154,627	1,520,463
Contributions	520	1,750	2,270
Appropriation of endowment assets for expenditure	(500)	(38,429)	(38,929)
Addition to endowment through board-designation	3,136,912	-	3,136,912
Change in endowment net assets	5,169,139	243,055	5,412,194
Endowment net assets at end of year	$ 25,342,609	$ 2,740,427	$ 28,083,036

Strategies Employed for Achieving Investment Objectives

To achieve its long-term return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The School targets a diversified asset allocation with a bias toward equity and equity-like investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of Trustees of the School determines the method to be used to appropriate endowment funds for expenditure. The long-term objective of the School's spending policy is to maintain or increase the purchasing power of the endowment with the goal of providing a predictable and sustainable level of income to support current operations.

- Security of assets involved is the principal consideration and criterion applied in each investment decision.
- Liquidity and marketability consistent with anticipated cash requirements shall be the second criterion.
- Diversification and minimization of risk shall be the third requisite.

Under this policy, spending for a given year is evaluated and approved by the Board of Trustees each December and shall not exceed 5% for the endowment funds for the coming year based on the financial statements and anticipated needs of the School. The policy ensures that spending levels will be sensitive to fluctuating endowment market value levels, thereby providing stability in long-term purchasing power. Earnings in excess of the spending rate will be allocated to the principal balance of the endowment funds.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions by purpose or time are available for the following purposes, and net assets with donor restrictions in perpetuity are restricted to investment, the income from which is expendable for the following purposes at June 30:

	2024		2023	
	Restricted by Purpose or Time	Restricted in Perpetuity	Restricted by Purpose or Time	Restricted in Perpetuity
Under the Christmas Tree	$ 15,150	$ -	$ 44,300	$ -
Restricted annual giving	683,044	-	213,373	-
Capital Campaign	1,892,482	-	-	-
Ford Endowment	152,890	50,000	148,902	50,000
EE Ford Endowment	289,261	-	271,092	-
Tonetti Endowment	74,160	21,925	78,296	21,925
Lowe Academy Endowment	156,407	-	141,045	-
M. Naylor Memorial Endowment	73,780	27,871	68,982	27,871
Kakani Endowment	81,154	57,331	72,882	55,481
Kofskey Endowment	46,276	14,128	47,338	12,128
Neidergese Endowment	64,587	4,709	39,367	4,709
Wilbourn Endowment	170,810	33,194	155,225	33,194
Lyle Endowment	112,870	22,770	104,642	22,770
Lynch Endowment	124,506	78,263	113,982	78,263
Grisham Endowment	391,433	105,894	342,584	105,894
Hughes-Monaghan	62,261	189,691	76,073	150,691
Minority financial aid	82,274	150,000	89,682	150,000
Wessel-Robin Learning	71,115	100,000	68,195	100,000
Sapra Foundation Scholarship	19,849	100,000	9,214	100,000
Lowe Trust	2,735,969	-	2,627,694	-
Nichols Capital Gift	1,535,545	-	-	-
Shields Planned Gift	631,097	-	-	-
	$ 9,466,920	$ 955,776	$ 4,712,868	$ 912,926

Net assets were released from donor restrictions during the years ended June 30, 2024 and 2023, by incurring expenditures satisfying the restricted purposes by specified donors as follows:

	2024	2023
Instructional programs and support	$ 95,625	$ 269,949
Financial assistance	118,942	41,765
Other	202,526	21,216
Total	$ 417,093	$ 332,930

12. FUNCTIONAL EXPENSES

Functional expenses by natural classification were as follows for the year ended June 30, 2024:

	Instruction and Student Activities	Auxiliary Services	Fundraising	General and Administrative	Total Expenses
Salaries	$ 9,667,188	$ 595,245	$ 177,332	$ 1,935,797	$ 12,375,562
Other programs	1,371,263	-	-	-	1,371,263
Depreciation	1,496,500	14,946	16,562	31,183	1,559,191
Interest expense	883,414	8,823	9,777	21,500	923,514
Teaching supplies and expenses	1,644,234	-	107,090	-	1,751,324
Group insurance	664,641	40,646	13,744	131,539	850,570
Payroll taxes	721,375	44,115	14,917	142,767	923,174
Repairs and maintenance	1,473,838	14,719	16,311	30,712	1,535,580
Telephone and utilities	569,408	9,433	7,647	25,813	612,301
Retirement	365,601	22,511	7,560	72,356	468,028
Books and supplies	258,027	-	-	-	258,027
Development expenses	-	-	70,144	142,003	212,147
Office supplies	-	-	-	158,237	158,237
Insurance	143,284	8,762	2,963	28,357	183,366
Professional services	-	-	-	367,719	367,719
Dues and subscriptions	-	-	-	89,338	89,338
Travel and meetings	-	-	-	50,426	50,426
Teacher recruitment	44,685	-	-	-	44,685
Miscellaneous	112,419	-	-	26,721	139,140
Admissions	20,981	-	-	-	20,981
Bank service charge	-	-	-	6,143	6,143
	$ 19,436,858	$ 759,200	$ 444,047	$ 3,260,611	$ 23,900,716

Functional expenses by natural classification were as follows for the year ended June 30, 2023:

	Instruction and Student Activities	Auxiliary Services	Fundraising	General and Administrative	Total Expenses
Salaries	$ 8,929,827	$ 550,860	$ 188,382	$ 1,771,858	$ 11,440,927
Other programs	1,312,119	-	-	-	1,312,119
Depreciation	1,406,141	14,043	15,562	29,301	1,465,047
Interest expense	828,103	8,270	9,165	20,348	865,886
Teaching supplies and expenses	1,560,220	-	96,229	-	1,656,449
Group insurance	614,772	37,924	12,969	121,983	787,648
Payroll taxes	657,021	40,530	13,860	130,366	841,777
Repairs and maintenance	1,586,949	15,849	17,563	33,069	1,653,430
Telephone and utilities	591,707	9,270	7,968	25,962	634,907
Retirement	345,420	21,308	7,287	68,538	442,553
Books and supplies	204,704	-	-	-	204,704
Development expenses	-	-	-	132,555	132,555
Office supplies	-	-	-	190,438	190,438
Insurance	118,694	7,322	2,504	23,551	152,071
Professional services	-	-	-	422,181	422,181
Dues and subscriptions	-	-	-	87,169	87,169
Travel and meetings	-	-	-	34,601	34,601
Teacher recruitment	32,344	-	-	-	32,344
Miscellaneous	95,788	-	-	32,923	128,711
Admissions	20,476	-	-	-	20,476
Bank service charge	-	-	-	8,328	8,328
	$ 18,304,285	$ 705,376	$ 371,489	$ 3,133,171	$ 22,514,321

13. RETIREMENT PLAN

The School adopted a defined contribution plan for all eligible employees. The plan operates under Section 403(b) of the Internal Revenue Code and uses the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) to provide benefits. All employees are eligible to begin participation upon employment. The School matches 100% of contributions up to 5% of the employee's salary for all full-time employees after one year and 1,000 or more hours of service. The School expensed a total of $468,028 and $442,554 in contributions to the plan for the years ended June 30, 2024 and 2023, respectively.

RANDOLPH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

RANDOLPH SCHOOL
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Warren Averett
CPAs AND ADVISORS

101 Monroe St NE
Huntsville, AL 35801
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Randolph School

Opinion
We have audited the accompanying financial statements of Randolph School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Randolph School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Randolph School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Randolph School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Huntsville, Alabama
December 5, 2023

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 6,188,813	$ 7,693,445
Investments – short-term	301,713	147,180
Accounts receivable	39,062	42,699
Beneficial interest in trust – current portion	77,000	77,000
Pledges receivable – current portion	20,000	95,000
Prepaid expenses	184,911	110,039
Total current assets	6,811,499	8,165,363
PROPERTY, PLANT AND EQUIPMENT, NET	27,405,269	27,123,478
OTHER ASSETS		
Investments – long-term	28,432,310	25,212,394
Investments in real estate	107,000	201,000
Beneficial interest in trust – long-term	2,550,694	3,566,677
Pledges receivable, net	29,243	54,218
Note receivable, net	30,000	45,000
Other assets	27,943	24,202
Total other assets	31,177,190	29,103,491
TOTAL ASSETS	$ 65,393,958	$ 64,392,332

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION – CONTINUED
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 436,164	$ 355,678
Accrued expenses	742,174	745,862
Unearned tuition	2,542,183	2,237,031
Current portion of long-term debt	970,000	930,000
Total current liabilities	4,690,521	4,268,571
LONG-TERM LIABILITIES		
Long-term debt, net	20,392,015	21,358,923
Interest rate swap	895,710	1,870,138
Total long-term liabilities	21,287,725	23,229,061
TOTAL LIABILITIES	25,978,246	27,497,632
NET ASSETS		
Without donor restrictions	33,789,918	30,489,769
With donor restrictions		
Restricted by purpose or time	4,712,868	5,522,607
Restricted in perpetuity	912,926	882,324
Total with donor restrictions	5,625,794	6,404,931
Total net assets	39,415,712	36,894,700
TOTAL LIABILITIES AND NET ASSETS	$ 65,393,958	$ 64,392,332

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Tuition and fees, net of tuition credits of $3,468,197 and $3,407,119, respectively	$ 18,947,376	$ -	$ 18,947,376	$ 17,238,967	$ -	$ 17,238,967
Contributions	767,530	214,230	981,760	930,662	271,875	1,202,537
Investment income (loss), net	2,186,492	279,734	2,466,226	(3,834,904)	(352,263)	(4,187,167)
Auxiliary services	2,243,848	-	2,243,848	1,858,839	-	1,858,839
Net (depreciation) appreciation in fair value of beneficial interest in trust	-	(940,170)	(940,170)	-	75,424	75,424
Fundraising	361,865	-	361,865	306,161	-	306,161
Net assets released from restrictions	332,931	(332,931)	-	150,472	(150,472)	-
Total revenues and support	24,840,042	(779,137)	24,060,905	16,650,197	(155,436)	16,494,761
EXPENSES						
Instruction and student activities	18,304,285	-	18,304,285	16,845,772	-	16,845,772
Auxiliary services	705,376	-	705,376	545,806	-	545,806
Fundraising	371,489	-	371,489	381,522	-	381,522
General and administrative	3,133,171	-	3,133,171	2,754,500	-	2,754,500
Total expenses	22,514,321	-	22,514,321	20,527,600	-	20,527,600
CHANGE IN NET ASSETS BEFORE OTHER ADJUSTMENTS	2,325,721	(779,137)	1,546,584	(3,877,403)	(155,436)	(4,032,839)
UNREALIZED GAIN ON INTEREST RATE SWAP	974,428	-	974,428	2,558,582	-	2,558,582
CHANGE IN NET ASSETS	3,300,149	(779,137)	2,521,012	(1,318,821)	(155,436)	(1,474,257)
NET ASSETS AT BEGINNING OF YEAR	30,489,769	6,404,931	36,894,700	31,808,590	6,560,367	38,368,957
NET ASSETS AT END OF YEAR	$ 33,789,918	$ 5,625,794	$ 39,415,712	$ 30,489,769	$ 6,404,931	$ 36,894,700

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,521,012	$ (1,474,257)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,465,047	1,382,733
Interest expense related to debt issuance costs	3,092	3,092
Forgiveness of note receivable	15,000	15,000
Net depreciation (appreciation) in fair value of beneficial interest in trust	940,171	(75,424)
Net unrealized (gain) loss on investments	(1,341,981)	6,249,025
Loss (gain) from sale of investments	146,199	(675,050)
Gain on interest rate swap	(974,428)	(2,558,582)
Change in:		
Accounts receivable	3,637	(31,919)
Pledges receivable	99,975	(149,218)
Beneficial interest in trust	75,812	80,546
Prepaid expenses	(74,872)	(78,220)
Other assets	(3,741)	2,002
Accounts payable	80,486	(3,630)
Accrued expenses	(3,688)	149,796
Unearned tuition	305,152	2,703
Net cash provided by operating activities	3,256,873	2,838,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,746,838)	(1,032,350)
Purchase of investments	(19,980,072)	(7,590,717)
Proceeds from sale of investment in real estate	85,000	147,500
Proceeds from sale of investments	17,810,405	5,584,355
Net cash used in investing activities	(3,831,505)	(2,891,212)

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (930,000)	$ (895,000)
Net cash used in financing activities	(930,000)	(895,000)
CHANGE IN CASH AND CASH EQUIVALENTS	(1,504,632)	(947,615)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,693,445	8,641,060
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,188,813	$ 7,693,445
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 916,787	$ 986,727

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Randolph School (the School) is an independent private school whose primary business activity is providing education for prekindergarten through grade 12. The School is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. The School is located in Huntsville, Alabama, and its targeted tuition base is comprised of students in the North Alabama area.

In July 2018, the School acquired the net assets of Greengate School for the purpose of expanding the educational and support facilities for students with dyslexia and related language-based learning differences.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. GAAP require the School to report information regarding its financial position and activities based on the existence or absence or donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for general use are not subject to donor restrictions. Net assets without donor restrictions also include property, plant and equipment, net of related indebtedness and accumulated depreciation and Board-designated quasi-endowment funds.

Net Assets With Donor Restrictions: Net assets with donor restrictions are utilized to account for contributions that are donor restricted for uses that have not yet been fulfilled by either time, purpose or law, as well as to account for contributions whereby the donor has permitted the School to use the income for specified or unspecified purposes, but has restricted the spending of principal in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of noninterest-bearing checking accounts and savings accounts. For purposes of reporting cash flows, the School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains cash and cash equivalents in accounts with high quality, federally insured financial institutions. At times, the balances in these accounts may be in excess of federally insured limits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are reported at fair value. Unrealized gains and losses in the carrying values of investments are included in investment income (loss) in the accompanying statements of activities and changes in net assets. No investment or group of investments represents a significant concentration of market risk.

Investment in real estate is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts.

Risks and Uncertainties

Marketable securities and other investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and those changes could materially affect the School's net assets.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The School provides for losses on accounts receivable using the allowance method. The allowance method is based on experience and other circumstances. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There were no uncollectible accounts charged off during the years ended June 30, 2023 and 2022.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions either by time and purpose or in perpetuity, depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions by time and purpose are reclassified to net assets without donor restrictions.

The School uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Based on management's analysis, no allowance is necessary as of June 30, 2023 and 2022.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor conditions, amounts are reported as refundable advances.

Beneficial Interest in Trust
The School has been named as beneficiary of a charitable trust. The fair value of the School's interest in these funds was recognized as an asset and as contribution revenue when the trust was established. The value of the School's interest is adjusted annually for changes in fair value.

Property Plant and Equipment
Property, plant and equipment is stated at cost. Donated building and equipment are recorded at fair market value at the date of donation. Additions, improvements and expenditures for repairs and maintenance that significantly add to the productivity or extend the useful life of the asset are capitalized. Other expenses for repairs and maintenance are charged to operations when incurred.

Depreciation is calculated using the straight-line method based on estimated useful lives of three to 30 years. When assets are retired, the assets and related accumulated depreciation are removed from the respective accounts, and any profit or loss due to the disposition is credited or charged to income.

Revenues and Expenses
Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-stipulation or by law. Expirations of purpose or time restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Revenue from Contracts with Customers
Contracts with customers (primarily students) are recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the School expects to be entitled in exchange for those goods or services.

Revenue from student tuition is reflected net of reductions from institutional student aid. Tuition revenue is recognized as services are provided during the period of instruction. As amounts are received for tuition prior to the earnings period, the prepaid tuition is recorded as unearned tuition in the accompanying statements of financial position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contribution Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets restricted by purpose or time or in perpetuity support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as without donor restrictions.

Contributed services are recognized when the School would typically purchase such services if they require specialized skills and the contributor possesses such skills.

Contributed property and equipment or property usage is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Derivative Instruments

The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary risk managed by the School through the use of derivative instruments is interest rate risk. Derivatives are carried at fair value on the statements of financial position. The cash flow impact of derivative instruments is included in the statements of cash flows in cash paid for interest.

Income Taxes

The School is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and also is exempt from state income taxes under the applicable income tax regulations of the state of Alabama. The School files income tax returns in the U.S. federal jurisdiction. The School has filed its tax returns for all years through June 30, 2022, and is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2019.

The School is not aware of material uncertain tax positions that would require disclosure or accrual in accordance with accounting principles generally accepted in the U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, pledges receivable, accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short maturity of these instruments. The carrying value of long-term debt approximates fair value because the interest rates fluctuate with market interest rates, or the fixed rates are based on current rates offered to the School for debt with similar maturities. The fair value of the interest rate swaps (used for purposes other than trading) is the estimated amount the School would pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the School for liabilities.

Allocation of Expenses by Function and Nature

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Reclassifications

Certain reclassifications have been made to the 2022 financial statement amounts in order to conform to the 2023 presentation. Such reclassifications had no impact on the School's previously reported change in net assets.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. The School adopted Topic 842 effective July 1, 2022, and evaluated leases existing at or entered into after July 1, 2022 (the beginning of the period of adoption). Management determined there are no material lease agreements in place, and therefore, there were no significant impacts on the financial statements upon adoption of the standard.

2. LIQUIDITY

The schedule below reflects the School's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year because of donor or Board-imposed restrictions. Amounts not available include Board-designated quasi-endowment funds.

	2023	2022
Financial assets, at year-end	$ 37,668,835	$ 36,933,613
Less: assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	5,350,364	6,163,267
Board designations:		
Quasi-endowment funds	25,342,609	20,173,470
Financial assets available to meet cash needs for general expenditures within one year	$ 6,975,862	$ 10,596,876

The School obtains certain support from donor-restricted contributions. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. In addition, endowment funds include both donor-restricted funds and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Due to the donor restrictions and Board designations above, certain financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. INVESTMENTS

Investments consisted of the following at June 30:

	2023	2022
Common stocks	$ 8,555,580	$ 7,382,691
Mutual funds	12,108,481	10,547,478
Exchange traded funds	1,318,322	605,971
Alternative investments	2,893,612	2,612,906
Corporate bonds	2,149,140	2,780,235
U.S. treasury securities	1,049,031	617,502
Mortgage-backed securities	630,322	781,987
Other	29,535	30,804
	$ 28,734,023	$ 25,359,574

Investment income (loss) consisted of the following for the years ended June 30:

	2023	2022
Interest and dividends	$ 1,460,729	$ 1,567,673
Net realized (loss) gain on sale of investments	(146,199)	681,550
Net unrealized gain (loss) on investments	1,341,981	(6,249,025)
Fees	(190,285)	(187,365)
	$ 2,466,226	$ (4,187,167)

4. BENEFICIAL INTEREST IN TRUST

The School has been named as beneficiary of a charitable trust. Annually, the School is entitled to 5% of the total amount distributed from the trust. The trust will cease during the year ending June, 30, 2029, and the School will be entitled to 10% of the trust's net assets.

The fair value is remeasured at the end of each fiscal year using a discount rate and estimated cash flows to estimate the value of the beneficial interest. The discount rates of 4% and 2% in 2023 and 2022, respectively, have been determined by management, which are the market yields on treasury notes.

4. BENEFICIAL INTEREST IN TRUST – CONTINUED

Beneficial interest in trust consisted of the following at June 30:

	2023	2022
Trust receivable expected to be collected in:		
Less than one year	$ 77,000	$ 77,000
One to five years	3,106,881	385,000
Thereafter	-	3,690,000
	3,183,881	4,152,000
Less: unamortized discount	556,187	508,323
Total net trust receivable	$ 2,627,694	$ 3,643,677

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30:

	2023	2022
Land	$ 4,880,910	$ 4,852,095
Buildings and improvements	38,340,579	37,078,879
School equipment	3,363,458	2,729,645
Vehicles	541,402	552,068
Construction in progress	514,654	702,247
	47,641,003	45,914,934
Less: accumulated depreciation	20,235,734	18,791,456
	$ 27,405,269	$ 27,123,478

Depreciation expense for the years ended June 30, 2023 and 2022, was $1,465,047 and $1,382,733, respectively.

6. FAIR VALUE MEASUREMENTS

FASB ASC 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

6. FAIR VALUE MEASUREMENTS – CONTINUED

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2023 and **2022**:

Common stock, mutual funds, exchange traded funds, U.S. treasury securities and mortgage-backed securities: Where quoted prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation and discounted cash flows are used, securities are classified within Level 3 of the valuation hierarchy.

Corporate bonds: These securities are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data and classified within Level 2 of the hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth by level, within the fair value hierarchy, the School's assets and liabilities at fair value as of June 30, 2023:

	Fair Value at June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Common stock	$ 8,555,580	$ -	$ -	$ 8,555,580
Mutual funds	12,108,481	-	-	12,108,481
Exchange traded funds	1,318,322	-	-	1,318,322
Corporate bonds	-	2,149,140	-	2,149,140
U.S. treasury securities	1,049,031	-	-	1,049,031
Mortgage-backed securities	-	630,322	-	630,322
Other investments	29,535	-	-	29,535
Beneficial interest in trust	-	-	2,627,694	2,627,694
Total investments in the fair value hierarchy	$ 23,060,949	$ 2,779,462	$ 2,627,694	28,468,105
Investments measured at NAV(*)				2,893,612
Investments, at fair value				$ 31,361,717
Interest rate swap liability	$ -	$ (895,710)	$ -	$ (895,710)

6. FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth by level, within the fair value hierarchy, the School's assets and liabilities at fair value as of June 30, 2022:

	Fair Value at June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Common stock	$ 7,382,691	$ -	$ -	$ 7,382,691
Mutual funds	10,547,478	-	-	10,547,478
Exchange traded funds	605,971	-	-	605,971
Corporate bonds	-	2,780,235	-	2,780,235
U.S. treasury securities	617,502	-	-	617,502
Mortgage-backed securities	-	781,987	-	781,987
Other investments	30,804	-	-	30,804
Beneficial interest in trust	-	-	3,643,677	3,643,677
Total investments in the fair value hierarchy	$ 19,184,446	$ 3,562,222	$ 3,643,677	26,390,345
Investments measured at NAV(*)				2,612,906
Investments, at fair value				$ 29,003,251
Interest rate swap liability	$ -	$ (1,870,138)	$ -	$ (1,870,138)

(*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following table sets forth a summary of changes in fair value of the School's Level 3 assets for the year ended June 30, 2023:

	Beneficial Interest in Trust
Balance at June 30, 2022	$ 3,643,677
Contribution from trust	(75,812)
Net depreciation	(940,171)
Balance at June 30, 2023	$ 2,627,694

6. FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth a summary of changes in fair value of the School's Level 3 assets for the year ended June 30, 2022:

	Beneficial Interest in Trust
Balance at June 30, 2021	$ 3,648,799
Contribution from trust	(80,546)
Net appreciation	75,424
Balance at June 30, 2022	$ 3,643,677

The following tables present information about the School's investments that have fair value estimated using net asset value per share as of June 30, 2023 and 2022:

Fair Value Measurement of Investments that Calculate Net Asset Value

	Fair Value 2023	Unfunded Commitments 2023	Redemption Frequency	Redemption Notice Period
Private funds				
Limited partnership [(a)]	$ 1,791,460	$ 250,000	Currently ineligible	n/a
Limited partnership [(b)]	447,823	62,500	Currently ineligible	n/a
Finance company [(c)]	654,329	1,350,000	Currently ineligible	n/a
Total	$ 2,893,612	$ 1,662,500		

Fair Value Measurement of Investments that Calculate Net Asset Value

	Fair Value 2022	Unfunded Commitments 2022	Redemption Frequency	Redemption Notice Period
Private funds				
Limited partnership [(a)]	$ 1,806,526	$ 250,000	Currently ineligible	n/a
Limited partnership [(b)]	451,509	62,500	Currently ineligible	n/a
Finance company [(c)]	298,710	1,700,000	Currently ineligible	n/a
Hedge fund [(d)]	56,161	-	Quarterly	95 days
Total	$ 2,612,906	$ 2,012,500		

(a) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until July 2028, unless terminated sooner or extended as provided for in its limited partnership agreement.

6. FAIR VALUE MEASUREMENTS – CONTINUED

(b) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $500,000 to the fund. The fund will continue until January 2027, unless terminated sooner or extended as provided for in its limited partnership agreement.

(c) This investment is in a lending corporation that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until March 2029, unless terminated sooner by the fund manager.

(d) This investment was a hedge fund that invested in multiple strategies to diversify risk and reduce volatility. The fund was liquidated in April 2022. The School's investment at June 30, 2022, represented a holdback that was released during 2023.

7. LONG-TERM DEBT

The Educational Building Authority of the City of Huntsville Randolph School issued certain educational institution revenue bonds on behalf of the School in 2008. The bond proceeds were issued to finance the construction of additional building facilities. Effective June 7, 2012, the bonds were converted into a "direct loan" with a local financial institution. The terms of the bond, maturity date and variable interest rate were modified. During 2019, the direct loan was refinanced under similar terms with a different local financial institution. Under the terms of the refinancing agreement, the School elected an option to defer the principal payment on the note until February 1, 2022, at which time annual principal payments commenced.

Long-term debt consisted of the following as of June 30:

	2023	2022
Loan payable to a local financial institution, requiring interest payments monthly at a variable rate equal to 67% times SOFR, as adjusted, (LIBOR in 2022) plus 1.10%, and annual principal installments from 2022 to 2038 with amounts increasing incrementally from $895,000 to $3,400,000. The interest rate was 4.63% and 2.07% as of June 30, 2023 and 2022, respectively. (See conversion to fixed rate as described in Note 8) The loan matures in March 2034. The loan has a security interest in land and buildings.	$ 21,395,000	$ 22,325,000
Less unamortized debt issuance costs	32,985	36,077
Less current portion of long-term debt	970,000	930,000
Long-term debt, net	$ 20,392,015	$ 21,358,923

7. LONG-TERM DEBT - CONTINUED

Principal requirements of the above long-term debt are as follows:

2024	$ 970,000
2025	1,010,000
2026	1,055,000
2027	1,100,000
2028	1,145,000
Thereafter	16,115,000
	$ 21,395,000

Interest expense on long-term debt of $865,886 and $1,037,628 was recognized during 2023 and 2022, respectively.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The School is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the School's financial performance and are referred to as "market risks." The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks, when deemed appropriate. The primary market risk managed by the School is interest rate risk. The School uses an interest rate swap to manage risk from interest rate fluctuations associated with its variable rate debt. This derivative instrument has been designated as a cash flow hedge and assessed as an effective hedge.

In March 2008, the School entered into an interest rate swap agreement with a financial institution with a notional amount of $27,500,000, amortizing monthly concurrently with the related debt. The agreement terminates on February 1, 2038. Under the agreement, the School pays a fixed interest rate of 3.15% and receives a variable interest rate from the holders of the agreement. The interest rate swap is recorded on the statements of financial position at fair value and the change in fair value of the derivative is recognized as a gain or loss on the statements of activities and changes in net assets, outside of operations.

At June 30, 2023 and 2022, the outstanding notional balance on the interest rate swap agreement was $21,395,000 and $22,325,000, respectively. The fair value of the swap agreement at June 30, 2023 and 2022, was a liability of $895,710 and $1,870,138, respectively. The fair value was included in liabilities at June 30, 2023 and 2022, with an unrealized gain of $974,428 and $2,558,582, respectively, recognized in the statements of activities and changes in net assets for the years then ended. The debt is scheduled to mature in March 2034. The School will settle the agreement for cash determined by the fair value of the swap agreement at that date.

8. DERIVATIVE FINANCIAL INSTRUMENTS - CONTINUED

The difference in the pay and receive rates of interest on the interest rate swap is charged or credited to interest expense as incurred. No cash flow hedges were discontinued, and there was no impact to earnings due to hedge ineffectiveness during the years ended June 30, 2023 and 2022. The School is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, the School does not anticipate nonperformance by the counterparty.

9. ENDOWMENT FUNDS

The School's endowment consists of approximately 24 individual funds established for a variety of purposes including scholarships and financial aid, faculty and academic programs development, maintenance and general support. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board.

The School uses a Board-approved spending rate to determine the maximum amount to spend from the endowment, including those endowments deemed to be underwater, each year. The Board of Trustees of the School has interpreted the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies net assets with donor restrictions restricted in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund with donor restrictions that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions by purpose or time until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the endowment fund with donor restrictions
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization.

9. ENDOWMENT FUNDS – CONTINUED

Endowment net asset composition by type of fund was as follows as of June 30:

	2023	2022
With donor restrictions		
Restricted in perpetuity	$ 912,926	$ 882,324
Restricted by purpose or time	1,827,501	1,615,048
Total endowment funds with donor restrictions	2,740,427	2,497,372
Board-designated endowment funds		
Without donor restrictions	25,342,609	20,173,470
Total board-designated endowment funds	25,342,609	20,173,470
Total endowment	$ 28,083,036	$ 22,670,842

Changes in endowment net assets for the year ended June 30, 2023 were:

For the year ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 20,173,470	$ 2,497,372	$ 22,670,842
Investment income, net of investment expenses	666,371	125,107	791,478
Net appreciation	1,365,836	154,627	1,520,463
Contributions	520	1,750	2,270
Appropriation of endowment assets for expenditure	(500)	(38,429)	(38,929)
Board-designated endowment fund transfer	3,136,912	-	3,136,912
Change in endowment net assets	5,169,139	243,055	5,412,194
Endowment net assets at end of year	$ 25,342,609	$ 2,740,427	$ 28,083,036

9. ENDOWMENT FUNDS – CONTINUED

Changes in endowment net assets for the year ended **June 30, 2022** were:

For the year ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 23,666,658	$ 2,765,406	$ 26,432,064
Investment income, net of investment expenses	1,674,869	251,673	1,926,542
Net depreciation	(5,168,557)	(603,936)	(5,772,493)
Contributions	1,000	110,750	111,750
Appropriation of endowment assets for expenditure	(500)	(26,521)	(27,021)
Change in endowment net assets	(3,493,188)	(268,034)	(3,761,222)
Endowment net assets at end of year	$ 20,173,470	$ 2,497,372	$ 22,670,842

Strategies Employed for Achieving Investment Objectives
To achieve its long-term return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The School targets a diversified asset allocation with a bias toward equity and equity-like investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees of the School determines the method to be used to appropriate endowment funds for expenditure. The long-term objective of the School's spending policy is to maintain or increase the purchasing power of the endowment with the goal of providing a predictable and sustainable level of income to support current operations.

- Security of assets involved is the principal consideration and criterion applied in each investment decision.
- Liquidity and marketability consistent with anticipated cash requirements shall be the second criterion.
- Diversification and minimization of risk shall be the third requisite.

Under this policy, spending for a given year is evaluated and approved by the Board of Trustees each December and shall not exceed 5% for the endowment funds for the coming year based on the financial statements and anticipated needs of the School. The policy ensures that spending levels will be sensitive to fluctuating endowment market value levels, thereby providing stability in long-term purchasing power. Earnings in excess of the spending rate will be allocated to the principal balance of the endowment funds.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions by purpose or time are available for the following purposes and net assets with donor restrictions in perpetuity are restricted to investment, the income from which is expendable for the following purposes at June 30:

	2023		2022	
	Restricted by Purpose or Time	Restricted in Perpetuity	Restricted by Purpose or Time	Restricted in Perpetuity
Under the Christmas Tree	$ 44,300	$ -	$ 17,810	$ -
Restricted annual giving	213,373	-	246,072	-
Ford Endowment	148,902	50,000	134,592	50,000
EE Ford Endowment	271,092	-	249,614	-
Tonetti Endowment	78,296	21,925	71,515	21,925
Lowe Academy Endowment	141,045	-	128,954	-
M. Naylor Memorial Endowment	68,982	27,871	61,362	27,871
Kakani Endowment	72,882	55,481	61,562	55,481
Kofskey Endowment	47,338	12,128	42,117	12,129
Neidergese Endowment	39,367	4,709	32,424	4,709
Wilbourn Endowment	155,225	33,194	139,630	33,194
Lyle Endowment	104,642	22,770	94,409	22,770
Lynch Endowment	113,982	78,263	98,564	78,263
Grisham Endowment	342,584	105,894	304,140	105,894
Hughes-Monaghan	76,073	150,691	68,475	120,088
Minority financial aid	89,682	150,000	72,049	150,000
Wessel-Robin Learning	68,195	100,000	55,641	100,000
Sapra Foundation Scholarship	9,214	100,000	-	100,000
Lowe Trust	2,627,694	-	3,643,677	-
	$ 4,712,868	$ 912,926	$ 5,522,607	$ 882,324

Net assets were released from donor restrictions during the years ended June 30, 2023 and 2022, by incurring expenditures satisfying the restricted purposes by specified donors as follows:

	2023	2022
Instructional programs and support	$ 269,949	$ 51,750
Financial assistance	41,765	26,026
Other	21,217	72,696
Total	$ 332,931	$ 150,472

11. FUNCTIONAL EXPENSES

Functional expenses by natural classification were as follows for the year ended June 30, 2023:

	Instruction and Student Activities	Auxiliary Services	Fundraising	General and Administrative	Total Expenses
Salaries	$ 8,929,827	$ 550,860	$ 188,382	$ 1,771,858	$ 11,440,927
Other programs	1,312,119	-	-	-	1,312,119
Depreciation	1,406,141	14,043	15,562	29,301	1,465,047
Interest expense	828,103	8,270	9,165	20,348	865,886
Teaching supplies and expenses	1,560,220	-	96,229	-	1,656,449
Group insurance	614,772	37,924	12,969	121,983	787,648
Payroll taxes	657,021	40,530	13,860	130,366	841,777
Repairs and maintenance	1,586,949	15,849	17,563	33,069	1,653,430
Telephone and utilities	591,707	9,270	7,968	25,962	634,907
Retirement	345,420	21,308	7,287	68,538	442,553
Books and supplies	204,704	-	-	-	204,704
Development expenses	-	-	-	132,555	132,555
Office supplies	-	-	-	190,438	190,438
Insurance	118,694	7,322	2,504	23,551	152,071
Professional services	-	-	-	422,181	422,181
Dues and subscriptions	-	-	-	87,169	87,169
Travel and meetings	-	-	-	34,601	34,601
Teacher recruitment	32,344	-	-	-	32,344
Miscellaneous	95,788	-	-	32,923	128,711
Admissions	20,476	-	-	-	20,476
Bank service charge	-	-	-	8,328	8,328
	$ 18,304,285	$ 705,376	$ 371,489	$ 3,133,171	$ 22,514,321

11. FUNCTIONAL EXPENSES – CONTINUED

Functional expenses by natural classification were as follows for the year ended June 30, 2022:

	Instruction and Student Activities	Auxiliary Services	Fundraising	General and Administrative	Total Expenses
Salaries	$ 8,411,931	$ 420,968	$ 153,531	$ 1,686,168	$ 10,672,598
Other programs	1,236,499	-	-	-	1,236,499
Depreciation	1,327,136	13,254	14,688	27,655	1,382,733
Interest expense	992,940	9,916	10,989	23,783	1,037,628
Teaching supplies and					-
expenses	1,187,582	-	134,973	-	1,322,555
Group insurance	570,438	28,548	10,411	114,344	723,741
Payroll taxes	623,464	31,201	11,379	124,973	791,017
Repairs and maintenance	1,168,601	11,671	12,933	24,351	1,217,556
Telephone and utilities	569,840	8,642	6,773	29,747	615,002
Retirement	325,086	16,269	5,933	65,163	412,451
Books and supplies	247,999	-	-	-	247,999
Development expenses	-	-	17,965	110,594	128,559
Office supplies	-	-	-	163,735	163,735
Insurance	106,650	5,337	1,947	21,378	135,312
Professional services	-	-	-	223,806	223,806
Dues and subscriptions	-	-	-	45,079	45,079
Travel and meetings	-	-	-	40,734	40,734
Teacher recruitment	12,991	-	-	-	12,991
Miscellaneous	45,818	-	-	35,786	81,604
Admissions	18,797	-	-	-	18,797
Bank service charge	-	-	-	17,204	17,204
	$ 16,845,772	$545,806	$ 381,522	$2,754,500	$ 20,527,600

12. RETIREMENT PLAN

The School adopted a defined contribution plan for all eligible employees. The plan operates under Section 403(b) of the Internal Revenue Code and uses the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) to provide benefits. All employees are eligible to begin participation upon employment. The School matches 100% of contributions up to 5% of the employee's salary for all full-time employees after one year and 1,000 or more hours of service. The School expensed a total of $442,554 and $412,451 in contributions to the plan for the years ended June 30, 2023 and 2022, respectively.

13. SUBSEQUENT EVENT

On November 3, 2023, the School entered into an agreement to purchase land for approximately $3,800,000.

The School has evaluated events and transactions for potential recognition or disclosure through December 5, 2023, the date the financial statements were available to be issued.

RANDOLPH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

CPAs AND ADVISORS

www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

RANDOLPH SCHOOL
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JUNE 30, 2022 AND 2021

Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Randolph School

Opinion
We have audited the accompanying financial statements of Randolph School, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Randolph School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Randolph School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 13 to the financial statements, certain errors resulting in the misclassification of amounts previously reported for net assets with donor restrictions as of July 1, 2020 and June 30, 2021, were discovered by management of the School during the current year. Accordingly, amounts reported as having donor restrictions have been restated in the 2021 financial statements now presented, and an adjustment has been made to net assets with donor restrictions and net assets without donor restrictions as of July 1, 2020 and June 30, 2021, to correct the error. Our opinion is not modified with respect to that matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Randolph School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Huntsville, Alabama
December 6, 2022

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	(As Restated) 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 7,693,445	$ 8,641,060
Accounts receivable	42,699	10,780
Beneficial interest in trust – current portion	77,000	77,000
Pledges receivable – current portion	95,000	-
Prepaid expenses	110,039	31,819
Total current assets	8,018,183	8,760,659
PROPERTY, PLANT AND EQUIPMENT, NET	27,123,478	27,473,861
OTHER ASSETS		
Investments	25,359,574	28,920,687
Investments in real estate	201,000	355,000
Beneficial interest in trust – long-term	3,566,677	3,571,799
Pledges receivable, net	54,218	-
Note receivable, net	45,000	60,000
Other assets	24,202	26,204
Total other assets	29,250,671	32,933,690
TOTAL ASSETS	$ 64,392,332	$ 69,168,210

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF FINANCIAL POSITION – CONTINUED
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	(As Restated) 2021
CURRENT LIABILITIES		
Accounts payable	$ 355,678	$ 359,308
Accrued expenses	745,862	596,066
Unearned tuition	2,237,031	2,135,594
Current portion of long-term debt	930,000	895,000
Total current liabilities	4,268,571	3,985,968
LONG-TERM LIABILITIES		
Long-term debt, net	21,358,923	22,285,831
Unearned tuition – long-term	-	98,734
Interest rate swap	1,870,138	4,428,720
Total long-term liabilities	23,229,061	26,813,285
TOTAL LIABILITIES	27,497,632	30,799,253
NET ASSETS		
Without donor restrictions	30,489,769	31,808,590
With donor restrictions		
Restricted by purpose or time	5,522,607	5,788,793
Restricted in perpetuity	882,324	771,574
Total with donor restrictions	6,404,931	6,560,367
Total net assets	36,894,700	38,368,957
TOTAL LIABILITIES AND NET ASSETS	$ 64,392,332	$ 69,168,210

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			(As Restated) 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Tuition and fees, net of tuition credits	$ 17,238,967	$ -	$ 17,238,967	$ 15,622,660	$ -	$ 15,622,660
Contributions	930,662	347,299	1,277,961	551,641	78,887	630,528
Investment income (loss), net	(3,834,904)	(352,263)	(4,187,167)	5,477,516	621,901	6,099,417
Auxiliary services	1,858,839	-	1,858,839	726,588	-	726,588
Fundraising	306,161	-	306,161	83,980	-	83,980
Net assets released from restrictions	150,472	(150,472)	-	659,308	(659,308)	-
Total revenues and support	16,650,197	(155,436)	16,494,761	23,121,693	41,480	23,163,173
EXPENSES						
Instruction and student activities	11,865,625	-	11,865,625	10,989,092	-	10,989,092
Auxiliary services	1,796,239	-	1,796,239	1,184,296	-	1,184,296
Fundraising	152,938	-	152,938	37,572	-	37,572
Operation/maintenance of plant	2,819,679	-	2,819,679	2,292,208	-	2,292,208
General and administrative	3,893,119	-	3,893,119	3,531,140	-	3,531,140
Total expenses	20,527,600	-	20,527,600	18,034,308	-	18,034,308
CHANGE IN NET ASSETS BEFORE OTHER ADJUSTMENTS	(3,877,403)	(155,436)	(4,032,839)	5,087,385	41,480	5,128,865
UNREALIZED GAIN ON INTEREST RATE SWAP	2,558,582	-	2,558,582	1,770,588	-	1,770,588
PPP LOAN FORGIVENESS	-	-	-	2,269,300	-	2,269,300
CHANGE IN NET ASSETS	(1,318,821)	(155,436)	(1,474,257)	9,127,273	41,480	9,168,753
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	-	-	-	22,116,164	7,084,040	29,200,204
PRIOR PERIOD ADJUSTMENT	-	-	-	565,153	(565,153)	-
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	31,808,590	6,560,367	38,368,957	22,681,317	6,518,887	29,200,204
NET ASSETS AT END OF YEAR	$ 30,489,769	$ 6,404,931	$ 36,894,700	$ 31,808,590	$ 6,560,367	$ 38,368,957

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,474,257)	$ 9,168,753
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,382,733	1,335,988
Amortization of deferred financing costs	3,092	3,093
PPP loan forgiveness	-	(2,269,300)
Forgiveness of note receivable	15,000	15,000
Change in unamortized discount on pledges and trust receivable	(75,424)	188,387
Net unrealized loss (gain) on investments	6,249,025	(4,158,573)
Gain from sale of investments	(675,050)	(1,149,734)
Gain on interest rate swap	(2,558,582)	(1,770,588)
Change in:		
Accounts receivable	(31,919)	(9,558)
Pledges receivable	(149,218)	-
Beneficial interest in trust	80,546	77,000
Prepaid expenses	(78,220)	(2,555)
Other assets	2,002	(687)
Accounts payable	(3,630)	172,309
Accrued expenses	149,796	(56,963)
Unearned tuition	2,703	16,869
Net cash provided by operating activities	2,838,597	1,559,441
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,032,350)	(872,664)
Purchase of investments	(7,590,717)	(7,314,351)
Proceeds from sale of investment in real estate	147,500	-
Proceeds from sale of investments	5,584,355	5,857,811
Net cash used in investing activities	(2,891,212)	(2,329,204)

See notes to the financial statements.

RANDOLPH SCHOOL
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (895,000)	$ -
Net cash used in financing activities	(895,000)	-
DECREASE IN CASH AND CASH EQUIVALENTS	(947,615)	(769,763)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,641,060	9,410,823
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,693,445	$ 8,641,060
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 983,635	$ 955,209

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Randolph School (the School) is an independent private school whose primary business activity is providing education for Kindergarten through Grade 12. The School is a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. The School is located in Huntsville, Alabama, and its targeted tuition base is comprised of students in the North Alabama area.

In July 2018, the School acquired the net assets of Greengate School for the purpose of expanding the educational and support facilities for students with dyslexia and related language-based learning differences.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). US GAAP require the School to report information regarding its financial position and activities based on the existence or absence or donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for general use are not subject to donor restrictions. Net assets without donor restrictions also include property, plant and equipment, net of related indebtedness and accumulated depreciation and Board-designated quasi-endowment funds.

Net Assets With Donor Restrictions: Net assets with donor restrictions are utilized to account for contributions that are donor restricted for uses that have not yet been fulfilled by either time, purpose or law, as well as to account for contributions whereby the donor has permitted the School to use the income for specified or unspecified purposes but has restricted the spending of principal in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of non-interest-bearing checking accounts and savings accounts. For purposes of reporting cash flows, the School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents. The School maintains cash and cash equivalents in accounts with high quality, federally insured financial institutions. At times, the balances in these accounts may be in excess of federally insured limits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments
Investments are reported at fair value. Unrealized gains and losses in the carrying values of investments are included in investment income in the accompanying statements of activities and changes in net assets. No investment or group of investments represents a significant concentration of market risk.

Investment in real estate is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts.

Risks and Uncertainties
Marketable securities and other investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and those changes could materially affect the School's net assets.

Accounts Receivable
Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The School provides for losses on accounts receivable using the allowance method. The allowance method is based on experience and other circumstances. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There were no uncollectible accounts charged off during the years ended June 30, 2022 and 2021.

Promises to Give
Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions either by time and purpose or perpetuity, depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions by time and purpose are reclassified to net assets without donor restrictions.

The School uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Based on management's analysis, no allowance is necessary as of June 30, 2022 and 2021.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Promises to Give – Continued
Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances.

Beneficial Interest in Trust
The School has been named as beneficiary of a charitable trust. The fair value of the School’s interest in these funds was recognized as an asset and as contribution revenue when the trust was established. The value of the School's interest is adjusted annually for changes in fair value.

Property Plant and Equipment
Property, plant and equipment is stated at cost. Donated building and equipment are recorded at fair market value at the date of donation. Additions, improvements and expenditures for repairs and maintenance that significantly add to the productivity or extend the useful life of the asset are capitalized. Other expenses for repairs and maintenance are charged to operations when incurred.

Depreciation is calculated using the straight-line method based on estimated useful lives of three to 30 years. When assets are retired, the assets and related accumulated depreciation are removed from the respective accounts, and any profit or loss due to the disposition is credited or charged to income.

Revenues and Expenses
Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-stipulation or by law. Expirations of purpose or time restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Measure of Operations
Operating revenues in excess of expenses (the School’s operating measure) include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures and transfers from Board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both net assets with donor restrictions and net assets without donor restrictions. The measure of operations excludes unrealized gains and losses on the interest rate swap agreement and Paycheck Protection Program (PPP) loan forgiveness.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue from Contracts with Customers

Contracts with customers (primarily students) are recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the School expects to be entitled in exchange for those goods or services.

Revenue from student tuition is reflected net of reductions from institutional student aid. Tuition revenue is recognized as services are provided during the period of instruction. As amounts are received for tuition prior to the earnings period, the prepaid tuition is recorded as unearned tuition in the accompanying statements of financial position.

Contribution Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets restricted by purpose or time or in perpetuity support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as without donor restrictions.

Contributed services are recognized when the School would typically purchase such services if they require specialized skills and the contributor possesses such skills.

Contributed property and equipment or property usage is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Local governmental entities provide access to property that the School neither leases nor owns.

Derivative Instruments

The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary risk managed by the School through the use of derivative instruments is interest rate risk. Derivatives are carried at fair value on the statements of financial position. The cash flow impact of derivative instruments is included in the statements of cash flows in cash paid for interest.

Income Taxes

The School is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and also is exempt from state income taxes under the applicable income tax regulations of the State of Alabama. The School files income tax returns in the U.S. federal jurisdiction. The School has filed its tax returns for all years through June 30, 2021, and is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2018.

The School is not aware of material uncertain tax positions that would require disclosure or accrual in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments
The carrying amount of financial instruments, including cash, pledges receivable, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short maturity of these instruments. The carrying value of long-term debt approximates fair value because the interest rates fluctuate with market interest rates, or the fixed rates are based on current rates offered to the School for debt with similar maturities. The fair value of the interest rate swaps (used for purposes other than trading) is the estimated amount the School would pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the School for liabilities.

Allocation of Expenses by Function and Nature
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Recent Pronouncements – Yet to be Adopted
In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities and changes in net assets. This standard will be effective for the fiscal year ending June 30, 2023. The School is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Reclassifications
Certain reclassifications have been made to the 2021 financial statement amounts in order to conform to the 2022 presentation. Such reclassifications had no impact on the School's previously reported change in net assets.

Subsequent Events
The School has evaluated events and transactions for potential recognition or disclosure through December 6, 2022, the date the financial statements were available to be issued.

2. LIQUIDITY

The schedule below reflects the School's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year because of donor or Board-imposed restrictions. Amounts not available include Board-designated quasi-endowment funds.

	2022	2021
Financial assets, at year end	$ 36,933,613	$ 41,281,326
Less: assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	6,163,267	6,397,205
Board designations:		
Quasi-endowment funds	20,173,470	23,666,658
Financial assets available to meet cash needs for general expenditures within one year	$ 10,596,876	$ 11,217,463

The School obtains certain support from donor-restricted contributions. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the School must maintain sufficient resources to meet those responsibilities of its donors. In addition, endowment funds include both donor-restricted funds and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Due to the donor restrictions and Board designations above, certain financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. INVESTMENTS

Investments consisted of the following at June 30, 2022 and 2021:

	2022	2021
Common stocks	$ 7,382,691	$ 9,753,497
Mutual funds	10,547,478	12,258,396
Exchange traded funds	605,971	415,169
Alternative investments	2,612,906	3,339,768
Corporate bonds	2,780,235	-
U.S. treasury securities	617,502	2,450,633
Mortgage-backed securities	781,987	671,804
Real estate	201,000	355,000
Other	30,804	31,420
	$ 25,560,574	$ 29,275,687

3. INVESTMENTS – CONTINUED

Investment income consisted of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividends	$ 1,567,673	$ 953,222
Net realized gain on sale of investments	681,550	1,149,734
Net unrealized gain (loss) on investments	(6,249,025)	4,158,573
Fees	(187,365)	(162,112)
	$ (4,187,167)	$ 6,099,417

4. BENEFICIAL INTEREST IN TRUST

The School has been named as beneficiary of a charitable trust. Annually, the School is entitled to 5% of the total amount distributed from the trust. The trust will cease after 30 years, and the School will be entitled to 10% of the trust's net assets.

The fair value is re-measured at the end of each fiscal year using a discount rate and estimated cash flows to estimate the value of the beneficial interest. The discount rates of 2% and 1.18% in 2022 and 2021, respectively, have been determined by management, which are the market yields on 10-year treasury notes.

Beneficial interest in trust consisted of the following at June 30, 2022 and 2021:

	2022	2021
Trust receivable expected to be collected in:		
Less than one year	$ 77,000	$ 77,000
One to five years	385,000	385,000
Thereafter	3,690,000	3,767,000
	4,152,000	4,229,000
Less: Unamortized discount	508,323	580,201
Total net trust receivable	$ 3,643,677	$ 3,648,799

5. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment as of June 30, 2022 and 2021, is as follows:

	2022	2021
Land	$ 4,852,095	$ 4,823,252
Buildings and improvements	37,078,879	36,896,027
School equipment	2,729,645	2,587,329
Vehicles	552,068	538,607
Construction in progress	702,247	37,368
	45,914,934	44,882,583
Less: Accumulated depreciation	18,791,456	17,408,722
	$ 27,123,478	$ 27,473,861

Depreciation expense for the years ended June 30, 2022 and 2021, was $1,382,733 and $1,335,988, respectively.

6. FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

6. FAIR VALUE MEASUREMENTS – CONTINUED

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2022 and 2021:

Investments

Common stock, mutual funds, exchange traded funds, U.S. treasury securities and mortgage-backed securities: Where quoted prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation and discounted cash flows are used, securities are classified within Level 3 of the valuation hierarchy.

Corporate bonds: These securities are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data and classified within Level 2 of the hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the School's assets at fair value as of June 30, 2022 and 2021:

	Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments				
Common stock	$ 7,382,691	$ -	$ -	$ 7,382,691
Mutual funds	10,547,478	-	-	10,547,478
Exchange traded funds	605,971	-	-	605,971
Corporate bonds	-	2,780,235	-	2,780,235
U.S. treasury securities	617,502	-	-	617,502
Mortgage-backed securities	-	781,987	-	781,987
Other investments	30,804	-	-	30,804
Alternative investments (*)	-	-	-	2,612,906
Beneficial interest in trust	-	-	3,643,677	3,643,677
	$ 19,184,446	$ 3,562,222	$ 3,643,677	$ 29,003,251
Interest rate swap liability	$ -	$ (1,870,138)	$ -	$ (1,870,138)

6. FAIR VALUE MEASUREMENTS – CONTINUED

	Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments				
Common stock	$ 9,753,497	$ -	$ -	$ 9,753,497
Mutual funds	12,258,396	-	-	12,258,396
Exchange traded funds	415,169	-	-	415,169
U.S. treasury securities	2,450,633	-	-	2,450,633
Mortgage-backed securities	-	671,804	-	671,804
Other investments	31,420	-	-	31,420
Alternative investments (*)	-	-	-	3,339,768
Beneficial interest in trust	-	-	3,648,799	3,648,799
	$ 24,909,115	$ 671,804	$ 3,648,799	$ 32,569,486
Interest rate swap liability	$ -	$ (4,428,720)	$ -	$ (4,428,720)

(*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position. .

The following tables set forth a summary of changes in fair value of the School's Level 3 assets for the years ended June 30, 2022 and 2021:

	Beneficial Interest in Trust
Balance at June 30, 2021	$ 3,648,799
Contribution from trust	(80,546)
Change in unamortized discount on trust receivable	75,424
Balance at June 30, 2022	$ 3,643,677

	Beneficial Interest in Trust
Balance at July 1, 2020	$ 3,914,186
Contribution from trust	(77,000)
Change in unamortized discount on trust receivable	(188,387)
Balance at June 30, 2021	$ 3,648,799

6. FAIR VALUE MEASUREMENTS – CONTINUED

The following tables present information about the School's investments that have fair value estimated using net asset value per share as of June 30, 2022 and 2021:

	Fair Value Measurement of Investments that Calculate Net Asset Value			
	Fair Value 2022	**Unfunded Commitments 2022**	**Redemption Frequency**	**Redemption Notice Period**
Private funds				
Limited partnership (a)	$ 1,806,526	$ 250,000	Currently ineligible	n/a
Limited partnership (b)	451,509	62,500	Currently ineligible	n/a
Finance company (c)	298,710	1,700,000	Currently ineligible	n/a
Hedge fund (d)	56,161	-	Quarterly	95 days
Total	$ 2,612,906	$ 2,012,500		

	Fair Value Measurement of Investments that Calculate Net Asset Value			
	Fair Value 2021	**Unfunded Commitments 2021**	**Redemption Frequency**	**Redemption Notice Period**
Private funds				
Limited partnership (a)	$ 1,783,474	$ 250,000	Currently ineligible	n/a
Limited partnership (b)	451,867	62,500	Currently ineligible	n/a
Hedge fund (d)	1,104,427	-	Quarterly	95 days
Total	$ 3,339,768	$ 312,500		

(a) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until July 2028, unless terminated sooner or extended as provided for in its limited partnership agreement.

(b) This investment is in a partnership that primarily invests in U.S. middle market loans. The School committed $500,000 to the fund. The fund will continue until January 2027, unless terminated sooner or extended as provided for in its limited partnership agreement.

(c) This investment is in a lending corporation that primarily invests in U.S. middle market loans. The School committed $2,000,000 to the fund. The fund will continue until March 2029, unless terminated sooner by the fund manager.

(d) This investment is a hedge fund that invests in multiple strategies to diversify risk and reduce volatility. The fund was liquidated in April 2022. The School's investment at June 30, 2022, represents a holdback that will be released when the fund's final audit is complete.

7. LONG-TERM DEBT

Long-term debt as of June 30, 2022 and 2021, consists of the following:

The Educational Building Authority of the City of Huntsville Randolph School issued certain educational institution revenue bonds on behalf of the School in 2008. The bond proceeds were issued to finance the construction of additional building facilities. Effective June 7, 2012, the bonds payable was converted into a “direct loan” with a local financial institution. The terms of the bond, maturity date and variable interest rate were modified. During 2019, the direct loan was refinanced under similar terms with a different local financial institution. Under the terms of the refinancing agreement, the School elected an option to defer the principal payment on the note until February 1, 2022.

	2022	2021
Bond payable to a local financial institution, requiring interest payments monthly at a variable rate equal to 67% times LIBOR plus 1.10% and annual principal installments from 2022 to 2038 with amounts increasing incrementally from $895,000 to $3,400,000. The interest rate was 2.07% and 1.16% as of June 30, 2022 and 2021, respectively. (See conversion to fixed rate as described in Note 8) The bond matures in March 2034. The bond has a security interest in land and buildings.	$ 22,325,000	$ 23,220,000
Less unamortized debt issuance costs	36,077	39,169
Less current portion of long-term debt	930,000	895,000
Long-term debt, net	$ 21,358,923	$ 22,285,831

Principal requirements of the above long-term debt are as follows:

2023	$ 930,000
2024	970,000
2025	1,010,000
2026	1,055,000
2027	1,100,000
Thereafter	17,260,000
	$ 22,325,000

Interest expense on long-term debt of $1,034,536 and $955,209 was recognized during 2022 and 2021, respectively.

7. LONG-TERM DEBT – CONTINUED

During the year ended June 30, 2021, the School received proceeds from a $2,269,300 note payable to the Small Business Administration (SBA) as part of the Paycheck Protection Program (PPP). The note incurred interest at 1% from the date of disbursement to the date of forgiveness. The School received full forgiveness of the note payable and accrued interest during the year ended June 30, 2021.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The School is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the School's financial performance and are referred to as "market risks." The School uses derivatives as a risk management tool to mitigate the potential impact of certain market risks, when deemed appropriate. The primary market risk managed by the School is interest rate risk. The School uses an interest rate swap to manage risk from interest rate fluctuations associated with its variable rate debt. This derivative instrument has been designated as a cash flow hedge and assessed as an effective hedge.

In March 2008, the School entered into an interest rate swap agreement with a financial institution with a notional amount of $27,500,000 amortizing monthly concurrently with the related debt. The agreement terminates on February 1, 2038. Under the agreement, the School pays a fixed interest rate of 3.15% and receives a variable interest rate from the holders of the agreement. The interest rate swap is recorded on the statements of financial position at fair value and the change in fair value of the derivative is recognized as a loss on the statements of activities and changes in net assets, outside of operations.

At June 30, 2022 and 2021, the outstanding notional balance on the interest rate swap agreement was $23,220,000 and $23,220,000, respectively. The fair value of the swap agreement at June 30, 2022 and 2021, was $1,870,138 and $4,428,720, respectively. The fair value was included in liabilities at June 30, 2022 and 2021, with an unrealized gain of $2,558,582 and $1,770,588 recognized in the statements of activities and changes in net assets for the years then ended, respectively. The original related debt was scheduled to mature on February 1, 2038. The School will settle the agreement for cash determined by the fair value of the swap agreement at that date. The bonds payable was converted into a "direct loan" with a local financial institution. The direct loan was refinanced in March 2019 with a different local financial institution and is now scheduled to mature in March 2034 (see Note 7).

The difference in the pay and receive rates of interest on the interest rate swap is charged or credited to interest expense as incurred. The variable rate for the years ended June 30, 2022 and 2021, was 1.17% and 1.11%, respectively. No cash flow hedges were discontinued, and there was no impact to earnings due to hedge ineffectiveness during the years ended June 30, 2022 and 2021. The School is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, the School does not anticipate nonperformance by the counterparty.

9. ENDOWMENT FUNDS

The School's endowment consists of approximately 24 individual funds established for a variety of purposes including scholarships and financial aid, faculty and academic programs development, maintenance and general support. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board.

The School uses a Board-approved spending rate to determine the maximum amount to spend from the endowment, including those endowments deemed to be underwater, each year. The Board of Trustees of the School has interpreted the State of Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with donor restrictions restricted in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund with donor restrictions that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions by purpose or time until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the endowment fund with donor restrictions
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	2022	(As Restated) 2021
With donor restrictions		
Restricted in perpetuity	$ 882,324	$ 771,574
Restricted by purpose or time	1,615,048	1,993,832
Total endowment funds with donor restrictions	2,497,372	2,765,406
Board-designated endowment funds		
Without donor restrictions	20,173,470	23,666,658
Total board-designated endowment funds	20,173,470	23,666,658
Total endowment	$ 22,670,842	$ 26,432,064

9. ENDOWMENT FUNDS – CONTINUED

Changes in endowment net assets for the year ended June 30, 2022:

For the year ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$23,666,658	$ 2,765,406	$ 26,432,064
Investment income, net of investment expenses	1,674,869	251,673	1,926,542
Net depreciation	(5,168,557)	(603,936)	(5,772,493)
Contributions	1,000	110,750	111,750
Appropriation of endowment assets for expenditure	(500)	(26,521)	(27,021)
Change in endowment net assets	(3,493,188)	(268,034)	(3,761,222)
Endowment net assets at end of year	$20,173,470	$ 2,497,372	$ 22,670,842

Changes in endowment net assets for the year ended June 30, 2021**:**

	(As Restated)		
For the year ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$18,242,941	$ 2,148,812	$ 20,391,753
Investment income, net of investment expenses	773,902	88,513	862,415
Net appreciation	4,791,427	549,516	5,340,943
Contributions	-	20,800	20,800
Appropriation of endowment assets for expenditure	(141,612)	(42,235)	(183,847)
Change in endowment net assets	5,423,717	616,594	6,040,311
Endowment net assets at end of year	$23,666,658	$ 2,765,406	$ 26,432,064

9. ENDOWMENT FUNDS – CONTINUED

Strategies Employed for Achieving Investment Objectives
To achieve its long-term return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The School targets a diversified asset allocation with a bias toward equity and equity-like investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees of the School determines the method to be used to appropriate endowment funds for expenditure. The long-term objective of the School's spending policy is to maintain or increase the purchasing power of the endowment with the goal of providing a predictable and sustainable level of income to support current operations.

- Security of assets involved is the principal consideration and criterion applied in each investment decision.
- Liquidity and marketability consistent with anticipated cash requirements shall be the second criterion.
- Diversification and minimization of risk shall be the third requisite.

Under this policy, spending for a given year is evaluated and approved by the Board of Trustees each December and shall not exceed 5% for the endowment funds for the coming year based on the financial statements and anticipated needs of the School. The policy ensures that spending levels will be sensitive to fluctuating endowment market value levels thereby providing stability in long-term purchasing power. Earnings in excess of the spending rate will be allocated to the principal balance of the endowment funds.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions by purpose or time are available for the following purposes and net assets with donor restrictions in perpetuity are restricted to investment, the income from which is expendable for the following purposes at June 30, 2022 and 2021:

	2022		(As Restated) 2021	
	Restricted by Purpose or Time	Restricted in Perpetuity	Restricted by Purpose or Time	Restricted in Perpetuity
Under the Christmas Tree	$ 17,810	$ -	$ 18,803	$ -
Annual Fund Case	-	-	50,500	-
Restricted Annual Giving	246,072	-	72,176	-
School Store/Spirit Wear	-	-	2,693	-
Ford Endowment	134,592	50,000	146,083	50,000
EE Ford Endowment	249,614	-	279,556	-
Tonetti Endowment	71,515	21,925	79,390	21,925
Lowe Academy Endowment	128,954	-	151,160	-
M. Naylor Memorial Endowment	61,362	27,871	73,681	27,871
Kakani Endowment	61,562	55,481	79,679	54,731
Kofskey Endowment	42,117	12,129	48,411	12,129
Neidergese Endowment	32,424	4,709	62,262	4,709
Wilbourn Endowment	139,630	33,194	167,276	33,194
Lyle Endowment	94,409	22,770	111,070	22,770
Lynch Endowment	98,564	78,263	123,152	78,263
Grisham Endowment	304,140	105,894	374,747	105,894
Hughes-Monaghan	68,475	120,088	113,374	110,088
Minority Financial Aid	72,049	150,000	110,341	150,000
Wessel-Robin Learning	55,641	100,000	73,650	100,000
Sapra Foundation Scholarship	-	100,000	1,990	-
Lowe Trust	3,643,677	-	3,648,799	-
	$ 5,522,607	$ 882,324	$ 5,788,793	$ 771,574

10. NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021, by incurring expenditures satisfying the restricted purposes by specified donors as follows:

	2022	(As Restated) 2021
Instructional programs and support	$ 51,750	$ 296,085
Financial assistance	26,026	32,602
Other	72,696	330,621
Total	$ 150,472	$ 659,308

11. FUNCTIONAL EXPENSES

Functional expenses by natural classification are as follows as of June 30, 2022:

	Instruction and Student Activities	Auxiliary Services	Fundraising	Operation/ Maintenance of Plant	General and Administrative	Total Expenses
Salaries	$ 8,411,929	$ 420,969	$ -	$ 344,291	$ 1,839,700	$ 11,016,889
Other programs	-	1,236,499	-	-	-	1,236,499
Depreciation	-	-	-	1,382,733	-	1,382,733
Interest expense	-	-	-	-	1,034,536	1,034,536
Teaching supplies and expenses	1,187,582	-	134,973	-	-	1,322,555
Group insurance	552,576	27,647	-	22,653	120,865	723,741
Payroll taxes	603,941	30,217	-	24,759	132,100	791,017
Repairs and maintenance	-	-	-	887,800	-	887,800
Telephone and utilities	448,789	58,385	-	60,254	47,574	615,002
Retirement	314,906	15,756	-	12,910	68,879	412,451
Books and supplies	247,999	-	-	-	-	247,999
Development expenses	-	-	17,965	-	110,594	128,559
Office supplies	-	-	-	-	163,735	163,735
Insurance	20,297	6,766	-	81,187	27,062	135,312
Professional services	-	-	-	-	223,806	223,806
Amortization	-	-	-	3,092	-	3,092
Dues and subscriptions	-	-	-	-	45,079	45,079
Travel and meetings	-	-	-	-	40,734	40,734
Teacher recruitment	12,991	-	-	-	-	12,991
Miscellaneous	45,818	-	-	-	21,251	67,069
Admissions	18,797	-	-	-	-	18,797
Bank service charge	-	-	-	-	17,204	17,204
	$ 11,865,625	$ 1,796,239	$ 152,938	$ 2,819,679	$ 3,893,119	$ 20,527,600

11. FUNCTIONAL EXPENSES – CONTINUED

Functional expenses by natural classification are as follows as of June 30, 2021:

	Instruction and Student Activities	Auxiliary Services	Fundraising	Operation/ Maintenance of Plant	General and Administrative	Total Expenses
Salaries	$ 8,194,945	$ 289,749	$ -	$ 301,668	$ 1,739,091	$10,525,453
Other programs	-	786,574	-	-	-	786,574
Depreciation	-	-	-	1,335,988	-	1,335,988
Interest expense	-	-	-	-	955,209	955,209
Teaching supplies and expenses	519,012	-	6,653	-	-	525,665
Group insurance	576,460	20,360	-	21,249	122,311	740,380
Payroll taxes	589,680	20,849	-	21,707	125,140	757,376
Repairs and maintenance	-	-	-	480,188	-	480,188
Telephone and utilities	403,279	50,589	-	53,771	30,067	537,706
Retirement	308,526	10,909	-	11,357	65,474	396,266
Books and supplies	202,935	-	-	-	-	202,935
Development expenses	-	-	30,919	-	87,696	118,615
Office supplies	-	-	-	-	121,570	121,570
Insurance	15,797	5,266	-	63,188	21,062	105,313
Professional services	-	-	-	-	139,226	139,226
Advertising	-	-	-	-	39,971	39,971
Amortization	-	-	-	3,092	-	3,092
Dues and subscriptions	-	-	-	-	37,457	37,457
Travel and meetings	-	-	-	-	19,552	19,552
Teacher recruitment	34,619	-	-	-	-	34,619
Miscellaneous	129,853	-	-	-	17,588	147,441
Admissions	13,986	-	-	-	-	13,986
Bank service charge	-	-	-	-	9,726	9,726
	$ 10,989,092	$1,184,296	$37,572	$2,292,208	$3,531,140	$18,034,308

12. RETIREMENT PLAN

The School adopted a defined contribution plan for all eligible employees. The plan operates under Section 403(b) of the Internal Revenue Code and uses the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) to provide benefits. All employees are eligible to begin participation upon employment. The School matches 100% of contributions up to 5% of the employee's salary for all full-time employees after one year and 1,000 or more hours of service. The School expensed a total of $412,451 and $396,266 in contributions to the plan for the years ended June 30, 2022 and 2021, respectively.

13. PRIOR PERIOD ADJUSTMENT

Management reviewed its donor restricted funds and determined certain restrictions have previously been satisfied but not properly released in the accounting records. To correct this error, management has restated net assets as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balance as of July 1, 2020, as previously reported	$ 22,116,164	$ 7,084,040	$ 29,200,204
Donor restrictions previously satisfied but not reported	565,153	(565,153)	-
Balance as of July 1, 2020, as restated	$ 22,681,317	$ 6,518,887	$ 29,200,204
2021 change in net assets, as previously reported	$ 9,063,415	$ 105,338	$ 9,168,753
Donor restrictions previously satisfied but not reported	63,858	(63,858)	-
2021 change in net assets, as restated	$ 9,127,273	$ 41,480	$ 9,168,753

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APPENDIX C-1

FORM OF INDENTURE

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TRUST INDENTURE

Dated August 1, 2026

Between

THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL

and

PINNACLE BANK

Relating to the issuance of

[$Amount]
Lease Revenue Bonds (Randolph School Project), Series 2026

by

The Educational Building Authority of the City of Huntsville - Randolph School

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TRUST INDENTURE

THIS TRUST INDENTURE dated August 1, 2026 is entered into by **THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL**, an Alabama public corporation (the "Issuer"), and **PINNACLE BANK**, a Tennessee banking corporation (as more fully defined in ***Section 1.1***, the "Trustee").

Recitals

A. The Issuer has duly authorized the issuance of its [$Amount] aggregate principal amount of Lease Revenue Bonds (Randolph School Project), Series 2026 (the "Bonds") pursuant to this Indenture.

B. The Bonds are being issued to provide financing for the benefit of Randolph School, an Alabama nonprofit corporation (as more fully defined in ***Section 1.1***, the "Borrower" or the "School").

C. The Bonds are being issued for the purpose of (i) refunding the bonds described in ***Exhibit 5.4(b)*** (the "Refunded Bonds") that provided financing for the benefit of the Borrower and (ii) financing the cost of certain capital improvements (the "Capital Improvements") to the educational facilities of the Borrower identified in ***Exhibit 9.3(d)***. The educational facilities of the Borrower financed with proceeds of the Refunded Bonds are referred to herein as the "Prior Capital Improvements," and the Prior Capital Improvements together with the Capital Improvements, the "Project."

D. Certain real property on which the Project is located will be leased by the Issuer to the Borrower pursuant to a Lease Agreement dated August 1, 2026 (as more fully defined in ***Section 1.1***, the "Lease Agreement") between the Issuer and the Borrower. Pursuant to the Lease Agreement the Borrower has agreed to make rental payments at times and in amounts sufficient to pay Debt Service on the Bonds and the Purchase Price of Tendered Bonds (except as provided with respect to the Soft Tender Provisions).

E. The rights of the Issuer under the Lease Agreement have been assigned to the Trustee pursuant to this Indenture.

F. To further secure the obligations of the Borrower under the Lease Agreement, the Borrower has executed a Guaranty Agreement dated August 1, 2026 (as more fully defined in ***Section 1.1***, the "Guaranty Agreement") in favor of the Trustee, guaranteeing payment of Debt Service on the Bonds and the Purchase Price of Tendered Bonds (except as provided with respect to the Soft Tender Provisions).

G. The Bonds and all other payment obligations under this Indenture are limited obligations of the Issuer payable solely out of the Trust Estate established pursuant to this Indenture, which includes (i) payments by the Borrower pursuant to the Lease Agreement and (ii) money and investments in the funds and accounts established under this Indenture.

H. This Indenture provides for the issuance of the Bonds in various Interest Rate Modes. The Bonds shall be issued initially in the Fixed Rate Mode. The Bonds may, at the option of the Borrower, be converted to another Interest Rate Mode in accordance with the terms of this Indenture at any time when the Bonds are subject to optional redemption at par.

I. All things have been done which are necessary to make the Bonds, when executed by the Issuer and authenticated and delivered by the Trustee hereunder, the valid obligations of the Issuer, and to constitute this Indenture a valid trust indenture for the security of the Bonds, in accordance with the terms of the Bonds and this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

It is hereby covenanted and declared that all the Bonds are to be authenticated and delivered and the property subject to this Indenture is to be held and applied by the Trustee, subject to the covenants, conditions and trusts hereinafter set forth, and the Issuer does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit (except as otherwise expressly provided herein) of all Holders as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.1 Definitions

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meaning indicated:

"**Acquisition Costs**" means the costs of acquiring, constructing and installing the Capital Improvements, including without limitation (a) interest accruing on the Bonds for a period not to exceed 3 years, and (b) any rebate due to the United States Treasury with respect to the Bonds pursuant to Section 148(f) of the Internal Revenue Code.

"**Acquisition Fund**" means the fund established pursuant to ***Section 9.3***.

"**Act of Bankruptcy**" means the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against a person under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect.

"**Affiliate**" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Alternate Rate**" means the SIFMA Index plus 100 basis points; provided, however, that the notice of conversion of Bonds to a new Interest Rate Mode may specify a different Alternate Rate for Bonds while such Interest Rate Mode is in effect.

"**Applicable Spread**", when used with respect to the Index Rate, means the margin or spread that is added to, or subtracted from, the Designated Index to determine the Index Rate.

"**Authorized Denominations**" means: (i) for Bonds in the Daily Rate Mode, the Weekly Rate Mode and the Commercial Paper Rate Mode, $100,000 or any larger amount that is a multiple of $5,000, and (ii) for Bonds in the Term Rate Mode, the Index Rate Mode, or the Fixed Rate Mode, $5,000 or any multiple thereof; provided, however, that the notice of conversion of Bonds to a new Interest Rate Mode may specify different Authorized Denominations for the Bonds while such Interest Rate Mode is in effect.

“**Authorized Representative of the Borrower**” means the chief executive officer or the chief financial officer of the Borrower or any other officer or agent of the Borrower authorized by the governing body of the Borrower to act as “Authorized Representative of the Borrower” for purposes of the Bond Documents.

“**Authorized Representative of the Issuer**” means the chairman, the vice chairman or the secretary of the Issuer, or any other officer or agent of the Issuer authorized by the governing body of the Issuer to act as “Authorized Representative of the Issuer” for purposes of the Bond Documents.

“**Bond Buyer Index**” means the “Bond Buyer Revenue Bond Index” rate for 30-year tax-exempt revenue bonds, as published by *The Bond Buyer* on any date selected by the Issuer that is within 30 days prior to the date of such determination; provided, however, that if the Bond Buyer Index is no longer published, the Trustee shall select an alternative index that, in the judgment of the Trustee, is based on criteria reasonably similar to the current Bond Buyer Index.

“**Bond Documents**” means the Bonds, this Indenture, the Lease Agreement and the Guaranty Agreement.

“**Bond Payment Date**” means each date on which Debt Service is payable on the Bonds, including any date fixed for redemption of Bonds.

“**Bond Purchase Fund**” means the fund established pursuant to ***Section 9.4***.

“**Bond Register**” means the register or registers for the registration and transfer of Bonds maintained by the Issuer pursuant to ***Section 4.2(c)***.

“**Bonds**” means the bonds issued pursuant to this Indenture.

“**Book Entry System**” means the book entry system maintained by DTC for the ownership, transfer, exchange and payment of debt obligations.

“**Borrower**” means Randolph School, an Alabama nonprofit corporation, and its successors and assigns.

“**Business Day**” means any day other than a Saturday, a Sunday, or a day on which the Trustee is authorized to be closed under general law or regulation applicable in the place where the Trustee performs its obligations under this Indenture.

“**Calculation Agent**”, when used with respect to Bonds in the Index Rate Mode, means the Trustee, until a successor Calculation Agent is appointed pursuant to ***Section 15.6***.

“**Callable Bonds**” means Bonds that are subject to optional redemption.

“**Capital Improvements**” means the improvements and additions to the Borrower’s educational facilities being financed by the Bonds, more particularly described in ***Exhibit 9.3(d)***.

“**Commercial Paper Rate Mode**” means the Interest Rate Mode in which a Bond bears interest at the CP Rate for each CP Rate Period.

“**Conversion Date**” means the day on which the Interest Rate Mode on a Bond is successfully converted from one Interest Rate Mode to another Interest Rate Mode.

"**Costs of Issuance**" means the expenses incurred in connection with the issuance of the Bonds, including legal, consulting, accounting and underwriting fees and expenses.

"**Costs of Issuance Fund**" means the fund established pursuant to ***Section 9.2***.

"**CP Rate**", when used with respect to any Bond in the Commercial Paper Rate Mode, means the fixed interest rate borne by such Bond during the applicable CP Rate Period.

"**CP Rate Period**", when used with respect to any Bond in the Commercial Paper Rate Mode, means each period during which such Bond bears interest at a specified CP Rate.

"**Credit Enhancement**" means an undertaking by a third party to provide security for the payment of Debt Service on the Bonds or the Purchase Price of Tendered Bonds, or both, including without limitation bond insurance, a letter of credit, a standby purchase agreement or any other similar agreement.

"**Daily Rate**", when used with respect to any Bond in the Daily Rate Mode, means the variable interest rate borne by such Bond while such Bond is in the Daily Rate Mode.

"**Daily Rate Mode**" means the Interest Rate Mode in which a Bond bears interest at the Daily Rate.

"**Debt Service**" means the principal, redemption premium (if any) and interest payable on the Bonds.

"**Debt Service Fund**" means the fund established pursuant to ***Section 9.1***.

"**Defaulted Interest**" has the meaning assigned in ***Section 4.2(l)***.

"**Defeased**", when used with respect to Indenture Indebtedness, has the meaning assigned in ***Section 14.1***.

"**Designated Index**" means an index used to determine the Index Rate.

"**Determination of Taxability**" means interest on the Bonds, or any of them, is determined not to be excludable from taxable gross income of the Holder thereof by a final administrative determination of the Internal Revenue Service or final judicial decision of a court of competent jurisdiction in a proceeding of which the Borrower received a notice. A determination or decision will not be considered final for this purpose until the conclusion of any appellate review, if sought.

"**Direct Lender**" means a bank or other financial institution that purchases a Bond to be delivered in Direct Loan Form in accordance with the provisions of ***Section 4.6*** and, upon transfer of such Bond by the existing Direct Lender to a successor Direct Lender, as provided in ***Section 4.6***, means the successor Direct Lender.

"**Direct Loan Form**" means the form of a Bond delivered to a Direct Lender in accordance with the provisions of ***Section 4.6***.

"**Direct Payment Agreement**" means a direct payment agreement entered into pursuant to ***Section 4.6*** to facilitate the payment of a Bond in Direct Loan Form.

"**DTC**" means The Depository Trust Company and its successors and assigns.

“**Enabling Law**” means Chapter 17 of Title 16 (Section 16-17-1 et seq.) of the Code of Alabama 2021.

“**Event of Default**” has the meaning assigned in ***Section 11.1***. An Event of Default shall “exist” if an Event of Default shall have occurred and be continuing.

“**Failed Conversion**” has the meaning assigned in ***Section 5.3(c)***.

“**Failed Conversion Provisions**” means the provisions of ***Section 5.3(c)*** and ***Section 5.3(d)*** relating to a Failed Conversion.

“**Failed Purchase**”, when used with respect to a Soft Tender Bond, means such Soft Tender Bond was not purchased on an Optional Tender Date or a Mandatory Tender Date during a Soft Tender Period.

“**Failed Purchase Bond**”, when used with respect to a Soft Tender Bond, means such Soft Tender Bond was not purchased on an Optional Tender Date or a Mandatory Tender Date during a Soft Tender Period.

“**Failed Purchase Period**”, when used with respect to a Soft Tender Bond, means a period beginning on an Optional Tender Date or a Mandatory Tender Date when a Failed Purchase occurs with respect to such Soft Tender Bond and ending on the first to occur of the following: (i) the date when such Soft Tender Bond is purchased, (ii) the date when such Soft Tender Bond is converted to another Interest Rate Mode, (iii) the date when such Soft Tender Bond is redeemed, or (iv) the Maturity Date for such Soft Tender Bond.

“**Favorable Tax Opinion**” means an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Bonds made or to be made in connection with such action, will not cause interest on the Bonds to become includible in gross income of the Holders for purposes of federal income taxation.

“**Federal Securities**” means noncallable, nonprepayable, direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America.

“**Financing Participants**” means the Issuer, the Borrower, the Trustee, the Calculation Agent, the Remarketing Agent and the provider of any Credit Enhancement with respect to the Bonds.

“**Fitch**” means Fitch, Inc., and its successors and assigns.

“**Fixed Rate**”, when used with respect to any Bond in the Fixed Rate Mode, means the fixed interest rate borne by such Bond.

“**Fixed Rate Mode**” means the Interest Rate Mode in which a Bond bears interest at a Fixed Rate.

“**Fixed Rate Period**”, when used with respect to any Bond in the Fixed Rate Mode, means a period during which such Bond bears interest at the specified Fixed Rate.

“**Guaranty Agreement**” means the Guaranty Agreement dated August 1, 2026, by the Borrower in favor of the Trustee, guaranteeing payment by the Borrower of Debt Service on the Bonds and the Purchase Price of Tendered Bonds (except as provided with respect to the Soft Tender Provisions).

"**Holder**", when used with respect to a Bond, means (i) if the Book Entry System is in effect, the beneficial owner of such Bond under the rules and regulations of the Book Entry System or (ii) if the Book Entry System is not in effect, the person in whose name such Bond is registered on the Bond Register.

"**Indenture**" means this instrument as originally executed or as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

"**Indenture Funds**" means any fund or account established pursuant to this Indenture.

"**Indenture Indebtedness**" means all indebtedness of the Issuer at the time secured by this Indenture, including without limitation (a) all Debt Service on the Bonds and (b) all reasonable fees, charges and disbursements of the Trustee for services performed and disbursements made under this Indenture.

"**Independent**", when used with respect to any person, means a person who (i) does not have any direct financial interest or any material indirect financial interest in any Financing Participant or any Affiliate of a Financing Participant, (ii) does not serve as a member of the governing body of any Financing Participant or any Affiliate of a Financing Participant, and (iii) is not employed by any Financing Participant or any Affiliate of a Financing Participant.

"**Index Rate**", when used with respect to any Bond in the Index Rate Mode, means a variable rate equal to the Designated Index plus or minus the Applicable Spread for the related Index Rate Period.

"**Index Rate Mode**" means the Interest Rate Mode in which a Bond bears interest at the Index Rate.

"**Index Rate Period**", when used with respect to a Bond in the Index Rate Mode, means a period during which such Bond bears interest at the Index Rate for such period.

"**Interest Payment Date**", when used with respect to any installment of interest on a Bond, means the date specified in this Indenture as the date on which such installment of interest is due and payable.

"**Interest Rate Mode**" means an interest rate mode authorized pursuant to ***Section 5.2***.

"**Issuer**" means The Educational Building Authority of the City of Huntsville - Randolph School, an Alabama public corporation, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" means such successor corporation.

"**Lease Agreement**" means the Lease Agreement dated August 1, 2026, between the Issuer and the Borrower.

"**Lease Payments**" means payments by the Borrower pursuant to the Lease Agreement with respect to payment of Debt Service on the Bonds and the Purchase Price of Tendered Bonds.

"**Majority Holders**" means the Holder or Holders of greater than 50% of the principal amount of all Bonds Outstanding.

"**Mandatory Tender**" means a required tender of a Bond for purchase pursuant to ***Section 6.2***.

"**Mandatory Tender Date**" means a date on which a Bond is to be purchased pursuant to a Mandatory Tender.

"**Maturity Date**", when used with respect to any Bond, means the date specified in this Indenture as the date on which principal of such Bond is due and payable.

"**Maximum Rate**" means the lesser of (i) 12% per annum and (ii) the maximum rate permitted by applicable law.

"**Moody's**" means Moody's Investors Service, Inc., and its successors and assigns.

"**Obligor Bonds**" means Bonds registered in the name of (or in the name of a nominee for) the Issuer, the Borrower, or any Affiliate of the Issuer or the Borrower. The Trustee may assume that no Bonds are Obligor Bonds unless it has actual notice to the contrary.

"**Office of the Trustee**" means the office of the Trustee for hand delivery of notices, as specified pursuant to ***Section 15.1.***

"**Opinion of Counsel**" means an opinion from an attorney or firm of attorneys with experience in the matters to be covered in the opinion. Except as otherwise expressly provided in this Indenture, the attorney or attorneys rendering such opinion may be counsel for one or more of the Financing Participants, including counsel in the full-time employment of a Financing Participant.

"**Optional Tender**" means tender of a Bond for purchase at the option of the Holder thereof pursuant to ***Section 6.1***.

"**Optional Tender Date**" means a date on which a Bond is to be purchased pursuant to an Optional Tender.

"**Outstanding**", when used with respect to Bonds means, as of the date of determination, all Bonds authenticated and delivered under this Indenture, except:

(a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds for whose payment or redemption money in the necessary amount has been deposited with the Trustee in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture; and

(d) Tendered Bonds for the purchase of which money in the necessary amount has been deposited in the Bond Purchase Fund and is held in trust for the Holders of such Tendered Bonds;

provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Obligor Bonds shall be disregarded and deemed not to be Outstanding. Obligor Bonds which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that if such pledgee was the Holder such Bonds would not be considered Obligor Bonds.

"**Post-Default Rate**" means a variable rate equal to the Trustee's prime or base rate plus 2.0% (200 basis points), in each case computed on the basis of a 365 or 366-day year, as the case may be, for actual days elapsed.

"**Prior Capital Improvements**" means the capital improvements to the Borrower's educational facilities financed with proceeds of the Refunded Bonds.

"**Project**" means the Prior Capital Improvements together with the Capital Improvements.

"**Proposed Conversion Date**" means the day proposed by the Borrower for conversion of the Interest Rate Mode on a Bond from one Interest Rate Mode to another Interest Rate Mode.

"**Purchase Price**", when used with respect to a Tendered Bond, means 100% of the principal amount of such Bond plus accrued interest to the Tender Date. If the Tender Date for a Tendered Bond is also an Interest Payment Date for such Bond, the interest due on such Date shall not be considered part of the Purchase Price; rather, such interest shall be paid in accordance with the provisions of this Indenture governing regular interest payments.

"**Qualified Investments**" means:

(a) direct obligations of, or obligations the full and timely payment of which is guaranteed by, the United States of America, including unit investment trusts and mutual funds that invest solely in such obligations,

(b) bonds, debentures, notes or other obligations issued or guaranteed by any federal agency if such obligations are (i) backed by the full faith and credit of the United States of America or (ii) rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency,

(c) money market funds rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency,

(d) certificates of deposit or other bank deposits that are described in one of the following clauses: (i) certificates of deposit or bank deposits issued by, or made with, a bank whose unsecured, long-term obligations are rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency, or (ii) certificates of deposit or bank deposits secured at all times by collateral described in paragraphs (a) and (b) above that is held by the Trustee or by a third party custodian acceptable to the Issuer and the Trustee with a perfected first security interest in the collateral,

(e) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC,

(f) investment agreements, including guaranteed investment contracts, repurchase agreements and forward purchase agreements, provided that (i) any securities purchased or held pursuant to such agreement are otherwise Qualified Investments under this Indenture, (ii) the counterparty's long-term debt obligations are rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency, and (iii) the securities, if purchased, are owned by the Issuer or the Trustee and are held by the Trustee or by a third party custodian acceptable to the Issuer and the Trustee or, if held as collateral, are held by the Trustee or a third party custodian acceptable to the Issuer and the Trustee with a perfected first security interest in such collateral,

(g) commercial paper rated, at the time of purchase, not less than "Prime-1" by Moody's or not less than "A-1" by S & P, and

(h) bonds or notes issued by any state, county or municipality which are rated by at least one Rating Agency in one of the three highest rating categories assigned by such Rating Agency.

For purposes of this definition, rating categories are determined without regard to qualifiers, such as "+" or "1" (for example, ratings of "A-1", "A-2", "A-" and "A+" are considered part of the same rating category). Any investment requiring a rating shall be a Qualified Investment if the required rating is applicable on the date such investment is made. If the Borrower receives notice from the Trustee that the required rating is no longer applicable to any such investment, or if the Borrower has actual knowledge that the required rating is no longer applicable, the Borrower shall promptly give instructions for liquidation of such investment and shall give directions for reinvestment of the proceeds of such investment in another investment that is a Qualified Investment.

"**Rating Agency**" means Moody's, S & P, Fitch and any other nationally recognized securities rating agency.

"**Refunded Bonds**" means bonds issued by the Issuer that are being refunded through the issuance of the Bonds. The Refunded Bonds are more particularly described in ***Exhibit 5.4(b)***.

"**Regular Record Date**", when used with respect to the payment of interest on the Bonds, means: (i) with respect to any Bond in the Daily Rate Mode, the Weekly Rate Mode, the Commercial Paper Rate Mode, or the Index Rate Mode, the Business Day immediately prior to each Interest Payment Date for such Bond, and (ii) with respect to any Bond in the Term Rate Mode or the Fixed Rate Mode, the 15^{th} day (whether or not a Business Day) of the month next preceding each Interest Payment Date for such Bond.

"**Remarketing Agent**" means the entity appointed pursuant to ***Section 6.7*** to serve as Remarketing Agent under this Indenture, until a successor Remarketing Agent shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Remarketing Agent" means such successor.

"**Remarketing Proceeds**" means the proceeds of remarketing of Bonds by the Remarketing Agent in accordance with the provisions of ***Section 6.4***.

"**Reset Date**" means the date specified in this Indenture when the interest rate changes on Bonds in the Daily Rate Mode, the Weekly Rate Mode, the Commercial Paper Rate Mode or the Index Rate Mode.

"**S & P**" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, and its successors and assigns.

"**SIFMA Index**" means the "USD-SIFMA Municipal Swap Index", which is an index compiled by the Securities Industry and Financial Markets Association (SIFMA) that is currently published each week. If the USD-SIFMA Municipal Swap Index is no longer published, the Trustee shall select an alternative index that, in the judgment of the Trustee, is based on criteria reasonably similar to the current SIFMA Index criteria.

"**Soft Tender**" means an Optional Tender or a Mandatory Tender during a Soft Tender Period.

"**Soft Tender Bond**" means a Bond subject to the Soft Tender Provisions.

"**Soft Tender Period**" means a period beginning on the first day of an Interest Rate Mode for which the Soft Tender Provisions were elected and ending the first to occur of the following: (i) the last day of such Interest Rate Mode, (ii) the date when all Soft Tender Bonds are converted to another Interest Rate Mode, (iii) the date when all Soft Tender Bonds are redeemed, or (iv) the last Maturity Date for the Soft Tender Bonds.

"**Soft Tender Provisions**" means the provisions of ***Section 6.3*** relating to Soft Tender Bonds.

"**Special Record Date**" for the payment of any Defaulted Interest on the Bonds means a date fixed by the Trustee pursuant to ***Section 4.2(l)***.

"**Tax Certificate and Agreement**" means that certain Tax Certificate and Agreement entered into by the Issuer and the Borrower in connection with the issuance of the Bonds.

"**Tender Date**" means an Optional Tender Date or a Mandatory Tender Date, as the case may be.

"**Tendered Bonds**" means Bonds tendered (or deemed tendered) for purchase pursuant to the Optional Tender or Mandatory Tender provisions of this Indenture.

"**Term Rate**", when used with respect to any Bond in the Term Rate Mode, means the fixed interest rate borne by such Bond during the applicable Term Rate Period.

"**Term Rate Mode**" means the Interest Rate Mode in which a Bond bears interest at a Term Rate.

"**Term Rate Period**", when used with respect to any Bond in the Term Rate Mode, means a period during which such Bond bears interest at a specified Term Rate established for such period.

"**Trust Estate**" shall have the meaning assigned in ***Section 3.1***.

"**Trustee**" means Pinnacle Bank, a Tennessee banking corporation, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" means such successor.

"**Weekly Rate**", when used with respect to any Bond in the Weekly Rate Mode, means the variable interest rate borne by such Bond while such Bond is in the Weekly Rate Mode.

"**Weekly Rate Mode**" means the Interest Rate Mode in which a Bond bears interest at the Weekly Rate.

SECTION 1.2 General Rules of Construction

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) Defined terms in the singular shall include the plural as well as the singular, and vice versa.

(b) In the event of any inconsistency between the recitals to this instrument and the defined terms in this Article, or definitions incorporated by reference in this Article, the definitions in this Article, or incorporated by reference in this Article, will prevail.

(c) All accounting terms not otherwise defined herein have the meaning assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to "generally accepted accounting principles" refer to such principles as they exist at the date of application thereof.

(d) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(e) The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) The term "person" shall include any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

(h) The term "including" means "including without limitation" and "including, but not limited to".

SECTION 1.3 Effect of Action by Holders

Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer or the Borrower in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 1.4 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.5 Date of Indenture

The date of this Indenture is intended as and for a date for the convenient identification of this Indenture and is not intended to indicate that this Indenture was executed and delivered on said date.

SECTION 1.6 Separability Clause

If any provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.7 Governing Law

This Indenture shall be construed in accordance with and governed by the laws of the State of Alabama.

SECTION 1.8 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 1.9 Designation of Time for Performance

Except as otherwise expressly provided herein, any reference in this Indenture to the time of day means the time of day in the city where the Trustee maintains its place of business for the performance of its obligations under this Indenture.

ARTICLE 2

Source of Payment

SECTION 2.1 Source of Payment of Bonds and Other Obligation

The Bonds and all other payment obligations under this Indenture are limited obligations of the Issuer payable solely out of the Trust Estate established pursuant to this Indenture, which includes (i) rental payments by the Borrower pursuant to the Lease Agreement and (ii) money and investments in the funds and accounts established pursuant to this Indenture. The Bonds are also payable from payments made under the Guaranty Agreement.

SECTION 2.2 Sponsoring Entity Exempt From Liability

The Bonds and any other payment obligations under this Indenture shall not constitute or give rise to an indebtedness or liability of, and shall not constitute a charge against the general credit or taxing powers of, the City of Huntsville, Alabama.

SECTION 2.3 Incorporators, Officers and Directors of the Issuer Exempt from Individual Liability

No recourse under or upon any covenant or agreement of this Indenture, or of any Bonds, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, officer or director of the Issuer, or of any successor, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Bonds issued hereunder are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer or director of the Issuer or any successor, or any of them, because of the issuance of the Bonds, or under or by reason of the covenants or agreements contained in this Indenture or in any Bonds or implied therefrom.

ARTICLE 3

Security for Payment

SECTION 3.1 Pledge and Assignment

To secure the payment of Debt Service on the Bonds and all other Indenture Indebtedness and the performance of the covenants contained in this Indenture and the Bonds, and to declare the terms and conditions on which the Bonds are secured, and in consideration of the premises and of the purchase of the Bonds by the Holders thereof, the Issuer hereby pledges and assigns to the Trustee, and grants to the Trustee a security interest in, the following property:

(a) **Indenture Funds**. Money and investments from time to time on deposit in, or forming a part of, the Indenture Funds.

(b) **Lease Agreement.** All right, title and interest of the Issuer in and to the Lease Agreement, including all Lease Payments and all other payments by the Borrower pursuant to the Lease Agreement; provided, however, that:

(1) The Issuer shall retain the right to reimbursement of its expenses and indemnity payments pursuant to ***Sections 4.03(c)*** and ***7.08*** of the Lease Agreement.

(2) The Issuer shall retain the right to receive notices and other communications to be sent to it under the Lease Agreement.

(3) Nothing contained in this Indenture shall impair, diminish or otherwise affect the Issuer's obligations under the Lease Agreement or impose any of such obligations on the Trustee.

(c) **Other Property**. Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Indenture as additional security by the Issuer or anyone on its part or with its consent, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee or a receiver appointed pursuant to this Indenture; and the Trustee is hereby authorized to receive any and all such property as and for additional security for the obligations secured hereby and to hold and apply all such property subject to the terms hereof.

TO HAVE AND TO HOLD all such property, rights and privileges (collectively called the "Trust Estate") unto the Trustee and its successors and assigns.

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Bonds (without any priority of any such Bond over any other such Bond).

PROVIDED, HOWEVER, that money and investments in the Indenture Funds may be applied for the purposes and on the terms and conditions set forth in this Indenture.

SECTION 3.2 Credit Enhancement

No Credit Enhancement has been provided as of the date of initial delivery of the Bonds. Credit Enhancement may be provided after the date of delivery of the Bonds, subject to the terms and conditions of ***Article 17***.

ARTICLE 4

Registration, Transfer, Exchange and Payment of the Bonds

SECTION 4.1 The Book Entry System

(a) Except as otherwise provided in ***Section 4.2*** or ***Section 4.6***, the ownership, transfer, exchange and payment of Bonds shall be governed by the Book Entry System administered by DTC.

(b) While Bonds are in the Book Entry System the following provisions shall govern for purposes of this Indenture and shall supersede any contrary provisions of this Indenture:

(1) DTC shall be the registered holder of the Bonds on the Bond Register maintained by the Trustee pursuant to ***Section 4.2(c)***.

(2) Notwithstanding the fact that DTC may hold one or more Bond certificates for purposes of the Book Entry System, the term "Bond" means each separate security credited to a beneficial owner (or entitlement holder) pursuant to the Book Entry System, and the term "Holder" means the person identified pursuant to the Book Entry System as the beneficial owner of the related security.

(3) The terms and limitations of this Indenture with respect to each separate Bond shall be applicable to each separate security credited to a beneficial owner under the Book Entry System.

(4) All payments of Debt Service on the Bonds shall be made by the Trustee through the Book Entry System, and payments by such method shall be valid and effective fully to satisfy and discharge the Issuer's obligations with respect to such payments.

(5) A tender of a Bond shall be made by the Holder to the Trustee through the Book Entry System.

(c) The Trustee may, in its discretion, discontinue the Book Entry System in accordance with the rules and regulations of the Book Entry System.

(d) If the Book Entry System is discontinued, (i) a physical certificate or physical certificates shall be executed, authenticated and delivered to each beneficial owner, or entitlement holder, under the Book Entry System in accordance with such person's ownership of Bonds, (ii) such certificates shall be registered in the Bond Register maintained by the Trustee, and (iii) the remaining provisions of this Article shall govern the registration, transfer, exchange and payment of Bonds; provided, however, that if a Bond is in Direct Loan Form, the provisions of ***Section 4.6*** shall control with respect to such Bond in lieu of ***Section 4.2***.

SECTION 4.2 Alternate Provisions Regarding Payment, Registration, Transfer and Exchange of Bonds

(a) If the Book Entry System is discontinued, the provisions of this Section shall control the registration, transfer, exchange and payment of Bonds, except as otherwise provided in ***Section 4.6***.

(b) Payment of Debt Service on the Bonds shall be made as follows:

(1) Payment of interest on the Bonds which is due on any Interest Payment Date shall be made by check or draft mailed by the Trustee to the persons entitled thereto at their addresses appearing in the Bond Register. Such payments of interest shall be deemed timely made if so mailed on the Interest Payment Date (or, if such Interest Payment Date is not a Business Day, on the Business Day next following such Interest Payment Date).

(2) Payment of the principal of (and premium, if any, on) the Bonds and payment of accrued interest on the Bonds due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender thereof at the Office of the Trustee.

(3) Upon the written request of any Holder, the Trustee shall make payments of Debt Service by wire transfer, provided that (i) such request contains adequate instructions for the method of payment, and (ii) payment of the principal of (and redemption premium, if any, on) such Bonds and payment of the accrued interest on such Bonds due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender of such Bonds to the Trustee.

(c) The Issuer shall cause to be kept at the Office of the Trustee a register (herein sometimes referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Bonds and registration of transfers of Bonds entitled to be registered or transferred as herein provided. The Trustee is hereby appointed as agent of the Issuer for the purpose of registering Bonds and transfers of Bonds as herein provided.

(d) Upon surrender for transfer of any Bond at the Office of the Trustee, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same maturity and interest rate, of any Authorized Denominations and of a like aggregate principal amount.

(e) At the option of the Holder, Bonds may be exchanged for other Bonds of the same maturity and interest rate, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Office of the Trustee. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Holder making the exchange is entitled to receive.

(f) All Bonds surrendered upon any exchange or transfer provided for in this Indenture shall be promptly cancelled by the Trustee.

(g) All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer and entitled to the same security and benefits under this Indenture as the Bonds surrendered upon such transfer or exchange.

(h) Every Bond presented or surrendered for transfer or exchange shall contain, or be accompanied by, all necessary endorsements for transfer.

(i) No service charge shall be made for any transfer or exchange of Bonds, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

(j) The Issuer shall not be required (i) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

(k) Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such Interest Payment Date.

(l) Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Issuer to the persons in whose names such Bonds are registered at the close of business on a special record date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Issuer shall notify the Trustee of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided and not to be deemed part of the Trust Estate. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds are registered on such Special Record Date.

(m) Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

(n) All Bonds surrendered for payment, redemption, transfer or exchange, shall be promptly cancelled by the Trustee. The Trustee may destroy cancelled certificates. No Bond shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by this Indenture.

SECTION 4.3 Trustee as Paying Agent

Debt Service on the Bonds shall be payable on behalf of the Issuer by the Trustee, which has been designated as the paying agent of the Issuer for purposes of this Indenture.

SECTION 4.4 Payments Due on Non-Business Days

Except as otherwise expressly provided by this Indenture, if any payment on the Bonds is due on a day which is not a Business Day, such payment may be made on the first succeeding day which is a Business Day with the same effect as if made on the day such payment was due.

SECTION 4.5 Currency for Payment

Payment of Debt Service on the Bonds shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

SECTION 4.6 Bonds in Direct Loan Form

(a) A Bond may be delivered in Direct Loan Form, subject to the following terms and conditions:

(1) If a Bond will be in Direct Loan Form when issued initially, the direction to deliver such Bond in Direct Loan Form will be contained in ***Section 5.1***. If a Bond is to be delivered in Direct Loan Form upon conversion to another Interest Rate Mode, the notice of conversion delivered pursuant to ***Section 5.3(b)*** will contain the direction to deliver such Bond in Direct Loan Form.

(2) A Bond in the Index Rate Mode, the Term Rate Mode or the Fixed Rate Mode may be in Direct Loan Form. A Bond delivered in Direct Loan Form must remain in Direct Loan Form during the entire term of the related Interest Rate Mode.

(3) If a Bond is in Direct Loan Form, any provisions for adjustment of the interest rate upon the occurrence of specified contingencies will be specified (i) in ***Section 5.1*** if such Bond is issued initially in Direct Loan Form or (ii) in the notice of conversion pursuant to ***Section 5.3(b)*** if such Bond is being converted to the Index Rate Mode, the Term Rate Mode, or the Fixed Rate Mode.

(4) A Bond in Direct Loan Form will be evidenced by a single physical certificate. The Bond will not be divisible into two or more physical certificates. The provisions regarding Authorized Denominations will not be applicable to a Bond in Direct Loan Form. The Book Entry System shall not be applicable to a Bond in Direct Loan Form, and a Bond in Direct Loan Form shall not have a CUSIP number.

(5) On the delivery date of any Bond delivered in Direct Loan Form the Direct Lender shall deliver to the Issuer, the Trustee and the Borrower a certificate stating in effect that:

(A) The Direct Lender is purchasing the Bond to evidence and secure a loan to be made for the benefit of the Borrower in the ordinary course of its business.

(B) The Direct Lender is purchasing the Bond for its own account and without any present intention of transferring or distributing the Bond or any interest therein.

(C) The Direct Lender has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of owning the Bond.

(D) The Direct Lender is a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933 and is able to bear the economic risks of purchasing the Bond and making a loan for the benefit of the Borrower.

(E) If the Direct Lender transfers the Bond it will deliver to the Trustee and the Borrower a certificate of the transferee substantially in the form required by this ***Section 4.6(a)(5)***.

(6) A Bond in Direct Loan Form shall be registered in the name of the Direct Lender. The provisions of this Indenture for transfer, registration and exchange of Bonds shall be suspended for a Bond in Direct Loan Form. A Direct Lender may transfer the Bond only upon delivery of the following documentation:

(A) The existing Direct Lender shall deliver the outstanding physical certificate evidencing the Bond to the Trustee, together with a statement by the existing Direct Lender (i) identifying the person to whom the Bond has been transferred (the "successor Direct Lender") and (ii) confirming the outstanding principal amount of the Bond.

(B) The successor Direct Lender shall deliver to the Trustee and the Borrower a certificate substantially in the form required pursuant to ***Section 4.6(a)(5)***.

On the transfer date the Trustee shall deliver to the successor Direct Lender a single physical certificate in the outstanding principal amount of the Bond.

(7) At the request of the Direct Lender, the Borrower and the Trustee shall enter into a Direct Payment Agreement with the Direct Lender that includes the following terms:

(A) Payments of Debt Service on a Bond in Direct Loan Form will be made directly by the Borrower to the Direct Lender.

(B) Principal of the Bond will be subject to optional and mandatory redemption as provided in ***Section 7.1*** or in the notice of conversion with respect to the related Interest Rate Mode; provided, however, that any required notice of redemption shall be given by the Borrower on behalf of the Trustee and the Issuer directly to the Direct Lender. The Borrower shall provide a copy of the redemption notice to the Trustee. If principal of the Bond is redeemed, the Direct Lender shall make a notation of such redemption in its records with respect to the Bond. The Direct Lender shall not be required to surrender the Bond to the Trustee for exchange as a result of the redemption. On the date such Bond is surrendered by the Direct Lender in connection with the conversion to another Interest Rate Mode or on the date of transfer of such Bond to another Direct Lender, the Direct Lender shall confirm the outstanding principal amount of the Bond.

(C) At the request of the Trustee or the Borrower, the Direct Lender shall promptly provide information in reasonable detail with respect to all payments of Debt Service received by the Direct Lender on such Bond.

(D) The Trustee shall be entitled to rely conclusively on the provisions of the Direct Payment Agreement, including the representations and warranties contained therein and the information furnished by the Direct Lender to the Trustee pursuant to the Direct Payment Agreement, without further investigation or inquiry, and shall be completely protected in taking action on the same.

(E) The Borrower shall agree to indemnify the Trustee for, and hold the Trustee harmless against, any loss, liability or expense (including reasonable attorneys' fees, costs and expenses) incurred without bad faith or willful misconduct on its part arising out of or in connection with the Trustee's reliance on the terms of the Direct Payment

Agreement. Such indemnification shall survive the termination of this Indenture and the Direct Payment Agreement or the sooner resignation or removal of the Trustee.

(F) Such other provisions as the Trustee shall reasonably request for the facilitation or administration of its duties under this Indenture while a Bond is held in Direct Loan Form.

(b) During any period when a Bond is in Direct Loan Form, the provisions of this Section shall supersede any contrary provisions of this Indenture regarding transfer, registration, exchange or payment of the Bond.

(c) If the Borrower and the Direct Lender have entered into a credit agreement, loan agreement, continuing covenants agreement or other similar agreement (each a "credit agreement") that provides the terms for extension of credit by the Direct Lender, (i) the default provisions of this Indenture may be amended to provide a cross default for defaults under the credit agreement and (ii) the credit agreement may contain provisions for adjustment of the interest rate upon the occurrence of specified contingencies that are incorporated by reference in ***Section 5.1*** (for a Bond issued initially in Direct Loan Form) or in a conversion notice delivered pursuant to ***Section 5.3(b)***.

ARTICLE 5

Specific Terms for Bonds and Disposition of Proceeds

SECTION 5.1 Specific Title and Terms

(a) **Title and Amount**. The title of the Bonds shall be "Lease Revenue Bonds (Randolph School Project), Series 2026". If a Bond is converted to another Interest Rate Mode, a different series designation may be assigned to such Bond (or a group of Bonds) to facilitate identification of such Bond or Bonds in the new Interest Rate Mode. The aggregate principal amount of the Bonds that may be Outstanding is limited to [$Amount].

(b) **Authorized Denominations**. The Bonds shall be in Authorized Denominations.

(c) **Form and Number**. The Bonds shall be issuable as registered bonds without coupons in Authorized Denominations. The Bonds of each series shall be numbered separately from 1 upward. In order to facilitate the Book Entry System, a single physical certificate for all Bonds of the same series, maturity and interest rate shall be delivered to the Trustee. The Bonds and the certificate of authentication shall be substantially as set forth in ***Exhibit 5.1(c)***, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture. Each Bond certificate shall identify the Interest Rate Mode applicable to such Bond and may contain only provisions applicable to the Bond in such Interest Rate Mode.

(d) **Initial Interest Rate Mode and Maturity Date.** The Bonds shall mature on August 1 in years and amounts as set forth in the table below. The Bonds shall be issued initially in the Fixed Rate Mode. The Bonds shall have Fixed Rates and Maturity Dates as follows:

Year of Maturity (_____ 1)	Principal Amount Maturing	Applicable Fixed Rate	Initial CUSIP Number

(e) **Conversion of Interest Rate Modes**. The Interest Rate Mode applicable to the Bonds may be converted to another Interest Rate Mode in accordance with the provisions of ***Section 5.3.*** Each Bond shall be in only one Interest Rate Mode at a time, but different Interest Rate Modes may be applicable at the same time to different Bonds. If less than all Bonds of a series with the same Maturity Date and Interest Rate Mode are being converted to a new Interest Rate Mode, the Bonds to be converted shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate. The Trustee shall specify on each Bond certificate, in the space provided, which Interest Rate Mode is in effect with respect to such Bond and the applicable pricing details with respect to such Bond.

(f) **Date**. The Bonds shall be dated as of the date of initial delivery of the Bonds.

(g) **Soft Tender Provisions Not Applicable**. The Soft Tender Provisions will not be applicable to the Bonds when issued initially. The Soft Tender Provisions may be elected upon conversion to another Interest Rate Mode other than the Fixed Rate Mode, as provided in ***Section 6.3***.

(h) **Interest Payment Dates**. Interest on the Bonds shall be payable in arrears on the following dates:

(1) with respect to interest on any Bond in the Daily Rate Mode, the Weekly Rate Mode, or the Index Rate Mode, (i) on the first Business Day of each month, (ii) on the Conversion Date if such Bond is converted to another Interest Rate Mode, and (iii) on the Maturity Date;

(2) with respect to interest on any Bond in the Commercial Paper Rate Mode, the last day of the CP Rate Period;

(3) with respect to interest on any Bond in the Term Rate Mode with a Term Rate Period of 180 days or less, on the last day of the Term Rate Period;

(4) with respect to interest on any Bond in the Term Rate Mode with a Term Rate Period of more than 180 days, (i) on February 1 and August 1 in each year, (ii) on the Conversion

Date if such Bond is converted to another Interest Rate Mode, and (iii) on the last day of the Term Rate Period; and

(5) with respect to interest on any Bond in the Fixed Rate Mode, (i) on February 1 and August 1 in each year, (ii) on the Conversion Date if such Bond is converted to another Interest Rate Mode, and (iii) on the Maturity Date.

(i) **Redemption of Bonds.** The Bonds will be subject to redemption prior to their respective Maturity Dates in accordance with the applicable provisions of ***Article 7***. Upon conversion of a Bond to another Interest Rate Mode, the optional redemption provisions for such Bond may be changed as provided in ***Section 7.1***. Upon conversion of all Outstanding Bonds to the Fixed Rate Mode, the Maturity Date or Dates for the Bonds and the scheduled mandatory redemption provisions for the Bonds may be changed to the extent permitted by ***Section 7.1***.

(j) **Person to Whom Interest Payable**. If the Book Entry System is in effect, the Trustee shall pay interest to DTC, and interest payments shall be distributed by DTC to Holders in accordance with the rules and regulations of DTC. If the Book Entry System is terminated, the interest due on any Interest Payment Date for the Bonds shall be payable to Holders as of the Regular Record Date for such Interest Payment Date.

(k) **Computation of Interest Accrual**. The Bonds shall bear interest from their date, or the most recent date to which interest has been paid or duly provided for, at the applicable rate per annum set forth in this Article. Interest at the Daily Rate, the Weekly Rate, the Index Rate or the CP Rate shall be computed on the basis of a 365 or 366-day year, as the case may be, for the actual number of days elapsed. Interest at the Term Rate or the Fixed Rate shall be computed on the basis of a 360-day year with 12 months of 30 days each.

(l) **Interest on Overdue Payments**. Interest shall be payable on overdue principal on any Bond and (to the extent legally enforceable) on any overdue installment of interest on any Bond at the interest rate applicable to such Bond on the date such Debt Service became due.

(m) **Execution and Authentication.** Physical certificates evidencing the Bonds shall be executed on behalf of the Issuer by its Chairman or Vice Chairman under its corporate seal reproduced thereon and attested by its Secretary. The signature of any of these officers on physical certificates may be manual or, to the extent permitted by law, facsimile. Physical certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the authentication and delivery of such physical certificates or shall not have held such offices at the date of such physical certificates. No physical certificates shall be secured by, or be entitled to any lien, right or benefit under, this Indenture or be valid or obligatory for any purpose, unless there appears on such physical certificate a certificate of authentication substantially in the form provided for herein, executed by the Trustee by manual signature, and such certificate upon any physical certificate shall be conclusive evidence, and the only evidence, that such physical certificate has been duly authenticated and delivered hereunder.

SECTION 5.2 Interest Rate Modes

(a) **Daily Rate**. The Daily Rate shall be a variable rate per annum for any Bond in the Daily Rate Mode, subject to the following terms and conditions:

(1) The Daily Rate shall be set initially on the date of initial delivery of such Bond (if initially issued in the Daily Rate Mode) or on the Conversion Date (if converted to the Daily Rate

Mode) and shall change on each Business Day while such Bond is in the Daily Rate Mode (each Business Day being a "Reset Date"). The Daily Rate shall be determined by the Remarketing Agent when set initially and on each Reset Date. The Daily Rate shall be the lowest interest rate that would, in the opinion of the Remarketing Agent, result in the market value of such Bond being 100% of the principal amount thereof on the date of such determination, taking into account relevant market conditions and credit rating factors as they exist on such date. The Remarketing Agent shall establish the Daily Rate by 10:00 a.m. on each Reset Date. If the Remarketing Agent fails to determine the Daily Rate for any Reset Date, the Daily Rate for such Reset Date shall be the Alternate Rate.

(2) Interest accrual at each Daily Rate so determined shall begin on (and shall include) the date when initially set and each Reset Date, as the case may be, and shall end on (but shall not include) the next Reset Date (or, if sooner, a Conversion Date).

(3) The Daily Rate may not exceed the Maximum Rate.

(4) On each determination date the Remarketing Agent shall give notice to the Trustee of the Daily Rate so determined. Upon the request of any Holder or any Financing Participant, the Trustee shall confirm the Daily Rate then in effect.

(5) A Bond in the Daily Rate Mode shall remain in such Mode until the Maturity Date for such Bond, or, if sooner, the date that the Interest Rate Mode for such Bond is converted to another Interest Rate Mode pursuant to ***Section 5.3(b)***.

(b) **Weekly Rate**. The Weekly Rate shall be a variable rate per annum for any Bond in the Weekly Rate Mode, subject to the following terms and conditions:

(1) The Weekly Rate shall be set initially on the date of initial delivery of such Bond (if initially issued in the Weekly Rate Mode) or on the Conversion Date (if converted to the Weekly Rate Mode) and shall change on each Thursday while such Bond is in the Weekly Rate Mode (each Thursday being a "Reset Date"). The Weekly Rate shall be determined by the Remarketing Agent when set initially and on each Reset Date (or, if any Reset Date is not a Business Day, on the last Business Day prior to such Reset Date). The Weekly Rate shall be the lowest interest rate that would, in the opinion of the Remarketing Agent, result in the market value of such Bond being 100% of the principal amount thereof on the date of such determination, taking into account relevant market conditions and credit rating factors as they exist on such date. If the Remarketing Agent fails to determine the Weekly Rate for any Reset Date, the Weekly Rate for such Reset Date shall be the Alternate Rate.

(2) Interest accrual at each Weekly Rate so determined shall begin on (and shall include) the date when set initially and each Reset Date, as the case may be, and shall end on (but shall not include) the next Reset Date (or, if sooner, a Conversion Date).

(3) The Weekly Rate may not exceed the Maximum Rate.

(4) On each determination date the Remarketing Agent shall give notice to the Trustee of the Weekly Rate so determined. Upon the request of any Holder or any Financing Participant, the Trustee shall confirm the Weekly Rate then in effect.

(5) A Bond in the Weekly Rate Mode shall remain in such Mode until the Maturity Date for such Bond, or, if sooner, the date that the Interest Rate Mode for such Bond is converted to another Interest Rate Mode pursuant to ***Section 5.3(b)***.

(c) **CP Rate.** The CP Rate for any Bond in the Commercial Paper Rate Mode shall be a fixed rate per annum for each CP Rate Period, subject to the following terms and conditions:

(1) The initial CP Rate Period shall be established on the date of initial delivery of such Bond (if initially delivered in the Commercial Paper Rate Mode) or on the Conversion Date for such Bond (if converted to the Commercial Paper Rate Mode), and subsequent CP Rate Periods shall be established on the last day of each expiring CP Rate Period (the last day of each expiring CP Rate Period being a "Reset Date"), subject to the terms and conditions of ***Section 5.2(c)(2)***. On the date of initial delivery, the Conversion Date and each Reset Date, the Remarketing Agent shall determine the CP Rate for the related CP Rate Period, which shall be the lowest interest rate that would, in the opinion of the Remarketing Agent, result in the market value of such Bond being 100% of the principal amount thereof on the date of such determination, taking into account relevant market conditions and credit rating factors as they exist on such date. The Remarketing Agent shall establish the CP Rate Period and CP Rate by 11:00 a.m. on each Reset Date. If the Remarketing Agent fails to establish a CP Rate Period or fails to determine the related CP Rate, a CP Rate Period extending to the next Business Day shall be automatically established and the CP Rate for such CP Rate Period shall be the Alternate Rate.

(2) The duration of each CP Rate Period for a Bond shall be subject to the following terms and conditions:

(A) Each Bond shall have only one CP Rate Period at one time, but different CP Rate Periods may be applicable at the same time to different Bonds in the Commercial Paper Rate Mode.

(B) The Remarketing Agent shall establish CP Rate Periods of such duration as, in the judgment of the Remarketing Agent, is likely to provide the lowest average interest rate on Bonds in the Commercial Paper Rate Mode, taking into account demand for particular CP Rate Periods and other market conditions. The Remarketing Agent may seek advice of the Borrower in establishing CP Rate Periods.

(C) Each CP Rate Period may be for any number of days up to 270 days. No CP Rate Period may extend beyond the Maturity Date for such Bond.

(D) A CP Rate Period must end on a Business Day. If the specified end date for a CP Rate Period is not in fact a Business Day, then such CP Rate Period shall be deemed to extend to the next day that is a Business Day.

(E) If the Borrower gives notice of conversion to another Interest Rate Mode, any CP Rate Period established after such notice must end on or before the Proposed Conversion Date.

(F) In order to facilitate the selection of Bonds to be redeemed on any scheduled mandatory redemption date, the Remarketing Agent shall establish CP Rate Periods of such lengths as will assure that the principal amount of Bonds subject to optional redemption at par on any scheduled mandatory redemption date is not less than the principal amount of Bonds subject to scheduled mandatory redemption on such date.

(3) On the last day of each CP Rate Period (which is also a Reset Date) such Bond shall be repurchased from the Holder pursuant to the Mandatory Tender provisions of this Indenture. A new CP Rate for a new CP Rate Period shall be established on the Mandatory Tender Date, and the Bond shall be remarketed by the Remarketing Agent.

(4) Interest accrued at the CP Rate for any CP Rate Period shall begin on (and shall include) the first day of each CP Rate Period and shall end on (but shall not include) the last day of the CP Rate Period.

(5) The CP Rate may not exceed the Maximum Rate.

(6) The Remarketing Agent shall give prompt notice to the Trustee of the CP Rate so determined. Upon the request of any Holder or any Financing Participant, the Trustee shall confirm the CP Rate so determined.

(7) A Bond in the Commercial Paper Rate Mode shall remain in such Mode until the Maturity Date for such Bond, or, if sooner, the date that the Interest Rate Mode for such Bond is converted to another Interest Rate Mode pursuant to ***Section 5.3(b)***.

(d) **Index Rate**. The Index Rate shall be a variable rate per annum for any Bond in the Index Rate Mode, subject to the following terms and conditions:

(1) The Index Rate shall be applicable for the related Index Rate Period. The duration of each Index Rate Period is subject to the terms and conditions of ***Section 5.2(d)(2)***. If a Bond is initially issued in the Index Rate Mode, the Index Rate Period, the Designated Index, the Applicable Spread and the Reset Date will be specified in ***Section 5.1(d)***. If a Bond is converted to the Index Rate Mode, the Index Rate Period, the Designated Index, the Applicable Spread and the Reset Date will be specified in the notice delivered to the Trustee pursuant to ***Section 5.3(b).*** Such notice must include a representation by the Borrower that the Index Rate will result in the resale of the Bond at par on the Conversion Date.

(2) An Index Rate Period must end on a Business Day. If the specified end date for an Index Rate Period is not in fact a Business Day, then such Index Rate Period shall be deemed to extend to the next day that is a Business Day.

(3) The Index Rate for a Bond shall be determined (i) on the date of initial delivery of such Bond (if initially issued in the Index Rate Mode) or on the Conversion Date for such Bond (if converted to the Index Rate Mode) and (ii) on each Reset Date (each such date being a "determination date"). The Calculation Agent shall determine the Index Rate by reference to the publication of the Designated Index on the determination date (or, if not published on the determination date, on the date published most recently prior to the determination date); provided, however, that the terms of this Indenture (if such Bond is initially issued in the Index Rate Mode) or in the notice by the Borrower pursuant to ***Section 5.3(b)*** specifying the Designated Index (if such Bond is converted to the Index Rate Mode) may direct the Calculation Agent to reference the Designated Index as published on a date, or number of days, prior to the determination date. The Calculation Agent shall give prompt notice to the Trustee of the Index Rate so determined. Upon the request of any Holder or any Financing Participant, the Trustee shall confirm the Index Rate then in effect.

(4) Interest accrual at the Index Rate shall begin on (and shall include) the date when initially set and each Reset Date, and shall end on (but shall not include) the next Reset Date (or, if sooner, a Conversion Date).

(5) The Index Rate may not exceed the Maximum Rate.

(6) A Bond in the Index Rate Mode shall remain in such Mode until the end of the applicable Index Rate Period, or, if sooner, the date that the Interest Rate Mode for such Bond is converted to another Interest Rate Mode pursuant to ***Section 5.3(b)***. The last day of an Index Rate Period shall be a Mandatory Tender Date for such Bond.

(e) **Term Rate and Term Rate Periods**. The Term Rate for any Bond in the Term Rate Mode shall be a fixed rate per annum for the related Term Rate Period, subject to the following terms and conditions:

(1) The Term Rate shall be applicable for the related Term Rate Period. The duration of each Term Rate Period is subject to the terms and conditions of ***Section 5.2(e)(2)***. If a Bond is initially issued in the Term Rate Mode, the Term Rate Period and Term Rate will be specified in ***Section 5.1(d)***. If a Bond is converted to the Term Rate Mode, the Term Rate Period and the Term Rate will be specified in the notice delivered to the Trustee pursuant to ***Section 5.3(b).*** Such notice must include a representation by the Borrower that the Term Rate will result in the resale of the Bond at par on the Conversion Date.

(2) The duration of each Term Rate Period for a Bond shall be subject to the following terms and conditions:

(A) A Term Rate Period shall be not less than 30 days and must end prior to the Maturity Date of such Bond. A Bond with a fixed rate until the Maturity Date is considered a Bond in the Fixed Rate Mode for purposes of this Indenture.

(B) A Term Rate Period must end on a Business Day. If the specified end date for a Term Rate Period is not in fact a Business Day, then such Term Rate Period shall be deemed to extend to the next day that is a Business Day.

(3) On the last day of the Term Rate Period such Bond shall be purchased from the Holder pursuant to the Mandatory Tender provisions of this Indenture, and such Bond shall be converted to another Interest Rate Mode, which may be the Term Rate Mode, in which case a new Term Rate Period and Term Rate shall be established pursuant to ***Section 5.3(b)*** and this ***Section 5.2(e)***.

(4) Interest accrued at the Term Rate for any Term Rate Period shall begin on (and shall include) the date of initial delivery or the Conversion Date, as the case may be, and shall end on (but shall not include) the last day of the Term Rate Period (or, if sooner, a Conversion Date).

(5) The Term Rate may not exceed the Maximum Rate.

(6) A Bond in the Term Rate Mode shall remain in such Mode until the end of the applicable Term Rate Period, or, if sooner, the date that the Interest Rate Mode for such Bond is converted to another Interest Rate Mode pursuant to ***Section 5.3(b)***. The last day of a Term Rate Period shall be a Mandatory Tender Date for such Bond.

(f) **Fixed Rate**. The Fixed Rate for any Bond in the Fixed Rate Mode shall be a fixed rate per annum, subject to the following terms and conditions:

(1) The Fixed Rate shall be applicable until the Maturity Date of such Bond (or, if sooner, a Conversion Date). If a Bond is initially issued in the Fixed Rate Mode, the Fixed Rate will be specified in ***Section 5.1(d)***. If a Bond is converted to the Fixed Rate Mode, the Fixed Rate will be specified in the notice delivered to the Trustee pursuant to ***Section 5.3(b)***. Such notice must include a representation by the Borrower that the Fixed Rate will result in the resale of the Bond at par on the Conversion Date, unless the Bond is being sold with discount or premium in accordance with the provisions of ***Section 5.2(f)(2)***.

(2) The Borrower may establish a Fixed Rate that results in discount or premium in the resale price, provided that:

(A) If the Fixed Rate will result in a sale of such Bond on the Conversion Date at a price lower than 100% of the principal amount of such Bond, on or before the Conversion Date the Borrower must deposit in the Bond Purchase Fund an amount equal to the difference between the sale price and par.

(B) If the Fixed Rate will result in a sale of such Bond on the Conversion Date at a price higher than 100% of the principal amount of such Bond, the difference between the sale price and par shall be transferred to the Borrower and applied by the Borrower in such manner as shall be approved by a Favorable Tax Opinion. At the option of the Borrower, such amount may be deposited in the Acquisition Fund or the Costs of Issuance Fund and disbursed from such Funds.

(3) Interest accrued at the Fixed Rate shall begin on (and shall include) the date of initial delivery or the Conversion Date, as the case may be, and shall end on (but shall not include) the Maturity Date of such Bond (or, if sooner, a Conversion Date).

(4) The Fixed Rate may not exceed the Maximum Rate.

(5) A Bond in the Fixed Rate Mode shall remain in such Mode until the Maturity Date for such Bond or, if sooner, the date that the Interest Rate Mode for such Bond is converted to another Interest Rate Mode or to a new Fixed Rate Period pursuant to ***Section 5.3(b)***.

(g) **Rate Determinations Conclusive**. The interest rates determined as provided in this Section shall be conclusive and binding on the Financing Participants.

SECTION 5.3 Conversion of Interest Rate Modes

(a) **Conversion on the Last Day of any Term Rate Period or Index Rate Period.** On the last day of any Term Rate Period or Index Rate Period with respect to a Bond, the Borrower is required to take action necessary to convert the Interest Rate Mode on such Bond to another Interest Rate Mode in accordance with the terms and conditions of ***Section 5.3(b)***. Except as otherwise provided pursuant to the Soft Tender Provisions, failure to purchase the Bond on the Mandatory Tender Date is an Event of Default under ***Section 11.1(b)***.

(b) **Optional Conversion to Another Interest Rate Mode**. At the option of the Borrower, any Bond may be converted from one Interest Rate Mode to another Interest Rate Mode, subject to the following terms and conditions:

(1) Unless the Bond is already subject to Mandatory Tender on a Proposed Conversion Date (pursuant to the provisions of ***Section 6.2(a)(1)*** or otherwise), the Borrower must give the other Financing Participants notice of the proposed conversion not less than 3 Business Days prior to the date when notice of the related Mandatory Tender must be given to the Holder (unless a shorter notice is acceptable to the Trustee). Such notice must specify the Proposed Conversion Date and the principal amount of the Bond or Bonds for which the conversion is requested.

(2) Less than the entire principal amount of a Bond may be converted if both the amount converted and the remaining portion of such Bond will be in Authorized Denominations.

(3) The Proposed Conversion Date must be a date when such Bond is subject to optional redemption at par.

(4) Not later than the last Business Day prior to the Proposed Conversion Date the Borrower shall give notice to the Trustee and Remarketing Agent specifying the Interest Rate Mode to which such Bond is being converted, which may be the same Interest Rate Mode, but with new terms as specified in the notice of conversion. For example, (i) a Bond in the Term Rate Mode may be converted to a new Term Rate Mode with a different Term Rate Period or Term Rate, (ii) a Bond in the Weekly Rate Mode may be converted to a Weekly Rate Mode in which the Soft Tender Provisions apply, and (iii) a Bond in the Fixed Rate Mode may be converted to a new Fixed Rate Mode with a different Fixed Rate. Such notice may specify Authorized Denominations to be in effect during the new Interest Rate Mode that are different from the Authorized Denominations otherwise applicable under this Indenture and may specify an Alternate Rate to be in effect during the new Interest Rate Mode that is different from the Alternate Rate otherwise applicable under this Indenture.

(5) On or before the Conversion Date the Borrower shall give notice to the Trustee specifying the purchaser of such Bond, which may be (i) a Direct Lender, (ii) an underwriter or underwriting group, (iii) a purchaser to be identified by the Remarketing Agent, or (iv) a purchaser (or purchasers) identified by the Borrower.

(6) If the Borrower is electing to apply the Soft Tender Provisions in the new Interest Rate Mode, notice of such election must be delivered on or before the last Business Day prior to the Conversion Date, as provided in ***Section 6.3***.

(7) If the Bond is being converted to the Daily Rate Mode, the Weekly Rate Mode or the Commercial Paper Rate Mode and no Remarketing Agent has been appointed, the Borrower shall appoint a Remarketing Agent on or before the last Business Day prior to the Conversion Date.

(8) If a Bond is being converted to the Index Rate Mode, on or before the Proposed Conversion Date the Borrower shall deliver notice to the other Financing Participants specifying the Designated Index, the Applicable Spread, the Reset Date, and the Index Rate Period, subject to the terms and conditions of ***Section 5.2(d)***. Such notice must include a representation by the Borrower that the Index Rate will result in the resale of the Bond at par on the Conversion Date.

(9) If a Bond is being converted to the Term Rate Mode, on or before the Proposed Conversion Date the Borrower shall deliver notice to the other Financing Participants specifying the Term Rate and the applicable Term Rate Period, subject to the terms and conditions of ***Section 5.2(e)***. Such notice must contain a representation by the Borrower that the Term Rate will result in the resale of the Bond at par on the Conversion Date.

(10) If a Bond is being converted to the Fixed Rate Mode, on or before the Proposed Conversion Date the Borrower shall deliver notice to the other Financing Participants specifying the Fixed Rate, subject to the terms and conditions of ***Section 5.2(f)***. Such notice must contain a representation by the Borrower that the Fixed Rate will result in the resale of the Bond at par, unless the Bond is being sold with discount or premium in accordance with the provisions of ***Section 5.2(f)***.

(11) On or before the Proposed Conversion Date the Borrower may deliver notice to the other Financing Participants specifying optional redemption provisions for the new Interest Rate Mode that are different from the optional redemption provisions specified in ***Section 7.1,*** subject to the provisions of ***Article 7***.

(12) If a Bond is being converted to the Index Rate Mode, the Term Rate Mode or the Fixed Rate Mode, the Borrower may specify in the notice of conversion that such Bond will be delivered in Direct Loan Form. The notice of conversion may also contain provisions for adjustment of the interest rate upon the occurrence of specified contingencies.

(13) On the Proposed Conversion Date the Trustee must receive a Favorable Tax Opinion.

(c) **Failed Conversion**. The election to convert a Bond to another Interest Rate Mode shall be deemed revoked under the following circumstances (each a "Failed Conversion"):

(1) The conditions for conversion of such Bond to the new Interest Rate Mode are not satisfied on the Proposed Conversion Date; or

(2) Such Bond is not remarketed or purchased in the new Interest Rate Mode on the Proposed Conversion Date; or

(3) The Borrower elects to revoke the conversion to the new Interest Rate Mode by notice delivered to the Trustee and the other Financing Participants before such Bond has been delivered to the purchaser or purchasers in the new Interest Rate Mode.

(d) **Consequences of a Failed Conversion.** A Failed Conversion shall have the following consequences:

(1) If the Proposed Conversion Date was also a Mandatory Tender Date under the terms of ***Section 6.2(a)(1)*** and the Soft Tender Provisions were not applicable on the Proposed Conversion Date, such Bond shall nevertheless be subject to Mandatory Tender and failure to pay the Purchase Price is an Event of Default under ***Section 11.1(b)***.

(2) If the Proposed Conversion Date was also a Mandatory Tender Date under the terms of ***Section 6.2(a)(1)***, but the Soft Tender Provisions were applicable to such Bond, such Bond shall be returned to the Holder of such Bond and such Bond shall remain in the Interest Rate Mode that was applicable on the Proposed Conversion Date, subject to the Soft Tender Provisions. Failure to purchase a Bond subject to the Soft Tender Provisions is not an Event of Default. Such Bond shall remain subject to conversion to another Interest Rate Mode at the option of the Borrower in accordance with the terms and conditions of ***Section 5.3(b)***.

(3) If the Proposed Conversion Date was not also a Mandatory Tender Date under the terms of ***Section 6.2(a)(1)***, the Mandatory Tender on the Proposed Conversion Date shall be deemed cancelled, and the tendered Bond shall be returned to the Holder of such Bond. Such Bond shall remain in the Interest Rate Mode that was applicable on the Proposed Conversion Date. Such Bond shall remain subject to conversion to another Interest Rate Mode at the option of the Borrower in accordance with the terms and conditions of ***Section 5.3(b)***.

(4) The provisions of this ***Section 5.3(d)*** shall not (i) affect any rights or remedies that the Borrower may have against any other party pursuant to a purchase agreement, remarketing agreement, or other similar agreement entered into by the Borrower in connection with the proposed conversion or (ii) affect any rights or remedies any other party may have against the Borrower under any such agreement with the Borrower.

(e) **Bond Certificate in New Interest Rate Mode.** The Interest Rate Mode applicable to a Bond will be specified in the heading to the certificate evidencing such Bond. If a Bond is converted to another Interest Rate Mode, the Bond is subject to Mandatory Tender and a new Bond certificate, with provisions applicable in the new Interest Rate Mode, will be delivered to the Holder in the new Interest Rate Mode.

(f) **Exercise of Conversion Rights by the Issuer.** If the Lease Agreement has been terminated, the Issuer may exercise any rights of the Borrower with respect to the conversion of Interest Rate Modes without notice to, or consent of, the Borrower.

SECTION 5.4 Proceeds From Sale of Bonds

(a) The proceeds from the sale of the Bonds to the original purchaser or purchasers thereof shall be applied as follows:

(1) The amount to be used for the retirement of the Refunded Bonds shall be paid to the holders of Refunded Bonds or to the trustee for such holders.

(2) The amount to be used for Costs of Issuance shall be deposited in the Costs of Issuance Fund.

(3) The amount to be used for Acquisition Costs shall be deposited in the Acquisition Fund.

The amount of Bond proceeds to be applied to each purpose identified in this ***Section 5.4(a)*** shall be specified by directions from an Authorized Representative of the Borrower delivered to the Trustee.

(b) The Refunded Bonds are more particularly described in ***Exhibit 5.4(b)***.

ARTICLE 6

Purchase and Remarketing of Bonds

SECTION 6.1 Optional Tenders

(a) The Holder of any Bond in the Daily Rate Mode or the Weekly Rate Mode shall have the right to tender such Bond to the Trustee for purchase in whole or in part on any Business Day. Except as otherwise provided with respect to Soft Tender Bonds, failure to pay the Purchase Price of a Bond tendered pursuant to the Optional Tender provisions will constitute an Event of Default under ***Section 11.1(b)***. In order to exercise the Optional Tender right with respect to any Bond, the Holder thereof must deliver notice to the Trustee, as follows:

(1) If such Bond is in the Daily Rate Mode, such notice must be delivered not later than 11:00 a.m. on the Optional Tender Date.

(2) If such Bond is in the Weekly Rate Mode, such notice must be delivered on a Business Day at least 7 days prior to the Optional Tender Date. A notice received by the Trustee after 5:00 p.m. on a Business Day shall be deemed received on the following Business Day.

(b) Any such notice of Optional Tender must be duly executed by the Holder and must specify (i) the name of the Holder of the Bond to be tendered for purchase, (ii) the Optional Tender Date, (iii) the principal amount of such Bond, and (iv) the principal amount of such Bond to be purchased (if such amount is less than the entire principal amount, both the amount to be purchased and the amount remaining must be in an Authorized Denomination). The notice of Optional Tender must be substantially as set forth in ***Exhibit 6.1(b)*** or in such other form as shall be acceptable to the Trustee. The Trustee shall promptly forward a copy of such notice to the other Financing Participants.

(c) If any notice of Optional Tender specifies an Optional Tender Date that is not a Business Day, then such notice shall be deemed to specify the next following Business Day as the Optional Tender Date. Unless a notice of Optional Tender indicates that less than the entire principal amount of the Bond is being tendered for purchase, the Holder will be deemed to have tendered the Bond in its entire principal amount for purchase.

(d) Upon delivery of a written notice of Optional Tender, the election to tender shall be irrevocable and binding upon such Holder and may not be withdrawn, except as provided with respect to the Soft Tender Bonds. The Trustee shall, in its sole discretion, determine whether, with respect to any Bond, notice of Optional Tender was properly completed with respect to such Bond by the Holder thereof.

(e) If a written notice of tender shall have been duly given with respect to any Bond, the Holder of such Bond shall deliver such Bond to the Trustee on the Optional Tender Date. If only a portion of such Bond is to be purchased (as a result of the exercise of the Optional Tender right only with respect to such portion), the Holder shall receive a new Bond or Bonds of the same maturity and interest rate and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unpurchased portion of the principal amount of the Bond surrendered. Any Bond (or portion thereof) that is to be so purchased but that is not so delivered to the Trustee shall nevertheless be deemed to have been tendered by the Holder thereof on the Optional Tender Date.

(f) Except as otherwise provided with respect to Soft Tender Bonds, on each Optional Tender Date the Trustee shall pay to the Holder of each Bond (or portion thereof) properly tendered for purchase an amount equal to the Purchase Price. Funds for payment of the Purchase Price of such Bonds shall be paid by the Trustee from the sources specified in ***Section 6.5***.

(g) If there has been irrevocably deposited in the Bond Purchase Fund an amount sufficient to pay the Purchase Price of any Bond to be purchased on an Optional Tender Date, such Bond shall be deemed to have been tendered for purchase and purchased from the Holder thereof on such Optional Tender Date, and the Holder of such Bond shall not be entitled to receive interest on such Bond for any period on and after the Optional Tender Date. The Trustee shall issue a new Bond or Bonds in the same aggregate principal amount for any such Bond which is not tendered for purchase on any Optional Tender Date and, upon receipt by the Trustee of any such Bond from the Holder thereof, shall pay, or cause to be paid, the Purchase Price of such Tendered Bond to the Holder thereof and cancel such Tendered Bond.

(h) Holders may exercise Optional Tender rights notwithstanding the existence of an Event of Default.

SECTION 6.2 Mandatory Tenders

(a) The Holder of each Bond shall be required to tender such Bond to the Trustee for purchase on the following dates:

(1) The last day of any Index Rate Period, Term Rate Period or CP Rate Period with respect to such Bond.

(2) Each Conversion Date with respect to such Bond.

If any of such dates is not a Business Day, the Mandatory Tender Date shall be the next succeeding Business Day.

(b) No notice is required for a Mandatory Tender pursuant to ***Section 6.2(a)(1)***, but the Trustee may elect to provide notice of such Mandatory Tender. Notice of a Mandatory Tender for any other purpose under ***Section 6.2(a)*** shall be given by the Trustee to the affected Holder not less than 15 days prior to the Mandatory Tender Date. The Holder of a Bond subject to a Mandatory Tender for which notice is required may waive the notice of the Mandatory Tender.

(c) Except as provided pursuant to the Failed Conversion Provisions or the Soft Tender Provisions, on the Mandatory Tender Date with respect to any Bond, the Trustee shall pay to the Holder of such Bond an amount equal to the Purchase Price. Funds for payment of the Purchase Price of such Bond shall be drawn by the Trustee from the sources specified in ***Section 6.5***. Except as otherwise provided pursuant to the Failed Conversion Provisions or the Soft Tender Provisions, failure to pay the Purchase Price of a Bond tendered pursuant to the Mandatory Tender provisions will constitute an Event of Default under ***Section 11.1(b)***.

(d) If there has been irrevocably deposited in the Bond Purchase Fund an amount sufficient to pay the Purchase Price of any Bond to be purchased on a Mandatory Tender Date and a Failed Conversion has not occurred, such Bond shall be deemed to be tendered for purchase and purchased from the Holder thereof on such Mandatory Tender Date and the Holder of such Bond shall not be entitled to receive interest on such Bond for any period on and after the relevant Mandatory Tender Date. The Trustee shall issue a new Bond or Bonds in the same aggregate principal amount, maturity and interest rate for any such Bond which is not tendered for purchase on any Mandatory Tender Date and, upon receipt by the Trustee of any such Bond from the Holder thereof, shall pay, or cause to be paid, the Purchase Price of such Tendered Bond to the Holder thereof and cancel such Tendered Bond.

SECTION 6.3 Election of Soft Tender Provisions

(a) **Election of Soft Tender Provisions**. The Borrower may elect that Optional Tender or Mandatory Tender provisions otherwise applicable to the Bonds will be subject to, and modified by, the Soft Tender Provisions of this Section if the election complies with the terms and conditions of ***Section 6.3(b).*** Unless the Soft Tender Provisions are properly elected, the Optional Tender and Mandatory Tender provisions apply without modification, and failure to purchase Bonds on an Optional Tender Date or Mandatory Tender Date is an Event of Default.

(b) **Conditions for Election**. The terms and conditions for electing the Soft Tender Provisions with respect to any Bond are as follows:

(1) The Soft Tender Provisions may be elected for (i) Optional Tenders during the period when a Bond is in the Daily Rate Mode or Weekly Rate Mode or (ii) a Mandatory Tender on the last day of an Index Rate Period, a Term Rate Period, or a CP Rate Period (any such Optional Tender or Mandatory Tender being referred to in this Indenture as a "Soft Tender").

(2) The election must be made (i) on the date of initial issuance of the Bond (for Bonds issued initially with Soft Tender Provisions) or (ii) on or before the date of conversion of such Bond to a new Interest Rate Mode eligible for the Soft Tender Provisions. The election may be made in the provisions of this Indenture authorizing the issuance of the Bonds (for Bonds issued initially with Soft Tender Provisions), in a notice of conversion (for Bonds being converted to a new Interest Rate Mode with Soft Tender Provisions), or in a separate notice timely delivered to the Trustee. The election of Soft Tender Provisions shall be noted in the bond form for the Soft Tender Bonds.

(3) The Soft Tender Provisions must be elected for all Bonds in the same Interest Rate Mode.

(4) If any Soft Tender Bond is converted to another Interest Rate Mode, all Soft Tender Bonds must be converted to another Interest Rate Mode.

(5) If a timely election is made, the Soft Tender Provisions shall become effective on the date of initial issuance or the date of conversion to a new Interest Rate Mode, as the case may be, and shall remain in effect until the end of the Soft Tender Period.

(6) If a Soft Tender Bond is converted to another Interest Rate Mode, the Borrower may elect to apply Soft Tender Provisions to such Bond in such new Interest Rate Mode, subject to the terms and conditions of this Section.

(c) **Modification of Optional Tender Provisions.** If the Soft Tender Provisions are elected with respect to any Bond in the Daily Rate Mode or Weekly Rate Mode, the Optional Tender provisions of this Indenture otherwise applicable during the Soft Tender Period shall be deemed modified in accordance with the following terms and conditions:

(1) Funds for the purchase of Soft Tender Bonds that are tendered for purchase pursuant to an Optional Tender during the Soft Tender Period shall be derived solely from money on deposit in the Bond Purchase Fund, which may be derived from (i) Remarketing Proceeds or (ii) funds that the Borrower elects to provide for such purchase; provided, however, that the Borrower shall not be required to provide funds for the purchase of Soft Tender Bonds during the Soft Tender Period.

(2) Soft Tender Bonds shall not be purchased on an Optional Tender Date if adequate funds are not available in the Bond Purchase Fund to pay both (i) the Purchase Price of all Soft Tender Bonds tendered for purchase on such Optional Tender Date and (ii) the Purchase Price of all Failed Purchase Bonds tendered for purchase prior to such Optional Tender Date. No Tendered Bonds or Failed Purchase Bonds shall be purchased even if available money in the Bond Purchase Fund was sufficient to purchase some, but not all, Bonds for which the Purchase Price was due.

(3) During a Failed Purchase Period Holders of Soft Tender Bonds may continue to tender Soft Tender Bonds for purchase pursuant to the Optional Tender provisions, and the Remarketing Agent shall continue to use its best efforts to remarket all such Soft Tender Bonds, subject to these Soft Tender Provisions.

(4) On any Optional Tender Date when a Failed Purchase occurs, any Remarketing Proceeds that were on deposit in the Bond Purchase Fund on such Optional Tender Date shall be returned to the persons who provided such Remarketing Proceeds, and any money deposited by the Borrower shall be returned to the Borrower.

(5) On any Optional Tender Date when a Failed Purchase occurs, any Failed Purchase Bond shall be returned to the Holder, but such Failed Purchase Bond shall remain subject to purchase pursuant to the original Optional Tender notice if and when funds sufficient for the purchase of all Failed Purchase Bonds are on deposit in the Bond Purchase Fund; provided, however, that the Holder of a Failed Purchase Bond may, by written notice delivered to the Trustee, revoke the original notice of Optional Tender delivered by such Holder, in which case such Bond shall no longer be considered a Failed Purchase Bond. If such a notice of revocation is delivered by a Holder, such Holder's Bond will remain a Soft Tender Bond and such Holder may deliver a subsequent Optional Tender notice, subject to the Soft Tender Provisions.

(6) If and when the Trustee determines that money in the Bond Purchase Fund is sufficient to pay the Purchase Price of all Failed Purchase Bonds, the Trustee shall complete the purchase of such Failed Purchase Bonds in accordance with the provisions of ***Section 6.5***.

(7) During a Failed Purchase Period all Soft Tender Bonds (whether or not such Soft Tender Bonds are also Failed Purchase Bonds) shall bear interest at the Maximum Rate, and the Remarketing Agent shall cease determination of the Weekly Rate or the Daily Rate otherwise applicable to such Soft Tender Bonds. If a defeasance escrow is established for a Soft Tender Bond during a Failed Purchase Period such Soft Tender Bond shall bear interest at the Maximum Rate until such Soft Tender Bond is retired. If the Failed Purchase Period ends for all Failed Purchase Bonds in the Weekly Rate Mode or the Daily Rate Mode, the determination of the interest rate for the Soft Tender Bonds shall resume in accordance with the applicable provisions of ***Section 5.2***.

(d) **Modification of Mandatory Tender Provisions.** If the Soft Tender Provisions are elected with respect to any Bond in the Index Rate Mode, Term Rate Mode or Commercial Paper Rate Mode, the Mandatory Tender provisions of this Indenture otherwise applicable during the Soft Tender Period shall be deemed modified in accordance with the following terms and conditions:

(1) Funds for the purchase of Soft Tender Bonds that are tendered for purchase pursuant to a Mandatory Tender during the Soft Tender Period shall be derived solely from money on deposit in the Bond Purchase Fund, which may be derived from (i) Remarketing Proceeds or (ii) funds that the Borrower elects to provide for such purchase; provided, however, that the Borrower shall not be required to provide funds for the purchase of Soft Tender Bonds during the Soft Tender Period.

(2) Soft Tender Bonds shall not be purchased on a Mandatory Tender Date if adequate funds are not available in the Bond Purchase Fund to pay both (i) the Purchase Price of all Soft Tender Bonds due on such Mandatory Tender Date and (ii) if the Soft Tender Bonds are in the Commercial Paper Rate Mode, the Purchase Price of all Failed Purchase Bonds tendered for purchase prior to such Mandatory Tender Date. No Tendered Bonds shall be purchased even if

available money in the Bond Purchase Fund was sufficient to purchase some, but not all, Bonds for which the Purchase Price was due.

(3) On any Mandatory Tender Date when a Failed Purchase occurs, any Remarketing Proceeds that were on deposit in the Bond Purchase Fund on such Mandatory Tender Date shall be returned to the persons who provided such Remarketing Proceeds, and any money deposited by the Borrower shall be returned to the Borrower.

(4) On any Mandatory Tender Date when a Failed Purchase occurs, any Failed Purchase Bond shall be returned to the Holder, but such Failed Purchase Bond shall remain subject to purchase pursuant to the original Mandatory Tender notice if and when funds sufficient for the purchase of all Failed Purchase Bonds are on deposit in the Bond Purchase Fund.

(5) If and when the Trustee determines that money in the Bond Purchase Fund is sufficient to pay the Purchase Price of all Failed Purchase Bonds, the Trustee shall complete the purchase of such Failed Purchase Bonds in accordance with the provisions of ***Section 6.5***.

(6) During a Failed Purchase Period all Soft Tender Bonds (whether or not such Soft Tender Bonds are also Failed Purchase Bonds) shall bear interest at the Maximum Rate, notwithstanding the interest rate otherwise applicable to the Failed Purchase Bonds on the Mandatory Tender Date. If a defeasance escrow is established for a Soft Tender Bond during a Failed Purchase Period, such Soft Tender Bond shall bear interest at the Maximum Rate until such Soft Tender Bond is redeemed or paid in full on the Maturity Date. If the Failed Purchase Period ends for all Failed Purchase Bonds in the Commercial Paper Rate Mode, the determination of the interest rate for the Soft Tender Bonds shall resume in accordance with the applicable provisions of ***Section 5.2***.

(e) **Mandatory Redemption of Soft Tender Bonds.** If a Failed Purchase occurs, all Soft Tender Bonds are subject to special mandatory redemption in accordance with the provisions of ***Section 7.1(e)*** unless the conditions of ***Section 7.1(e)*** for avoiding such mandatory redemption have been satisfied.

(f) **Redemption or Conversion of Soft Tender Bonds.** If a Failed Purchase occurs, Soft Tender Bonds may be redeemed in accordance with the redemption provisions applicable to such Bonds and may be converted to another Interest Rate Mode in accordance with the conversion provisions applicable to such Soft Tender Bonds. If all Soft Tender Bonds are converted to another Interest Rate Mode, mandatory redemption pursuant to ***Section 7.1(e)*** is not required.

(g) **No Event of Default for Failure to Purchase Soft Tender Bonds.** For the avoidance of doubt:

(1) If the Soft Tender Provisions are applicable to a Bond, failure to pay the Purchase Price of such Bond on an Optional Tender Date or Mandatory Tender Date is not an Event of Default.

(2) If the Soft Tender Provisions are not applicable to a Bond, failure to pay the Purchase Price of such Bond on an Optional Tender Date or Mandatory Tender Date constitutes an Event of Default under ***Section 11.1(b).***

SECTION 6.4 Remarketing of Tendered Bonds

(a) The Remarketing Agent will use its best efforts to remarket Tendered Bonds, subject to the following terms and conditions:

(1) The Remarketing Agent shall not remarket Tendered Bonds to the Issuer or the Borrower or any Affiliate of the Issuer or the Borrower; provided, however, that the Borrower may purchase Tendered Bonds with its own funds as provided in ***Section 6.5(b).*** The Borrower shall give the Trustee prompt notice of any purchase of Bonds.

(2) The Borrower may direct the Remarketing Agent not to remarket any Bond that the Borrower wishes to purchase.

(3) If a Tendered Bond is not remarketed within 90 days after the Tender Date, such Bond may not be remarketed unless the Trustee receives a Favorable Tax Opinion.

(b) Promptly after arranging for the remarketing of any Bond, the Remarketing Agent shall give the Trustee notice specifying delivery instructions with respect to such Bond, including, to the extent requested by the Trustee, (i) such purchaser's name, (ii) the principal amount, maturity, interest rate and Authorized Denomination of the Bond to be purchased, and (iii) delivery instructions with respect to such Bond.

SECTION 6.5 Purchase of Tendered Bonds

(a) The Trustee shall hold any Tendered Bond delivered to it in trust solely for the benefit of the tendering Holder until money representing the Purchase Price of such Bond shall have been delivered to or for the account of such Holder.

(b) The Trustee shall obtain funds for payment of the Purchase Price of Tendered Bonds from the following sources:

(1) The Remarketing Agent shall deliver all Remarketing Proceeds to the Trustee or shall instruct the purchaser of any remarketed Bond to deliver the purchase price of such remarketed Bond directly to the Trustee. Remarketing Proceeds shall be held in a separate, segregated account in the Bond Purchase Fund and shall not be commingled with other money in the Bond Purchase Fund.

(2) Pursuant to the Lease Agreement the Borrower must provide the Purchase Price of Tendered Bonds that will not be paid with Remarketing Proceeds, unless the Failed Conversion Provisions or Soft Tender Provisions apply to such tender. Funds obtained from the Borrower shall be held in a separate, segregated account in the Bond Purchase Fund and shall not be commingled with other money in the Bond Purchase Fund.

(c) On the Tender Date with respect to any Bond, the Trustee shall pay the Purchase Price to the Holder of such Bond, except as otherwise provided pursuant to the Failed Conversion Provisions or the Soft Tender Provisions. Funds available for the Purchase Price of Tendered Bonds shall be applied by the Trustee as follows, in the order and priority indicated:

(1) First, Remarketing Proceeds shall be used to pay the Purchase Price of Tendered Bonds other than Obligor Bonds.

(2) Second, funds provided by the Borrower shall be used to pay the Purchase Price of Tendered Bonds that are not purchased with Remarketing Proceeds.

The Trustee shall not be required to use its own funds to pay the Purchase Price of Tendered Bonds. The Trustee shall not pay the Purchase Price of any Tendered Bond, unless and until the Holder of such Bond presents such Bond to the Trustee. Any Bond so delivered to the Trustee after the Trustee's close of business on a Business Day shall be deemed delivered on the following Business Day.

SECTION 6.6 Disposition of Purchased Bonds

(a) Tendered Bonds remarketed by the Remarketing Agent shall be delivered to the purchaser in accordance with instructions provided by the Remarketing Agent. Tendered Bonds purchased with funds provided by the Borrower shall be delivered to the Borrower in accordance with instructions provided by the Borrower.

(b) Any remarketed Bond that has been called for redemption shall be delivered with a copy of the redemption notice, and any remarketed Bond as to which notice of Mandatory Tender has been given shall be delivered with a copy of the notice of Mandatory Tender.

(c) Any Bond purchased pursuant to an Optional Tender or Mandatory Tender shall not, by virtue of such purchase, be deemed paid or cancelled, but shall remain Outstanding until Defeased.

(d) If the Issuer or one of its Affiliates acquires Bonds through direct purchase from a Holder, the Issuer shall promptly notify the Trustee. The Lease Agreement provides that if the Borrower or one of its Affiliates acquires Bonds through direct purchase from a Holder, the Borrower shall promptly notify the Trustee. The Trustee may assume that no Bonds are owned by the Issuer, the Borrower or an Affiliate of either of them unless the Trustee has notice to the contrary.

SECTION 6.7 Remarketing Agent

(a) The Borrower has not appointed a Remarketing Agent as of the date of delivery of this Indenture. The Borrower shall appoint a Remarketing Agent not less than 20 days prior to the conversion of any Bond to an Interest Rate Mode that will require a Remarketing Agent to establish the interest rate or rates applicable in such Interest Rate Mode or will require a Remarketing Agent remarket Bonds pursuant to the Optional Tender or Mandatory Tender provisions of this Indenture.

(b) Any Remarketing Agent appointed by the Borrower shall accept such appointment and the duties and obligations imposed by this Indenture by executing and delivering an agreement satisfactory to the Borrower and the Trustee.

(c) The Remarketing Agent may resign at any time by giving 30 days' notice to the other Financing Participants.

(d) The Borrower may remove the Remarketing Agent at any time upon 30 days' notice to the Remarketing Agent and the other Financing Participants.

(e) If the Remarketing Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Remarketing Agent for any cause, the Borrower shall promptly appoint a successor Remarketing Agent. Any successor Remarketing Agent shall signify its acceptance of such appointment and its assumption of the duties and obligations imposed upon it by this Indenture by execution and delivery of an agreement satisfactory to the Borrower and the Trustee.

(f) The Trustee shall give notice to Holders of the initial appointment of the Remarketing Agent, each resignation and each removal of the Remarketing Agent, and each appointment of a successor Remarketing Agent.

(g) Compensation and expenses of the Remarketing Agent shall be paid by the Borrower, as provided in the agreement of the Remarketing Agent accepting its appointment.

(h) The Remarketing Agent shall not have a lien on any portion of the Trust Estate, including any Remarketing Proceeds and any money on deposit in the Bond Purchase Fund, for payment of its compensation or expenses.

ARTICLE 7

Redemption of Bonds

SECTION 7.1 Redemption Provisions

The Bonds shall be subject to redemption prior to maturity as follows:

(a) **Optional Redemption in Initial Interest Rate Mode.** In the initial Interest Rate Mode applicable to the Bonds, any Bond that matures after ________, _____ may be redeemed in whole or in part on any Business Day on or after _______, _____ at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date.

(b) **Optional Redemption Upon Conversion.** Bonds converted to another Interest Rate Mode are subject to optional redemption as follows:

(1) **Bonds Converted to the Fixed Rate Mode**. Any Bond converted to the Fixed Rate Mode shall be subject to optional redemption on or after the First Optional Call Date (as defined below in this paragraph) at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date. The "First Optional Call Date" shall be: (i) if the period from the Conversion Date to the maturity of such Bond is more than 5 years but less than 10 years, the First Optional Call Date shall be the 5th anniversary of the Conversion Date; and (ii) if the period from the Conversion Date to the maturity of such Bond is more than 10 years, the First Optional Call Date shall be the 10th anniversary of the Conversion Date.

(2) **Bonds Converted to the Term Rate Mode**. Any Bond converted to the Term Rate Mode shall be subject to optional redemption on or after the First Optional Call Date (as defined below in this paragraph) until and including the last day of the Term Rate Period at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date. The "First Optional Call Date" shall be: (i) for any Term Rate Period of one year or less, the First Optional Call Date shall be the last day of the Term Rate Period; (ii) for any Term Rate Period of more than one year but not more than 5 years, the First Optional Call Date shall be the date that is 6 months prior to the last day of the Term Rate Period; (iii) for any Term Rate Period of more than 5 years but not more than 10 years, the First Optional Call Date shall be the 5th anniversary of the beginning of the Term Rate Period; and (iv) for any Term Rate Period of more than 10 years, the First Optional Call Date shall be the 10th anniversary of the beginning of the Term Rate Period.

(3) **Bonds Converted to the Index Rate Mode.** Any Bond converted to the Index Rate Mode shall be subject to optional redemption in whole or in part on any Business Day on or after the First Par Call Date (defined below) until and including the last day of the Index Rate Period at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date. Prior to the First Par Call Date any Bond converted to the Index Rate Mode shall be subject to optional redemption in whole or in part on any Business Day at a redemption price equal to the greater of (i) 100% of the principal amount to be redeemed or (ii) the Make-Whole Redemption Price (as defined below) of the principal amount to be redeemed, plus, in each case, accrued interest thereon to the redemption date. For purposes of determining the optional redemption price:

"*First Par Call Date*" means (i) for any Index Rate Period of 10 years or less, the date that is 6 months prior to the last day of the Index Rate Period and (ii) for any Index Rate Period of more than 10 years, the 10th anniversary of the beginning of the Index Rate Period (or, if sooner, 6 months prior to the last day of the Index Rate Period).

"*Make-Whole Redemption Price*" means the sum of the present value of the remaining scheduled payments of principal and interest on the Bond (or the portion thereof to be redeemed) to the First Par Call Date, assuming that (i) accrued interest to the redemption date is excluded from remaining interest payments, (ii) the portion of such Bond to be redeemed would have been redeemed at par on the First Par Call Date, and (iii) the Index Rate in effect two Business Days prior to the redemption date will remain in effect from the redemption date until the First Par Call Date. Present value shall be calculated based on a discount rate equal to the Treasury Rate (defined below) plus 25 basis points. Discounting shall be on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months.

"*Treasury Rate*" shall be determined by reference to the Federal Reserve's publication "H.15 Selected Interest Rates" (or, if H.15 is no longer published, any publicly available source of similar market data selected by the Borrower). The Treasury Rate with respect to the Bond (or portion thereof) to be redeemed shall be the yield to maturity in H.15, as published two Business Days prior to the redemption date, for United States Treasury securities (excluding inflation indexed securities) with a constant maturity most nearly equal to the period from the redemption date to the First Par Call Date; provided, however, that if the period from the redemption date to the First Par Call Date is less than one year, the constant maturity of one year shall be the Treasury Rate.

The Trustee may retain (at the expense of the Borrower) an independent firm (which may be an accounting firm, investment banking firm, or municipal adviser firm) to calculate the Make-Whole Redemption Price. The Make-Whole Redemption Price determined by such firm shall be conclusive and binding on the Financing Participants.

(4) **Bonds Converted to the Daily Rate Mode.** Any Bond converted to the Daily Rate Mode may be redeemed in whole or in part on any Business Day at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date.

(6) **Bonds Converted to the Weekly Rate Mode.** Any Bond converted to the Weekly Rate Mode may be redeemed in whole or in part on any Business Day at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date.

(6) **Bonds Converted to the Commercial Paper Rate Mode.** Any Bond converted to the Commercial Paper Rate Mode may be redeemed in whole or in part on any Reset Date with respect to such Bond at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date.

The notice of conversion delivered by the Borrower pursuant to ***Section 5.3(b)*** may specify optional redemption provisions that are different from the optional redemption provisions specified in this ***Section 7.1(b)*** if the Borrower delivers a Favorable Tax Opinion with such notice.

(c) **Scheduled Mandatory Redemption of Bonds.** The Bonds are not subject to scheduled mandatory redemption.

(d) **Special Optional Redemption of Failed Purchase Bonds.** Failed Purchase Bonds may be redeemed on any Business Day during a Failed Purchase Period at the option of the Borrower at a redemption price equal to 100% of the principal amount redeemed plus accrued interest thereon to the redemption date.

(e) **Special Mandatory Redemption of Soft Purchase Bonds.** On the second anniversary of the beginning of any Failed Purchase Period (or, if the second anniversary is not a Business Day, on the next succeeding Business Day), all Soft Tender Bonds (whether or not such Soft Tender Bonds are also Failed Purchase Bonds) shall be redeemed, at a redemption price equal to the principal amount of such Soft Tender Bonds plus accrued interest to the redemption date, unless such Failed Purchase Period ended at least 30 days prior to such second anniversary.

(f) **Extraordinary Optional Redemption Upon Damage, Destruction or Condemnation of the Project**. The Bonds may be redeemed in whole or in part on any Business Day at the option of the Borrower at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the redemption date if all or a substantial portion of the Project is damaged or destroyed by fire or other casualty, or title to, or the temporary use of, all or a substantial portion of such facilities is condemned or taken for any public or quasi public use by any authority exercising or threatening the exercise of the power of eminent domain or title thereto is found to be deficient, to such extent that in the determination of the Borrower (A) the Project cannot be reasonably restored or replaced to the condition thereof preceding such event, or (B) the Borrower is thereby prevented from carrying on its normal operations of the Project, or (C) the cost of restoration or replacement thereof would exceed the net proceeds of any casualty insurance, title insurance, condemnation awards or sale under threat of condemnation with respect thereto

(g) **Special Optional Redemption for Remedial Action.** If Bonds are converted to a new Interest Rate Mode and such Bonds are not otherwise subject to optional redemption on terms that would permit remedial action under regulations applicable to tax-exempt bonds, the notice of conversion delivered by the Borrower pursuant to ***Section 5.3(b)*** may specify special optional redemption provisions that comply with such remedial action regulations if the Borrower delivers a Favorable Tax Opinion with such notice.

(h) **Mandatory Redemption Upon Determination of Taxability**. The Bonds are subject to mandatory redemption prior to their stated maturity, as a whole, on any Business Day not more than sixty (60) days after the Trustee receives notice of a Determination of Taxability with respect to such Bonds, at a redemption price of par, plus interest accrued thereon to the date of redemption, without premium.

(i) **Exercise of Optional Redemption Rights.** If the Lease Agreement has not been terminated, the Borrower may, on behalf of the Issuer, exercise optional redemption rights provided by this Indenture, including without limitation (i) delivery of all notices to the Trustee with respect to such redemption, (ii) the specification of conditions to such redemption, and (iii) the selection of Bonds for redemption. If the Lease Agreement has been terminated, the Issuer may exercise optional redemption rights provided by this Indenture without notice to, or consent of, the Borrower. If less than the full principal amount of any Bond is redeemed, the principal amount of such Bond not redeemed must be in an Authorized Denomination.

SECTION 7.2 Mandatory Redemption

Bonds shall be redeemed in accordance with the applicable mandatory redemption provisions without any direction from or consent by the Issuer or the Borrower. Unless the date fixed for such mandatory redemption is otherwise specified by this Indenture, the Trustee shall select the date for mandatory redemption, subject to the provisions of this Indenture with respect to the permitted period for such redemption.

SECTION 7.3 Election to Redeem

The election to exercise any right of optional redemption shall be evidenced by notice from an Authorized Representative of the Borrower or an Authorized Representative of the Issuer, as the case may be, to the Trustee not less than 3 days prior to the date when notice of such redemption must be given to affected Holders (unless a shorter notice is acceptable to the Trustee). An election to redeem shall specify (i) the principal amount, series, maturity and interest rate of Bonds to be redeemed, (ii) the redemption date, and (iii) any conditions to such redemption specified in accordance with the provisions of ***Section 7.5(d)***.

SECTION 7.4 Selection by Trustee of Bonds to be Redeemed

(a) Except as otherwise provided in the specific redemption provisions for the Bonds, if less than all Bonds Outstanding are to be redeemed, the principal amount of Bonds of each series, maturity and interest rate to be redeemed may be specified in the notice of election to redeem, or, in the absence of specification in such notice, shall be selected by the Trustee by lot or by such other method as the Trustee shall deem fair and appropriate; provided, however, that the principal amount of Bonds of each series, maturity and interest rate to be redeemed may not be larger than the principal amount of Bonds of such series, maturity and interest rate then eligible for redemption and may not be smaller than the smallest Authorized Denomination.

(b) Except as otherwise provided in the specific redemption provisions for the Bonds, if less than all Bonds with the same series, maturity and interest rate are to be redeemed, the particular Bonds of such series, maturity and interest rate to be redeemed shall be selected by the Trustee from the Outstanding Bonds of such series, maturity and interest rate then eligible for redemption by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Bonds of such series, maturity and interest rate of a denomination larger than the smallest Authorized Denomination.

(c) The Trustee shall promptly notify the Issuer and the Borrower of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

(d) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

SECTION 7.5 Notice of Redemption

(a) Notice of redemption shall be given to the affected Holder not less than 20 days prior to the redemption date. If the Book Entry System is in effect, notice of redemption shall be given to DTC and shall be forwarded by DTC to Holders through methods established by the rules and regulations of the Book Entry System. If the Book Entry System is not in effect, notice of redemption shall be given to Holders by certified mail.

(b) All notices of redemption shall state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date, and

(5) any conditions to such redemption specified in accordance with the provisions of ***Section 7.5(d)***.

(c) Notice of optional redemption shall be given by the Borrower or, at the Borrower's request, by the Trustee on behalf of the Borrower. Notice of redemption of Bonds in accordance with the mandatory redemption provisions of the Bonds shall be given by the Trustee on behalf of the Issuer and the Borrower without any notice to, or consent of, the Issuer or the Borrower.

(d) A notice of optional redemption may state that the redemption of Bonds is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the Borrower shall not be required to redeem the Bonds (or portions thereof) identified in such notice, and any Bonds surrendered on the specified redemption date shall be returned to the Holders of such Bonds.

SECTION 7.6 Deposit of Redemption Price

On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date shall be deposited with the Trustee, unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

SECTION 7.7 Bonds Payable on Redemption Date

If notice of redemption is given and any conditions to such redemption specified pursuant to ***Section 7.5(d)*** are met, the Bonds to be redeemed shall become due and payable on the redemption date at the applicable redemption price and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds shall cease to bear interest.

SECTION 7.8 Bonds Redeemed in Part

(a) If the Book Entry System is in effect, partial redemption of any Bond shall be effected in accordance with the Book Entry System.

(b) If the Book Entry System has been terminated, any Bond which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same maturity and interest rate and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

SECTION 7.9 Purchase of Callable Bonds in Lieu of Redemption

The Borrower shall have the option to purchase Callable Bonds in lieu of optional redemption. If a Callable Bond has been called for optional redemption, the Borrower may exercise its right of purchase by delivery to the Trustee on or prior to the Business Day preceding the optional redemption date of written notice from the Borrower specifying that the Callable Bonds shall not be redeemed, but instead shall be purchased pursuant to this Section. Upon delivery of such notice from the Borrower, the Callable Bonds shall not be redeemed, but shall instead be subject to mandatory tender on the date that would have been the optional redemption date at a purchase price equal to the redemption price that would have been payable with respect to such Callable Bonds. The Borrower's option to purchase pursuant to this Section shall be effective whether or not the notice of optional redemption sent to Holders indicates that the Borrower has exercised, or intends to exercise, such option. No further or additional notice to Holders shall be required in connection with the purchase in lieu of redemption. The Callable Bonds purchased pursuant to this Section (i) shall not be cancelled or retired, but shall continue to be outstanding, (ii) shall be delivered to, or as directed by, the Borrower, and (iii) shall continue to bear interest at the rate provided for in this Indenture.

SECTION 7.10 Exercise of Redemption Rights by Issuer

If the Lease Agreement has been terminated, the Issuer may exercise optional redemption rights on behalf of the Borrower without notice to, or consent of, the Borrower.

ARTICLE 8

No Additional Bonds

This Indenture authorizes the issuance of Bonds described in ***Article 5***. No additional bonds may be issued pursuant to this Indenture.

ARTICLE 9

Indenture Funds

SECTION 9.1 Debt Service Fund

(a) There is hereby established a special trust fund which shall be designated the "Debt Service Fund". The Trustee shall be the depository, custodian and disbursing agent for the Debt Service Fund.

(b) The Lease Agreement requires the Borrower to make Lease Payments for deposit to the Debt Service Fund at times and in amounts sufficient to pay Debt Service on the Bonds.

(c) On each Bond Payment Date money in the Debt Service Fund shall be applied by the Trustee to pay Debt Service on the Bonds.

(d) If money is on deposit in the Debt Service Fund on any Bond Payment Date sufficient to pay Debt Service on the Bonds due and payable on such Date, but the Holder of any Bond that matures on such Date or that is subject to redemption on such Date fails to surrender such Bond to the Trustee for payment of Debt Service due and payable on such Date, the Trustee shall segregate and hold in trust for the benefit of the person entitled thereto money sufficient to pay the Debt Service due and payable on such Bond on such Date. Money so segregated and held in trust shall not be a part of the Trust Estate and shall not be invested, but shall constitute a separate trust fund for the benefit of the persons entitled to such Debt Service.

SECTION 9.2 Costs of Issuance Fund

(a) There is hereby established with the Trustee a trust fund which shall be designated the "Costs of Issuance Fund". A deposit to the Costs of Issuance Fund is to be made pursuant to ***Section 5.4***.

(b) Money in the Costs of Issuance Fund shall be paid out by the Trustee from time to time for the purpose of paying Costs of Issuance with respect to the Bonds upon delivery to the Trustee of a requisition substantially in the form attached as ***Exhibit 9.2(b)***, executed by an Authorized Representative of the Borrower.

(c) After an Authorized Representative of the Borrower certifies to the Trustee that money remaining in the Costs of Issuance Fund is not needed to pay Costs of Issuance with respect to the Bonds, any balance remaining in the Costs of Issuance Fund shall be transferred to the Acquisition Fund or the Debt Service Fund, as directed by an Authorized Representative of the Borrower.

SECTION 9.3 Acquisition Fund

(a) There is hereby established with the Trustee a trust fund which shall be designated the "Acquisition Fund". A deposit to the Acquisition Fund is to be made pursuant to ***Section 5.4***.

(b) Money in the Acquisition Fund shall be paid out by the Trustee from time to time for the purpose of paying Acquisition Costs (including reimbursement of the Borrower for any such costs paid by it) upon delivery to the Trustee of a requisition substantially in the form attached as ***Exhibit 9.2(b)***, executed by an Authorized Representative of the Borrower.

(c) After an Authorized Representative of the Borrower certifies to the Trustee that remaining proceeds of the Bonds are not needed to pay Acquisition Costs, any balance remaining in the Acquisition Fund shall be deposited in the Debt Service Fund and shall be applied to the redemption of as many Bonds as possible on the next date on which the Bonds are subject to redemption and for which the required notice of redemption can be given, and the balance remaining, if any, after such redemption shall be applied to the payment of Debt Service on the Bonds on the next ensuing Bond Payment Date.

(d) The Capital Improvements are described in ***Exhibit 9.3(d)***. The Borrower may cause changes or amendments to be made in the description of the Capital Improvements and may add items to, or delete items from, the list of Capital Improvements; provided that (i) the Borrower delivers to the Trustee a certificate of an Authorized Representative of the Borrower specifying such changes, amendments, additions or deletions, (ii) the Borrower delivers to the Trustee an Opinion of Counsel stating in effect that the Capital Improvements, after giving effect to such changes, amendments, additions or deletions, qualify for financing under the Enabling Law and (iii) the Borrower delivers to the Trustee a Favorable Tax Opinion.

SECTION 9.4 Bond Purchase Fund

(a) There is hereby established a special trust fund which shall be designated the “Bond Purchase Fund”. The Trustee shall be the depositary, custodian and disbursing agent for the Bond Purchase Fund.

(b) ***Section 6.5*** specifies the sources of funds available to the Trustee for the payment of Tendered Bonds. The Trustee shall keep such funds in separate, segregated accounts within the Bond Purchase Fund as provided in ***Section 6.5***.

(c) The Lease Agreement requires the Borrower to make deposits to the Bond Purchase Fund at times and in amounts sufficient to pay the Purchase Price of Tendered Bonds (except as provided with respect to the Soft Tender Provisions) to the extent that funds for payment of such Purchase Price are not obtained from Remarketing Proceeds.

(d) On each Tender Date, money in the Bond Purchase Fund shall be applied by the Trustee to the payment of the Purchase Price of Tendered Bonds as provided in ***Section 6.5***.

(e) If money is on deposit in the Bond Purchase Fund on any Tender Date sufficient to pay the Purchase Price on the Bonds to be paid on such Tender Date, but the Holder of any Tendered Bond fails to deliver such Bond to the Trustee for payment of such Purchase Price on such Tender Date, the Trustee shall segregate and hold in trust for the benefit of the person entitled thereto money sufficient to pay such Purchase Price due and payable on such Bond on such Tender Date. Money so segregated and held in trust shall not be a part of the Trust Estate and shall not be invested, but shall constitute a separate trust fund for the benefit of the persons entitled to such Purchase Price.

SECTION 9.5 Investment of Indenture Funds

(a) Except as otherwise expressly provided in this Indenture, any money held as part of an Indenture Fund shall be invested or reinvested in Qualified Investments by the Trustee in accordance with the instructions of the Borrower, to the extent that such investment is, in the opinion of the Trustee, feasible and consistent with the purposes for which such Fund was created. Any investment made with money on deposit in an Indenture Fund shall be held by or under control of the Fund custodian and shall be deemed at all times a part of the Indenture Fund where such money was on deposit, and the interest and profits realized from such investment shall be credited to such Fund and any loss resulting from such investment shall be charged to such Fund.

(b) Any investment of money in the Indenture Funds may be made by the Trustee through its own bond department, investment department or other commercial banking department providing investment services.

(c) The Trustee shall follow the instructions of the Borrower with respect to investments of the Indenture Funds as provided in this Section, but the Trustee shall not be responsible for (i) determining that any such investment complies with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code, or (ii) calculating the amount of, or making payment of, any rebate due to the United States under Section 148(f) of the Internal Revenue Code.

SECTION 9.6 Application of Funds After Indenture Indebtedness Defeased

After all Indenture Indebtedness has been Defeased, any money or investments remaining in the Indenture Funds or otherwise constituting part of the Trust Estate shall be paid to the Borrower if no Event of Default exists.

ARTICLE 10

Representations and Covenants

SECTION 10.1 General Representations

The Issuer makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) Under the provisions of the Enabling Law and its organizational documents, it has the power to consummate the transactions described in the Bond Documents to which it is a party.

(b) The Bond Documents to which it is a party constitute legal, valid and binding obligations of the Issuer and are enforceable against it in accordance with the terms of such Documents, except as enforcement thereof may be limited by (i) bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights and (ii) general principles of equity, including the exercise of judicial discretion in appropriate cases.

SECTION 10.2 Encumbrances on Trust Estate

The Issuer will not create or permit the creation of any pledge, lien, charge or encumbrance of any kind on the Trust Estate or any part thereof prior to or on a parity of lien with this Indenture.

SECTION 10.3 Payment of Bonds

(a) The Issuer will, from funds constituting part of the Trust Estate, duly and punctually pay, or cause to be paid, the Debt Service on the Bonds as and when the same shall become due and will duly and punctually deposit, or cause to be deposited, in the Indenture Funds the amounts required to be deposited therein, all in accordance with the terms of the Bonds and this Indenture.

(b) The Issuer will not extend or consent to the extension of the time for payment of Debt Service on the Bonds or the Purchase Price of Bonds, unless such extension is consented to by the Holder of the Bond affected.

SECTION 10.4 Inspection of Records

The Issuer will at any and all times, upon the request of the Trustee, afford and procure a reasonable opportunity for the Trustee by its representatives to inspect any books, records, reports and other papers of the Issuer relating to the performance by the Issuer of its covenants in this Indenture, and the Issuer will furnish to the Trustee any and all information as the Trustee may reasonably request with respect to the performance by the Issuer of its covenants in this Indenture and the Lease Agreement.

SECTION 10.5 Advances by Trustee

If the Issuer shall fail to perform any of its covenants in this Indenture, the Trustee may, but shall not be required, at any time and from time to time, to make advances to effect performance of any such covenant on behalf of the Issuer. Any money so advanced by the Trustee, together with interest at the Post-Default Rate, shall be repaid upon demand and such advances shall be secured under this Indenture prior to the Bonds.

SECTION 10.6 Corporate Existence; Merger, Consolidation, Etc.

(a) The Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

(b) The Issuer may consolidate with or merge into any other entity or transfer its property substantially as an entirety to another entity if:

(1) the entity formed by such consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer the Issuer's property substantially as an entirety (the "Successor") shall execute and deliver to the Trustee an instrument in form recordable and acceptable to the Trustee containing an assumption by such Successor of the due and punctual payment of the Debt Service on the Bonds and the performance and observance of every covenant and condition of the Bond Documents to be performed or observed by the Issuer; and

(2) the Issuer shall deliver to the Trustee a Favorable Tax Opinion.

(c) Upon any consolidation or merger or any conveyance or transfer of the Issuer's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Successor had been named as the Issuer herein.

SECTION 10.7 Compliance with the Tax Certificate and Agreement

The Issuer will comply with the covenants and agreements on its part contained in the Tax Certificate and Agreement.

ARTICLE 11

Defaults and Remedies

SECTION 11.1 Events of Default

Any one or more of the following shall constitute an event of default (an "Event of Default") under this Indenture (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) failure to pay (i) the interest on any Bond when such interest becomes due and payable, or (ii) the principal of (or premium, if any, on) any Bond when such principal (or premium, if any) becomes due and payable, whether at its stated Maturity Date, by declaration of acceleration or call for redemption or otherwise; or

(b) failure to pay the Purchase Price of any Bond due on any Tender Date unless (i) the Soft Tender Provisions were applicable to the Bond on the Tender Date or (ii) the Tender Date was a Proposed Conversion Date that was not also a Mandatory Tender Date pursuant to ***Section***

6.2(a)(1) and the conversion did not occur was revoked pursuant to the Failed Conversion Provisions.; or

(c) default in the performance, or breach, of any covenant or warranty of the Issuer in this Indenture (other than a covenant or warranty a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after notice of such default or breach, stating that such notice is a "notice of default" hereunder, has been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Holders of at least 10% in principal amount of the Outstanding Bonds, unless, in the case of a default or breach that cannot be cured by the payment of money, the Issuer initiates efforts to correct such default or breach within 30 days from the receipt of such notice and diligently pursues such action until the default or breach is corrected; or

(d) the occurrence of an event of default, as therein defined, under the Lease Agreement or the Guaranty Agreement and the expiration of the applicable notice period or grace period, if any.

SECTION 11.2 Remedies

(a) **Acceleration of Maturity**. If an Event of Default exists, the Trustee or the Holders of not less than a majority in principal amount of the Bonds Outstanding may declare the principal of all the Bonds and the interest accrued thereon to be due and payable immediately, by notice to the Issuer (and to the Trustee, if given by Holders), and upon any such declaration such Debt Service shall become immediately due and payable. At any time after such a declaration of acceleration has been made pursuant to this Section, the Majority Holders may, by notice to the Issuer and the Trustee, rescind and annul such declaration and its consequences if

(1) the Issuer has deposited with the Trustee a sum sufficient to pay

(A) all overdue installments of interest on all Bonds,

(B) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Bonds, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Event of Defaults, other than the nonpayment of the principal of Bonds which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in ***Section 11.10***.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(b) **Rights and Remedies Cumulative**. No right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

(c) **Remedies Subject to Applicable Law**. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 11.3 Application of Money Collected

Any money collected by the Trustee pursuant to this Article and any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First**: To the payment of all undeducted amounts due the Trustee under ***Section 12.7***;

(b) **Second**: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal (and premium, if any) and interest, without any preference or priority, ratably according to the aggregate amount so due; provided, however, that payments with respect to Obligor Bonds shall be made only after all other Bonds have been Defeased; and

(c) **Third**: To the payment of the remainder, if any, to the Issuer or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 11.4 Trustee May Enforce Claims without Possession of Bonds

All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered.

SECTION 11.5 Limitation on Suits

No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Indenture, or for the appointment of a receiver or trustee or for any other remedy hereunder, unless

(a) such Holder has previously given notice to the Trustee of a continuing Event of Default;

(b) the Holders of not less than a majority in principal amount of the Outstanding Bonds shall have made request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Majority Holders;

it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the lien of this Indenture or the rights of any other Holders of Bonds, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Bonds.

SECTION 11.6 Unconditional Right of Holders to Receive Principal, Premium and Interest

Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the Maturity Date expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 11.7 Restoration of Positions

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Holder, then and in every such case the Issuer, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 11.8 Delay or Omission Not Waiver

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 11.9 Control by Holders

The Majority Holders shall have the right, during the continuance of an Event of Default,

(a) to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds or otherwise, and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder, including the power to direct or withhold directions for acceleration of the maturity of the Bonds pursuant to ***Section 11.2(a)***; provided that

(1) such direction shall not be in conflict with any rule of law or this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction.

SECTION 11.10 Waiver of Past Defaults

(a) Before any judgment or decree for payment of money due has been obtained by the Trustee, the Majority Holders may, by notice to the Trustee and the Issuer, on behalf of all Holders waive any past default hereunder or under any other Bond Document and its consequences, except a default

(1) in the payment of Debt Service on any Bond, or

(2) in respect of a covenant or provision hereof which under ***Article 13*** cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

(b) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 11.11 Suits to Protect the Trust Estate

The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture and to protect its interests and the interests of the Holders in the Trust Estate and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Holders or the Trustee.

SECTION 11.12 Remedies Under Lease Agreement

(a) Except as otherwise provided in ***Section 11.9 and Article 17***, The Trustee shall have the right, in its own name or on behalf of the Issuer, to declare any default and exercise any remedies available under the Lease Agreement.

(b) Any money collected by the Trustee pursuant to the exercise of any such remedies shall be applied as provided in this ***Article 11***.

ARTICLE 12

The Trustee

SECTION 12.1 Certain Duties and Responsibilities of Trustee

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) If an Event of Default exists, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) The Trustee shall not incur liability for its action or inaction with respect to the performance of its duties and obligations under this Indenture unless such action or inaction constitutes willful misconduct or gross negligence under the circumstances. Liability of the Trustee for such action or inaction shall be further limited as follows:

(1) the Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Majority Holders relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(3) 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.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 12.2 Notice of Defaults

(a) If a notice event described in ***Section 12.2(b)*** exists, the Trustee shall notify Holders of such event within 30 days after the Trustee becomes aware of its existence; provided, however, that the Trustee shall be protected in withholding such notice if (1) the notice event has been cured or waived or otherwise ceases to exist before such notice is given; or (2) the Trustee determines in good faith that the withholding of such notice is in the interest of Holders.

(b) For purposes of this Section, the following shall constitute "notice events":

(1) the occurrence of an Event of Default; and

(2) any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 12.3 Certain Rights of Trustee

Except as otherwise provided in ***Section 12.1***:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Representative of the Issuer. Any request or direction of the Borrower mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Representative of the Borrower.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate executed by an Authorized Representative of the Issuer or a certificate executed by an Authorized Representative of the Borrower.

(d) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Issuer, personally or by agent or attorney.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 12.4 Not Responsible for Recitals

The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Indenture or of the Bonds.

SECTION 12.5 May Hold Bonds

The Trustee in its individual or any other capacity, may become the Holder or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee.

SECTION 12.6 Money Held in Trust

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent expressly provided in this Indenture or required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise provided in ***Article 9***.

SECTION 12.7 Compensation and Reimbursement

(a) The Issuer agrees to pay to the Trustee, or to reimburse the Trustee for, but solely from the Trust Estate:

(1) reasonable compensation for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

(2) all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's gross negligence or bad faith.

(b) As security for the performance of the obligations of the Issuer under this Section, the Trustee shall be secured under this Indenture by a lien prior to the Bonds, and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any money held by it as a part of the Trust Estate.

SECTION 12.8 Corporate Trustee Required; Eligibility

There shall at all times be a Trustee hereunder which shall (i) be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state, (ii) be authorized under such laws to exercise corporate trust powers, (iii) be subject to supervision or examination by federal or state authority, and (iv) have an investment grade rating for its long-term deposits from each Rating Agency that provides a rating on the Bonds or, if the Bonds are not rated, by any Rating Agency.

SECTION 12.9 Resignation and Removal; Appointment of Successor

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under ***Section 12.10***.

(b) The Trustee may resign at any time by giving notice thereof to the Issuer and the Borrower. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by the Majority Holders by notice delivered to the Trustee, the Issuer and the Borrower. If the Lease Agreement has not been terminated, the Trustee may be removed at any time by the Borrower by notice delivered to the Issuer and the Trustee.

(d) If at any time:

(1) the Trustee shall cease to be eligible under ***Section 12.8*** and shall fail to resign after request therefor by the Borrower or by any Holder who has been a bona fide Holder of a Bond for at least 6 months, or

(2) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case (i) the Issuer (with the consent of the Borrower) may remove the Trustee, or (ii) any Holder who has been a bona fide Holder of a Bond for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, a successor Trustee shall be appointed by the Issuer (with the consent of the Borrower so long as no Event of Default has occurred and is continuing). In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed by the Holders. If, within 1 year after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed by the Majority Holders, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or the Borrower or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Issuer, the Borrower or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Bond for at least 6 months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Issuer shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Holders.

SECTION 12.10 Acceptance of Appointment by Successor

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in ***Section 12.7***. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

(b) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article, to the extent operative.

SECTION 12.11 Merger, Conversion, Consolidation or Succession to Business

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

ARTICLE 13

Amendment of Bond Documents

SECTION 13.1 General Requirements for Amendments

The Trustee may, on behalf of the Holders, from time to time enter into, or consent to, an amendment of any Bond Document only as permitted by this Article.

SECTION 13.2 Amendments Without Consent of Holders

An amendment of the Bond Documents for any of the following purposes may be made, or consented to, by the Trustee without the consent of the Holders of any Bonds:

(a) to correct or amplify the description of any property at any time subject to the lien of any Bond Document, or better to assure, convey and confirm unto any secured party any property subject or required to be subjected to the lien of any Bond Document, or to subject to the lien of any Bond Document, additional property; or

(b) to evidence the succession of another person to any Financing Participant and the assumption by any such successor of the covenants of such Financing Participant (provided that the requirements of the related Bond Document for such succession and assumption are otherwise satisfied); or

(c) to add to the covenants of any Financing Participant for the benefit of Holders and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an event of default under the specified Bond Documents permitting the enforcement of all or any of the several remedies provided therein; provided, however, that with respect to any such covenant, such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available upon such default; or

(d) to surrender any right or power conferred upon any Financing Participant other than rights or powers for the benefit of Holders; or

(e) to cure any ambiguity or to correct any inconsistency, provided such action shall not adversely affect the interests of the Holders; or

(f) to appoint a separate agent of the Issuer or the Trustee to perform any one or more of the following functions: (i) acceptance of delivery of Tendered Bonds, (ii) registration of transfers and exchanges of Bonds, (iii) payment of Debt Service on the Bonds, or (iv) payment of the Purchase Price of Tendered Bonds; provided, however, that any such agent must be a bank or trust company with long-term obligations, at the time such appointment is made, in one of the three highest rating categories of at least one Rating Agency; or

(g) to make any amendment that will be effective on a Conversion Date after the Purchase Price of all Tendered Bonds has been paid.

SECTION 13.3 Amendments Requiring Consent of All Affected Holders

An amendment of the Bond Documents for any of the following purposes may be entered into, or consented to, by the Trustee only with the consent of the Holder of each Bond affected:

(a) to change the stated Maturity Date of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated Maturity Date thereof (or, in the case of redemption, on or after the redemption date); or

(b) to reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for any amendment of the Bond Documents, or the consent of whose Holders is required for any waiver provided for in the Bond Documents; or

(c) to modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(d) to modify any of the provisions of this Section or ***Section 11.9***, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby; or

(e) to permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any portion of the Trust Estate, except as otherwise permitted by the Bond Documents; or

(f) to eliminate, reduce or delay the obligation of the Issuer or the Borrower to make payments at times and in amounts sufficient to pay Debt Service on the Bonds or the Purchase Price of Tendered Bonds.

SECTION 13.4 Amendments Requiring Consent of Majority Holders

(a) An amendment of the Bond Documents for any purpose not described in ***Sections 13.2*** or ***13.3*** may be entered into, or consented to, by the Trustee only with the consent of the Majority Holders.

(b) If an amendment is proposed by the Borrower or Issuer but does not have consent of the Majority Holders when the amendment is proposed, the Borrower or Issuer may propose that such amendment will become effective later when consent of the Majority Holders is obtained, subject to the following terms and conditions:

(1) Unless the proposed amendment provides that consent of the Majority Holders must be obtained by a specified date in order to be effective, the Borrower or Issuer may solicit consents to such amendment from Holders until consent of the Majority Holders is obtained.

(2) The terms of issuance or remarketing of a Bond may provide that acceptance of such Bond by the Holder will be deemed consent to the proposed amendment.

(3) The terms of any consent obtained to a proposed amendment may provide that such consent is irrevocable and will bind any future assignee or transferee, direct or indirect, of the person providing such consent. If a consent is not by its terms irrevocable, or by its terms is revocable at the option of the person providing such consent, such person may revoke such consent before such amendment becomes effective by written notice to the Trustee, the Borrower and the Issuer, but a revocable notice that is not revoked prior to the effective date shall no longer be considered revocable.

(4) If the terms of any consent obtained to a proposed amendment provide that the consent is considered revoked upon the occurrence of a specified event, a written certification by the Borrower or the Issuer on the effective date that such event has not occurred shall be deemed conclusive unless on or before the effective date the Trustee has received written notice from an interested party claiming that such event has occurred. For purposes of this ***Section 13.4(b)(4)***, an "interested party" means and includes the Borrower, the Issuer, the Holders of the Bonds, and any person who was authorized to act on behalf of or in lieu of a Holder pursuant to the terms of ***Section 15.3***.

(5) On the effective date of any such amendment consent of the Majority Holders shall be determined according to the principal amount of Bonds Outstanding as of the effective date, notwithstanding the principal amount of Bonds of a Holder at the time such Holder's consent was initially obtained.

SECTION 13.5 Discretion of Trustee

The Trustee may in its discretion determine whether or not any Bonds would be affected by any amendment of the Bond Documents and any such determination shall be conclusive upon the Holders of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

SECTION 13.6 Trustee Protected by Opinion of Counsel

In executing or consenting to any amendment permitted by this Article, the Trustee shall be entitled to receive, and, subject to ***Section 12.1***, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Indenture.

SECTION 13.7 Amendments Affecting Trustee's Personal Rights

The Trustee may, but shall not be obligated to, enter into any amendment that affects the Trustee's own rights, duties or immunities under the Bond Documents.

SECTION 13.8 Effect on Holders

Upon the execution of any amendment under this Article, every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 13.9 Reference in Bonds to Amendments

Bonds authenticated and delivered after the execution of any amendment under this Article shall, if required by such amendment or by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment. New Bonds so modified as to conform to any such amendment shall, if required by such amendment or by the Trustee, be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

SECTION 13.10 Amendments Not to Affect Tax Exemption

No amendment may be made to the Bond Documents unless the Trustee receives a Favorable Tax Opinion.

ARTICLE 14

Defeasance

SECTION 14.1 Payment of Indenture Indebtedness; Satisfaction and Discharge of Indenture

(a) Whenever all Indenture Indebtedness has been Defeased, then (i) this Indenture and the lien, rights and interests created hereby shall cease, terminate and become null and void (except as to any surviving rights of transfer or exchange of Bonds herein or therein provided for), and (ii) the Trustee shall, upon the request of the Issuer, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Issuer or upon the order of the Issuer, all cash and securities then held by it hereunder as a part of the Trust Estate.

(b) A Bond shall be deemed "Defeased" if

(1) such Bond has been cancelled by the Trustee or delivered to the Trustee for cancellation, or

(2) such Bond shall have matured or been called for redemption and, on such Maturity Date or redemption date, money for the payment of Debt Service on such Bond is held by the Trustee in trust for the benefit of the person entitled thereto, or

(3) a trust for the payment of such Bond has been established in accordance with ***Section 14.2***, or

(4) such Bond is subject to Optional Tender or Mandatory Tender and, on the Tender Date, money for payment of the Purchase Price of such Bond is held by the Trustee in trust for the benefit of the person entitled thereto.

(c) Indenture Indebtedness other than Debt Service on the Bonds shall be deemed "Defeased" whenever the Issuer has paid, or made provisions satisfactory to the Trustee for payment of, all such Indenture Indebtedness.

SECTION 14.2 Trust for Payment of Debt Service

(a) The Issuer may provide for the payment of any Bond by establishing a trust for such purpose with the Trustee and depositing therein cash and/or Federal Securities which (assuming the due and punctual payment of the principal of and interest on such Federal Securities, but without reinvestment) will provide funds sufficient to pay the Debt Service on such Bond as the same becomes due and payable until the maturity or redemption of such Bond; provided, however, that:

(1) Such Federal Securities must not be subject to redemption prior to their respective maturities at the option of the issuer of such Securities.

(2) If such Bond is to be redeemed prior to its Maturity Date, either (i) the Trustee shall receive evidence that notice of such redemption has been given in accordance with the provisions of this Indenture and such Bond or (ii) the Issuer and the Borrower shall confer on the Trustee irrevocable authority for the giving of such notice.

(3) If such trust relates to a Bond in the Term Rate Mode, such Bond must mature or be called for redemption (if permitted by this Indenture) on or before the last day of the Term Rate Period then in effect.

(4) If such trust relates to a Bond in the Commercial Paper Rate Mode, such Bond must be called for redemption on the last day of the CP Rate Period then in effect.

(5) If such trust related to a Bond that does not have a fixed or determinable amount of interest payable until the date when such Bond will be retired in accordance with the terms of such trust, the trust must provide funds sufficient for payment of interest on such Bond at the Maximum Rate until such Bond will be retired. Such trust may provide that any excess funds in the trust remaining after such Bond has been retired shall be paid to the Borrower.

(6) Prior to the establishment of such trust the Trustee must receive a Favorable Tax Opinion.

(7) Prior to the establishment of such trust, the Trustee must receive verification satisfactory to the Trustee demonstrating that the principal and interest payments on the Federal Securities in such trust, without reinvestment, together with the cash balance in such trust remaining after purchase of such Securities, will be sufficient to make the required payments from such trust.

(b) Any trust established pursuant to this Section may provide for payment of less than all Bonds outstanding or less than all Bonds of any remaining maturity.

(c) If any trust provides for payment of less than all Bonds of the same series, maturity and interest rate, the Bonds of such series, maturity and interest rate to be paid from the trust shall be selected by the Trustee by lot by such method as shall provide for the selection of portions (in Authorized Denominations) of the principal of Bonds of such maturity and interest rate of a denomination larger than the smallest Authorized Denomination. Such selection shall be made within 7 days after such trust is established. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Bonds. After such selection is made, Bonds that are to be paid from such trust (including Bonds issued in exchange for such Bonds pursuant to the transfer or exchange provisions of this Indenture) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Holders whose Bonds (or portions thereof) have been selected for payment from such trust and shall direct such Holders to surrender their Bonds to the Trustee in exchange for Bonds with the appropriate designation. The selection of Bonds for payment from such trust pursuant to this Section shall be conclusive and binding on the Financing Participants.

(d) Cash and/or Federal Securities deposited with the Trustee pursuant to this Section shall not be a part of the Trust Estate but shall constitute a separate, irrevocable trust fund for the benefit of the Holder of the Bond to be paid from such fund.

ARTICLE 15

Miscellaneous

SECTION 15.1 Notices to Financing Participants

(a) Notices and other communications to Financing Participants pursuant to this Indenture must be in writing except as otherwise expressly provided in this Indenture. Any specific reference in this Indenture to "written notice" shall not be construed to mean that any other notice may be oral, unless such oral notice is specifically permitted by this Indenture under the circumstances.

(b) Notices and other communications pursuant to this Indenture may be delivered by any method provided in the directions for notices attached as ***Exhibit 15.1(b).*** A Financing Participant may change its directions for notices by giving notice to the other Financing Participants.

(c) Any notice shall be deemed given when actually received by the Financing Participant to whom the notice is addressed. In addition, any notice sent by certified mail shall be deemed received when sent by certified mail, addressed as provided in the notice directions included in ***Exhibit 15.1(b)*** or, if the designated Financing Participant has delivered a change notice, as specified in such change notice.

(d) Notice to any Financing Participant required by this Indenture may be waived in writing by such Financing Participant, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 15.2 Notices to Holders

(a) Notices and other communications to DTC or Holders pursuant to this Indenture must be in writing except as otherwise expressly provided in this Indenture. Any specific reference in this Indenture to "written notice" shall not be construed to mean that any other notice may be oral, unless such oral notice is specifically permitted by this Indenture under the circumstances.

(b) If the Book Entry System is in effect, notices and other communications to Holders will be delivered to Holders through the Book Entry System and shall be deemed delivered to Holders upon receipt by DTC. If the Book Entry System is terminated, notices and other communications to Holders may be delivered to such Holders at their address as it appears in the Bond Register.

(c) Any notice to DTC or a Holder shall be deemed given when received by DTC or the Holder, as the case may be, or when sent by certified mail.

(d) Any defect in a notice to any particular Holder shall not affect the sufficiency of such notice with respect to other Holders.

(e) Notice to any Holder required by this Indenture may be waived in writing by such Holder, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 15.3 Actions by Holders

(a) Actions by a Holder shall be evidenced by a written instrument executed by the Holder.

(b) A person's status as a Holder may be established or verified through any one or more of the following methods:

(1) If the Bonds are held pursuant to the Book Entry System, either (i) the DTC proxy procedures or (ii) a certificate executed by such person or such person's custodian verifying such person's ownership of a specified portion of the Bonds, accompanied by indemnification satisfactory to the Trustee; or

(2) If Bonds are not held pursuant to the Book Entry System, the Bond Register; or

(3) An Opinion of Counsel stating in effect that such person is entitled to exercise the rights of a Holder under the terms of this Indenture.

(c) The provider of Credit Enhancement with respect to a Bond may take action on behalf of the person who is the Holder of such Bond if (i) the terms of this Indenture (including any supplement or amendment to this Indenture) expressly grant such right to the provider and (ii) the person became a Holder after such right was granted to the provider.

(d) The Trustee may conclusively rely on any determination method or documentation specified in this Section.

SECTION 15.4 Successors and Assigns

All covenants and agreements in this Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 15.5 Benefits of Indenture

Nothing in this Indenture or in the Bonds, express or implied, shall give to any person, other than (i) the parties hereto and their successors hereunder, (ii) the Holders of the Outstanding Bonds, and (iii) the Borrower, any benefit or legal or equitable right, remedy or claim under this Indenture.

SECTION 15.6 Calculation Agent

(a) The Trustee is hereby appointed as "Calculation Agent" for purposes of this Indenture. The acceptance by the Calculation Agent of its duties under this Indenture shall be evidenced by an agreement in form and substance satisfactory to the Issuer, the Borrower and the Trustee.

(b) The Calculation Agent may resign at any time by giving 30 days' notice to the Issuer and, if the Calculation Agent is not the Trustee, to the Trustee. No such resignation shall become effective until a successor Calculation Agent has been appointed and has accepted its duties and obligations hereunder.

(c) The Borrower may remove the Calculation Agent at any time upon 30 days' notice to the Calculation Agent and, if the Calculation Agent is not the Trustee, to the Trustee. No such removal shall become effective until a successor Calculation Agent has been appointed and has accepted its duties and obligations hereunder.

(d) If the Calculation Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Calculation Agent for any cause, the Issuer shall, with the consent of the Borrower, promptly appoint a successor Calculation Agent, which may be the Trustee, shall be Independent from the Issuer and the Borrower and, if not the Trustee, shall be acceptable to the Trustee. Any successor Calculation Agent shall signify its acceptance of such appointment and its assumption of the duties and obligations imposed upon it by this Indenture by execution and delivery of an agreement satisfactory to the Issuer and the Borrower and, if the Calculation Agent is not the Trustee, to the Trustee.

(e) If the Trustee is the Calculation Agent, its compensation and expenses shall be paid in accordance with the provisions of ***Section 12.7***. If a person other than the Trustee is serving as the Calculation Agent, compensation and expenses of such person shall be paid by the Borrower, as provided in the agreement of such person accepting its appointment as Calculation Agent; provided, however, that such person shall not have a lien on the Trust Estate for payment of its compensation or expenses.

ARTICLE 16

The Lease Agreement and Rights of the Borrower

SECTION 16.1 Right of the Borrower to Exercise Redemption and Conversion Rights

(a) If the Lease Agreement has not been terminated, the Borrower may, on behalf of the Issuer, exercise optional redemption rights provided by this Indenture, including without limitation (i) delivery of all notices with respect to such redemption, (ii) the specification of conditions to the redemption, and (iii) the selection of Bonds for redemption.

(b) If the Lease Agreement has not been terminated, the Borrower may exercise rights of the Issuer with respect to the establishment or conversion of Interest Rate Modes with respect to the Bonds.

(c) If the Lease Agreement has been terminated, the Issuer may exercise optional redemption rights and rights with respect to the establishment or conversion of Interest Rate Modes with respect to the Bonds without notice to, or consent of, the Borrower.

SECTION 16.2 Performance by Issuer Under Lease Agreement

The Issuer will perform and observe all covenants required to be performed and observed by it under the Lease Agreement.

SECTION 16.3 Rights of the Borrower With Respect to Defaults by Issuer

Without relieving the Issuer from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it hereunder, the Borrower, on behalf of the Issuer, may perform any such covenant or agreement.

SECTION 16.4 Remedies Under Lease Agreement

(a) The Trustee shall have the right, in its own name or on behalf of the Issuer, to declare any default and exercise any remedies under the Lease Agreement.

(b) Any money collected by the Trustee pursuant to the exercise of any remedies under the Lease Agreement shall be applied as provided in ***Article 11***.

SECTION 16.5 The Borrower May Direct Investment of Indenture Funds

If the Lease Agreement is in effect, the Borrower may, on behalf of the Issuer, direct the investment of Indenture Funds pursuant to ***Article 9***.

SECTION 16.6 Amendment of Bond Documents

If the Lease Agreement is in effect, no amendment may be made to the Bond Documents without the consent of the Borrower.

SECTION 16.7 Appointment and Removal Powers

If the Lease Agreement is in effect and no Event of Default has occurred and is continuing thereunder or under the Guaranty Agreement, the Borrower may, on behalf of the Issuer, exercise any right of the Issuer to appoint or remove (i) the Trustee, (ii) the Remarketing Agent, and (iii) the Calculation Agent.

SECTION 16.8 Disposition of Indenture Funds and Trust Estate

If the Lease Agreement is in effect, any remaining Indenture Funds or Trust Estate assets otherwise payable to the Issuer after all Indenture Indebtedness has been Defeased shall be paid or transferred to the Borrower.

SECTION 16.9 Benefits of Indenture for the Borrower

This Indenture shall also be for the benefit of the Borrower to the extent provided herein.

ARTICLE 17
Credit Enhancement

SECTION 17.1 Delivery of Credit Enhancement

No Credit Enhancement has been provided with respect to the Bonds as of the date of initial delivery of the Bonds. The Borrower may provide Credit Enhancement after the date of initial delivery of the Bonds, subject to the following terms and conditions:

(a) No amendment or supplement to this Indenture that provides for such Credit Enhancement and affects the rights of Holders of the Bonds shall be effective unless (i) the Holders of all Outstanding Bonds consent to the delivery of such Credit Enhancement and the terms of such supplement or amendment, (ii) the Credit Enhancement and such amendment or supplement become effective on a date when all Bonds were purchased pursuant to a Mandatory Tender and apply only with respect to Holders after such Mandatory Tender Date, or (iii) in the good faith judgment of the Trustee, such provisions do not adversely affect the interests of Holders.

(b) The Borrower must deliver a Favorable Tax Opinion with respect to the delivery of such Credit Enhancement.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this instrument to be duly executed by their duly authorized officers.

[Signature pages follow]

THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL

By:____

Name:______________________________________

Title:_______________________________________

PINNACLE BANK

By:____

Name:______________________________________

Title:_______________________________________

EXHIBIT 5.1(c)

Form of Bonds

The Educational Building Authority of the City of Huntsville - Randolph School

Lease Revenue Bonds (Randolph School Project), Series 2026

Number:

Principal Amount:

Maturity Date:

Interest Rate Mode:

Date of Initial Delivery of Bonds:

**[Other Details Required by Indenture
for the Interest Rate Mode]:**

Soft Tender Provisions: [*Apply*][*Do not Apply*]

CUSIP:

THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL, a ______________________ (the "Issuer", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to

____,

or registered assigns, the principal sum of

____ **DOLLARS**

on the Maturity Date specified above and to pay interest hereon from the date of initial delivery of this Bond, or the most recent date to which interest has been paid or duly provided for, until the principal hereof shall become due and payable at the applicable interest rate specified below; provided, however, that all such payments shall be limited obligations of the Issuer payable solely from the sources hereinafter identified.

Authorizing Document

This Bond has been issued pursuant to a Trust Indenture dated August 1, 2026 (the "Indenture"), between the Issuer and Pinnacle Bank, a Tennessee banking corporation (the "Trustee", which term includes any successor trustee under the Indenture). The bonds issued pursuant to the Indenture are referred to herein as the "Bonds". Capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture. The provisions of the Indenture are hereby incorporated by reference as if fully set forth in this Bond.

Beneficiary of Financing

The Bonds are being issued to provide financing for the benefit of Randolph School, an Alabama nonprofit corporation (the "Borrower" or the "School"). Certain real property on which the Project is located will be leased by the Issuer to the Borrower pursuant to a Lease Agreement dated August 1, 2026 (the "Lease Agreement") between the Issuer and the Borrower. Pursuant to the Lease Agreement the Borrower has agreed to make rental payments at times and in amounts sufficient to pay Debt Service on the Bonds and the Purchase Price of Tendered Bonds (except as provided with respect to the Soft Tender Provisions). The Lease Agreement (except for the Issuer's right to reimbursement for expenses and to indemnification) has been assigned by the Issuer to the Trustee pursuant to the Indenture.

Limited Obligations

The Bonds and all other payment obligations under the Indenture are limited obligations of the Issuer payable solely out of the Trust Estate established pursuant to the Indenture, which includes (i) rental payments by the Borrower pursuant to the Lease Agreement and (ii) money and investments in the funds and accounts established pursuant to the Indenture. The Bonds are also payable pursuant to the Guaranty Agreement delivered by the Borrower in favor of the Trustee.

Bond Documents

Copies of the Bond Documents are on file at the Office of the Trustee, and reference is hereby made to such instruments for a description of the properties pledged and assigned, the nature and extent of the security, the respective rights thereunder of the Holders of the Bonds and the Financing Participants, and the terms upon which the Bonds are, and are to be, authenticated and delivered.

Transfer, Registration, Exchange and Payment Provisions

The ownership, transfer, exchange and payment of the Bonds shall be governed by the Book Entry System administered by DTC until the Book Entry System is terminated pursuant to the terms and conditions of the Indenture. If the Book Entry System is terminated, the Indenture provides alternate provisions for the ownership, transfer, exchange and payment of Bonds.

[If the Bonds are to be delivered in the Direct Loan Form, substitute the following paragraph:]

This Bond is being delivered in the Direct Loan Form specified in the Indenture. While this Bond is in the Direct Loan Form, the ownership, transfer, exchange and payment of this Bond shall be governed by the provisions of ***Section 4.6*** of the Indenture.

Interest Rate Modes

The Bonds may be issued in various Interest Rate Modes, as specified in the Indenture. The Interest Rate Mode applicable to this Bond is specified in the heading to this certificate. If this Bond is converted to another Interest Rate Mode, this Bond is subject to Mandatory Tender and a new Bond certificate, with provisions applicable in the new Interest Rate Mode, will be delivered to the initial Holder in the new Interest Rate Mode.

Conversion of Interest Rate Modes

This Bond may be converted to another Interest Rate Mode, subject to the terms and conditions of the Indenture. On the Proposed Conversion Date this Bond shall be subject to Mandatory Tender, as described below.

Applicable Interest Rate

The applicable interest rate for this Bond is determined according to the Interest Rate Mode in effect for this Bond, which is specified above.

[Specify procedures for setting interest rate, as described in applicable provisions of Section 5.2. If Bonds are in the Fixed Rate Mode, no description is necessary.]

Maximum Interest Rate

The interest on this Bond may not exceed the Maximum Rate specified in the Indenture.

Computation of Interest Accrual

Interest on Bonds in the Interest Rate Mode applicable to this Bond shall be computed on the basis of *[specify from Indenture]*.

Interest Payment Dates

Interest on Bonds in the Interest Rate Mode applicable to this Bond is payable on the following dates: *[specify from Indenture]*.

Regular Record Date for Interest Payments

If the Book Entry System is in effect, the Trustee shall pay interest on this Bond to DTC, and interest shall be distributed to the Holder of this Bond in accordance with the rules and regulations of DTC. If the Book Entry System is terminated, the interest due on any Interest Payment Date with respect to this Bond shall be payable to the Holder of this Bond on the Regular Record Date for such Interest Payment Date, which shall be *[specify from Indenture]*.

Interest on Overdue Payments

Interest shall be payable on overdue principal on this Bond and (to the extent legally enforceable) on any overdue installment of interest on this Bond at the interest rate applicable to such Bond on the date such Debt Service became due.

Authorized Denominations

Bonds issued in the Interest Rate Mode applicable to this Bond may be in denominations of *[specify from Indenture]*.

Currency of Payment

Payment of Debt Service on this Bond shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

[The following provisions with respect to the Optional Tender of Bonds for purchase are to be included only for Bonds in the Daily Rate Mode or the Weekly Rate Mode.]

Optional Tender

[*If the Soft Tender Provisions have been elected for Bonds in the Daily Rate Mode, the Weekly Rate Mode, or the Commercial Paper Rate Mode, add the following paragraph. If not, the following paragraph can be omitted from the bond certificate delivered.*]

The Soft Tender Provisions of the Indenture apply to Bonds in this Interest Rate Mode. The Soft Tender Provisions are incorporated by reference in this bond. The Soft Tender Provisions provide, among other things, that Tendered Bonds will not be purchased on an Optional Tender Date if adequate funds are not available in the Bond Purchase Fund to purchase all Soft Tender Bonds that have been tendered and that a Holder may revoke an Optional Tender notice.

The Holder of this Bond shall have the right to tender this Bond to the Trustee for purchase in whole or in part on any Business Day. In order to exercise such option, the Holder thereof must deliver notice to the Trustee [not later than 11:00 a.m. on the Optional Tender Date] *[if such Bond is in the Daily Rate Mode]* [at least 7 days prior to the Optional Tender Date] *[if such Bond is in the Weekly Rate Mode]*.

Any such notice of Optional Tender must be duly executed by the Holder and must be substantially as set forth in the Indenture or in such other form as shall be acceptable to the Trustee.

If any notice of Optional Tender specifies an Optional Tender Date that is not a Business Day, then such notice shall be deemed to specify the next following Business Day as the Optional Tender Date. Unless a notice of Optional Tender indicates that less than the entire principal amount of the Bond is being tendered for purchase, the Holder will be deemed to have tendered the Bond in its entire principal amount for purchase.

Except as otherwise provided with respect to the Soft Tender Provisions, upon delivery of a written notice of Optional Tender, the election to tender shall be irrevocable and binding upon the Holder and may not be withdrawn.

If a written notice of tender shall have been duly given with respect to this Bond, the Holder of this Bond shall deliver this Bond to the Trustee on the Optional Tender Date. If only a portion of this Bond is to be purchased (as a result of the exercise of the Optional Tender right only with respect to such portion), the Holder shall receive a new Bond or Bonds of the same maturity and interest rate and of any Authorized Denomination or Denominations as requested by the Holder in aggregate principal amount equal to and in exchange for the unpurchased portion of the principal amount of this Bond. Any Bond (or portion thereof) that is to be so purchased but that is not so delivered to the Trustee shall nevertheless be deemed to have been tendered by the Holder thereof on the Optional Tender Date.

Except as otherwise provided with respect to the Soft Tender Provisions, on each Optional Tender Date the Trustee shall pay to the Holder of each Bond (or portion thereof) properly tendered for purchase an amount equal to the Purchase Price. Funds for payment of the Purchase Price of such Bonds shall be paid by the Trustee from the sources specified in the Indenture.

If there has been irrevocably deposited in the Bond Purchase Fund an amount sufficient to pay the Purchase Price of any Bond to be purchased on an Optional Tender Date, such Bond shall be deemed to have been tendered for purchase and purchased from the Holder thereof on such Optional Tender Date, and the Holder of such Bond shall not be entitled to receive interest on such Bond for any period on and after the Optional Tender Date. The Trustee shall issue a new Bond or Bonds in the same aggregate principal amount for any such Bond which is not tendered for purchase on any Optional Tender Date and, upon receipt by the Trustee of any such Bond from the Holder thereof, shall pay, or cause to be paid, the Purchase Price of such Tendered Bond to the Holder thereof and cancel such Tendered Bond.

Holders may exercise Optional Tender rights notwithstanding the existence of an Event of Default.

Mandatory Tender

[*If the Soft Tender Provisions have been elected for Bonds in the Index Rate Mode, the Term Rate Mode, or the Commercial Paper Rate Mode, add the following paragraph. If not, the following paragraph can be omitted from the bond certificate delivered.*]

The Soft Tender Provisions of the Indenture apply to Bonds in this Interest Rate Mode. The Soft Tender Provisions are incorporated by reference in this bond. The Soft Tender Provisions provide, among other things, that Tendered Bonds will not be purchased on a Mandatory Tender Date on the last day of the [Index Rate Period] [Term Rate Period] [CP Rate Period] if adequate funds are not available in the Bond Purchase Fund to purchase all Soft Tender Bonds that have been tendered.

The Holder of this Bond shall be required to tender this Bond to the Trustee for purchase on the following dates:

[Insert applicable Mandatory Tender provisions from Section 6.2(a)]

If any of such dates is not a Business Day, the Mandatory Tender Date shall be the next succeeding Business Day.

No notice is required for a Mandatory Tender on the last day of an Index Rate Period, the last day of a Term Rate Period or the last day of a CP Rate Period, even if that day is also a Mandatory Tender Date for a separate reason. For all other Mandatory Tenders notice of the Mandatory Tender shall be given not less than 15 days prior to the Mandatory Tender Date.

Except as otherwise provided with respect to the Soft Tender Provisions, on the Mandatory Tender Date with respect to this Bond, the Trustee shall pay to the Holder an amount equal to the Purchase Price. Funds for payment of the Purchase Price of such Bond shall be drawn by the Trustee from the sources specified in the Indenture.

If there has been irrevocably deposited in the Bond Purchase Fund an amount sufficient to pay the Purchase Price of any Bond to be purchased on a Mandatory Tender Date and a Failed Conversion has not occurred, such Bond shall be deemed to be tendered for purchase and purchased from the Holder thereof on such Mandatory Tender Date and the Holder of such Bond shall not be entitled to receive interest on such Bond for any period on and after the relevant Mandatory Tender Date. The Trustee shall issue a new Bond or Bonds in the same aggregate principal amount, maturity and interest rate for any such Bond which is not tendered for purchase on any Mandatory Tender Date and, upon receipt by the Trustee of any such Bond from the Holder thereof, shall pay, or cause to be paid, the Purchase Price of such Tendered Bond to the Holder thereof and cancel such Tendered Bond.

After notice of a Mandatory Tender has been given by the Trustee with respect to any Bond, such Bond shall be subject to Mandatory Tender notwithstanding the fact that the reasons for giving such notice cease to exist or are no longer applicable.

Redemption Prior to Maturity

This Bond will be subject to redemption prior to its Maturity Date as follows:

[Specify applicable redemption provisions from Section 7.1.]

If less than all Bonds outstanding are being redeemed, the Indenture provides procedures for selection of Bonds to be redeemed.

Notice of redemption of any Bond shall be given to the affected Holder not less than 20 days prior to the redemption date in the manner provided in the Indenture.

A notice of optional redemption may state that the redemption of Bonds is contingent upon specified conditions, such as receipt of a specified source of funds, or the occurrence of specified events. If the conditions for such redemption are not met, the Issuer shall not be required to redeem the Bonds (or portions thereof) identified in such notice, and any Bonds surrendered on the specified redemption date shall be returned to the Holders of such Bonds.

On the applicable redemption date, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date shall be deposited with the Trustee, unless the notice of redemption specified contingencies that were not met on the redemption date. Such money shall be held in trust for the benefit of the persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

If notice of redemption is given and any conditions to such redemption are met, the Bonds to be redeemed shall become due and payable on the redemption date at the applicable redemption price, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds shall cease to bear interest.

If the Book Entry System is in effect, partial redemption of any Bond shall be effected in accordance with the Book Entry System. If the Book Entry System has been terminated, any Bond which is to be redeemed only in part shall be surrendered at the Office of the Trustee with all necessary endorsements for transfer, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same maturity and interest rate and of any Authorized Denomination or Denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

The Indenture permits the Borrower to purchase Bonds that have been called for optional redemption in lieu of retiring such Bonds on the redemption date. No notice to Holders is required in connection with a purchase in lieu of redemption.

Remedies

If an “Event of Default”, as defined in the Indenture, shall occur, the principal of all Bonds then Outstanding may become or be declared due and payable in the manner and with the effect provided in the Indenture.

The Holder of this Bond shall have no right to enforce the provisions of the Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

Amendments

The Indenture permits the amendment of the Bond Documents and waivers of past defaults under such Documents and the consequences of such defaults, in certain circumstances without consent of Holders and in other circumstances with the consent of all Holders or a specified percentage of Holders. Any such consent or waiver by the Holder of this Bond shall be conclusive and binding upon such Holder and upon all future Holders of this Bond and of any Bond issued in exchange for this Bond or in lieu of this Bond, whether or not notation of such consent or waiver is made upon this Bond.

Exoneration of Incorporators, Directors and Officers of the Issuer

No recourse under or upon any covenant or agreement of the Indenture, or of any Bonds, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, officer or director of the Issuer, or of any successor, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Indenture and the Bonds are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer or director of the Issuer or any successor, or any of them, because of the issuance of the Bonds, or under or by reason of the covenants or agreements contained in the Indenture or in any Bonds or implied therefrom.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed under its corporate seal.

Dated: Date of initial delivery of this Bond identified above.

THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL

By:____
Chairman

[SEAL]

Attest:

____
Secretary

Certificate of Authentication

This is one of the Bonds referred to in the within-mentioned Indenture.

Date of authentication:________________

PINNACLE BANK,
as Trustee

By:___________________________________
Authorized Officer

Assignment

For value received, ____ hereby sell(s), assign(s) and transfer(s) unto [Please insert name and taxpayer identification number] __________________________________ this Bond and hereby irrevocably constitute(s) and appoint(s) ______________________________ attorney to transfer this Bond on the books of the within named Issuer at the office of the within named Trustee, with full power of substitution in the premises.

Dated: ________________________

____

NOTE: The name signed to this assignment must correspond with the name of the payee written on the face of the within bond in all respects, without alteration, enlargement or change whatsoever.

Signature Guaranteed:

____
(Bank or Trust Company)

By_______________________________________
(Authorized Officer)

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of the recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

EXHIBIT 5.4(b)

Description of Refunded Bonds

Refunded Bonds

The Refunded Bonds include the following bonds issued by the Issuer for the benefit of the Borrower:

Refunded Bonds	**Maturity Date(s)**	**Principal Amount Refunded**
Lease Revenue Bonds (Randolph School Project), Series 2008	__________, ____	$_____________
Lease Revenue Bonds (Randolph School Project), Series 2025	__________, ____	$_____________

EXHIBIT 6.1(b)

Form of Optional Tender Notice

Pinnacle Bank
Birmingham, Alabama

Re: Lease Revenue Bonds (Randolph School Project), Series 2026, issued by The Educational Building Authority of the City of Huntsville - Randolph School pursuant to a Trust Indenture dated August 1, 2026

The undersigned is the Holder of the following Bond, which is part of the above-referenced issue of Bonds:

CUSIP Number: ____________________________________
Principal Amount: ____________________________________

The undersigned hereby elects to have (check one as appropriate, and be certain to designate the principal amount tendered, if less than the entire amount):

____ the entire principal amount

____ $___________________________ of the principal amount of such Bond (Note: If such amount is less than the entire principal amount, both the amount to be purchased and the remaining amount must be an Authorized Denomination, as defined in the Indenture)

purchased on the following date: _____________________. (Note: If Bonds are in the Weekly Rate Mode, this notice must be delivered on a Business Day at least 7 days prior to the Optional Tender Date. A notice received by the Trustee after 5:00 p.m. on a Business Day shall be deemed received on the following Business Day. If Bonds are in the Daily Rate Mode, this notice must be delivered not later than 11:00 a.m. on the Optional Tender Date.)

THE UNDERSIGNED ACKNOWLEDGES THAT THIS ELECTION IS IRREVOCABLE AND BINDING ON THE UNDERSIGNED AND CANNOT BE WITHDRAWN.

Dated: __________________.

Print or Type ____
Name(s) of Holder(s)

____
Address

____
Telephone Number

Signature ____
(The name(s) and signature(s) must correspond exactly to the name appearing on the registration books maintained by the Trustee)

Signature guaranteed:

____
(Bank or Trust Company)

By______________________________________
(Authorized Officer)

EXHIBIT 9.2(b)

Requisition

To: Pinnacle Bank, as trustee under
the Indenture referred to below No. ___________________

Re: [$Amount] Lease Revenue Bonds (Randolph School Project), Series 2026, issued by The Educational Building Authority of the City of Huntsville - Randolph School pursuant to a Trust Indenture dated August 1, 2026 (the "Indenture")

Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

Request for Payment by the Borrower

The Borrower hereby requests payment from

[__] the Costs of Issuance Fund
[__] the Acquisition Fund

of $______________________ to

Name of payee:____

Address of payee:____

____

Such payment will be made for the following purpose(s):

____

____

____

(Note: The Borrower is to describe purpose in reasonable detail. The Trustee shall be entitled to rely upon the certification by the Borrower in the following paragraph with respect to the purpose of this payment and shall not be required to verify that such purpose is authorized by the Indenture or that such purpose will not cause or result in a violation of any covenant in the Tax Certificate and Agreement.)

The Borrower hereby certifies that: (a) such payment is for Costs of Issuance (if the payment is to be made from the Costs of Issuance Fund) or Acquisition Costs (if the payment is to be made from the Acquisition Fund), (b) no Event of Default exists, and (c) such payment will not cause or result in the violation of any covenant contained in the Tax Certificate and Agreement.

Dated: ___________________.

RANDOLPH SCHOOL

By:____
Authorized Representative of the Borrower

EXHIBIT 9.3(d)

Description of Capital Improvements

EXHIBIT 15.1(b)

Directions for Notices

The Educational Building Authority of the City of Huntsville - Randolph School

Mailing address: [redacted]

Hand delivery or courier delivery address:

Pinnacle Bank (as Trustee and Calculation Agent)

Mailing address:

Hand delivery or courier delivery address:

Email address:

Facsimile transmissions:

Randolph School

Mailing address:

Hand delivery or courier delivery address:

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APPENDIX C-2

FORM OF LEASE

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LEASE AGREEMENT

Dated August 1, 2026

Between

**THE EDUCATIONAL BUILDING AUTHORITY
OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL**

And

RANDOLPH SCHOOL

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LEASE AGREEMENT

THIS LEASE AGREEMENT dated August 1, 2026, is entered into by **THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL**, a public corporation organized under the laws of the State of Alabama (the “Issuer”), and **RANDOLPH SCHOOL**, a nonprofit corporation organized under the laws of the State of Alabama (the “Borrower”).

Recitals

The Issuer has issued its [$Amount] aggregate principal amount of Lease Revenue Bonds (Randolph School Project), Series 2026 (the “Bonds”), pursuant to a Trust Indenture dated August 1, 2026, (the “Indenture”) with Pinnacle Bank, a Tennessee banking corporation (the “Trustee”) for the benefit of the Borrower.

Pursuant to this Lease Agreement the Issuer will agree to lease the Project (defined below) to the Borrower and the Borrower will agree to pay rentals to the Issuer at such times and in such amounts as shall be sufficient to pay when due the principal of, premium (if any) and interest (“Debt Service”) on the Bonds and the purchase price (the “Purchase Price”) of Bonds tendered pursuant to the tender provisions of the Indenture (except as provided with respect to the Soft Tender Provisions).

The Bonds have been or will be issued for the purpose of financing or refinancing a portion of the costs of acquiring, constructing, rehabilitating, installing and equipping certain educational facilities of the Borrower (the “Project”) to be located on the campuses of the Borrower in Huntsville, Alabama.

Pursuant to the Indenture, the Issuer shall assign and pledge to the Trustee all the Issuer’s rights under this Lease Agreement, except for certain rights relating to indemnification, reimbursement of expenses and receipt of notices and other communications.

Payment of Debt Service on the Bonds and the Purchase Price of Bonds tendered pursuant to the tender provisions of the Indenture (except as provided with respect to the Soft Tender Provisions) will be guaranteed by the Borrower pursuant to a Guaranty Agreement dated August 1, 2026, (the “Guaranty”), in favor of the Trustee.

The Bonds shall be limited obligations of the Issuer payable solely out of (i) payments by the Borrower pursuant to this Lease Agreement, (ii) any other revenues, rentals or receipts derived by the Issuer from the leasing or sale of the Project, and (iii) any funds on deposit with the Trustee under the Indenture.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant, agree and bind themselves as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.01 Definitions

For all purposes of this Lease Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

(2) The terms defined in this Article shall have the meanings assigned to them in this Article. Singular terms shall include the plural as well as the singular, and vice versa.

(3) The definitions in the recitals to this instrument are for convenience only and shall not affect the construction of this instrument.

(4) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to "generally accepted accounting principles" refer to such principles as they exist at the date of application thereof.

(5) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(6) The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease Agreement as a whole and not to any particular Article, Section or other subdivision.

(7) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(8) The term "person" shall include any individual, corporation, partnership, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

SECTION 1.02 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.03 Date of Lease Agreement

The date of this Lease Agreement is intended as and for a date for the convenient identification of this Lease Agreement and is not intended to indicate that this Lease Agreement was executed and delivered on said date.

SECTION 1.04 Separability Clause

If any provision in this Lease Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.05 Governing Law

This Lease Agreement shall be construed in accordance with and governed by the laws of the State of Alabama, without regard to conflict of law principles.

SECTION 1.06 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

ARTICLE 2

Demising Clause

For and in consideration of the performance and observance by the Borrower of the agreements and covenants of this Lease Agreement to be performed and observed by the Borrower, the Issuer does hereby lease and demise to the Borrower, and the Borrower does hereby lease, take and hire from the Issuer the following property:

I.

The real property and interests therein described in ***Exhibit A*** attached hereto, together with all easements, permits, licenses, rights-of-way, contracts, leases, tenements, hereditaments, appurtenances, rights, privileges and immunities pertaining or applicable to said real property and interests therein (herein referred to as the "Project Site").

II.

The buildings, structures and improvements constructed and to be constructed on the Project Site pursuant to ***Article 3*** hereof (herein referred to as the "Improvements"), and all other buildings, structures and improvements now or hereafter located on the Project Site.

III.

The personal property and fixtures described in ***Exhibit B*** attached hereto and all other personal property and fixtures acquired or to be acquired by the Issuer with the proceeds of the Bonds or pursuant to any provision of this Lease Agreement, including all substitutions and replacements for such personal property and fixtures (herein referred to as the "Equipment") to be located on the real property described in ***Exhibit A*** attached hereto.

SUBJECT, HOWEVER, to Permitted Encumbrances, which are described in ***Exhibit C*** to this Lease Agreement.

ARTICLE 3

Acquisition of the Project

SECTION 3.01 Agreement to Acquire

(a) Fee title or a leasehold interest in the Project Site has been acquired by the Issuer in accordance with the instructions of the Borrower and is described in ***Exhibit A*** to this Lease Agreement. The Improvements have been or are to be constructed and installed on the Project Site. The personal property and fixtures have been or to be acquired and installed as part of the Project are described in ***Exhibit***

B to this Lease Agreement. The Improvements and the Equipment shall be constructed and installed on the Project Site.

(b) The Borrower shall be solely responsible for the planning and design of the Project, the preparation of contracts and purchase orders for the Project and the supervision of the work on the Project. The acquisition, construction, rehabilitation, installation and equipping of the Project shall be in material compliance with all applicable zoning, planning and building restrictions, and the Borrower shall obtain all necessary governmental permits, licenses, certificates, authorizations and approvals necessary to be obtained for the acquisition, construction, installation and operation of the Project.

(c) The Issuer shall enter into, assume or accept the assignment of such contracts and purchase orders for the Project as the Borrower shall request in writing, subject to the requirements of ***Section 10.01***.

(d) The Issuer will cooperate with the Borrower in good faith in the acquisition, construction, rehabilitation, installation and equipping of the Project in order that the Project may be completed and placed in service as soon as practicable.

(e) The Borrower may cause changes or amendments to be made in the plans and specifications for the Project, provided such changes or amendments will not change the nature of the Project to the extent that it would not qualify for financing under the Enabling Law. The Issuer will make only such changes or amendments in the plans and specifications for the Project as may be requested in writing by the Borrower.

(f) The Borrower shall cause withdrawals to be made from the Acquisition Fund under the Indenture for the payment of Acquisition Costs (as defined in the Indenture).

SECTION 3.02 No Warranty; Borrower to Complete Project

(a) The Borrower recognizes that since the plans, specifications and directions for acquiring, constructing, rehabilitating, installing and equipping the Project have been, or will be, furnished by it, the Issuer makes no warranty, either express or implied, with respect to the Project and does not offer any assurances that the Project will be suitable for the Borrower's purposes or needs or that the proceeds derived from the sale of the Bonds will be sufficient to pay in full all costs of the Project.

(b) If the proceeds derived from the sale of the Bonds are insufficient to pay in full all costs of the Project, the Borrower shall complete the acquisition, construction, rehabilitation, installation and equipping of the Project at its own expense.

SECTION 3.03 Remedies Against Contractors, etc.

If any vendor, contractor or subcontractor shall default under any contract or purchase order in connection with the acquisition, construction, rehabilitation, installation or equipping of the Project, the Issuer shall follow the written instructions of, and shall cooperate in good faith with, the Borrower in the pursuit of any remedies that may be available under the circumstances. Upon the written request of the Borrower, the Issuer shall assign to the Borrower all rights of the Issuer under any such contract or purchase order and the Borrower may, in its own name or in the name of the Issuer, pursue any such remedies.

SECTION 3.04 Limited Obligation of Issuer

Notwithstanding the provisions of this Article 3 or any other terms or provisions of this Lease Agreement or any other document or agreement executed in connection herewith, the Issuer shall be under no obligation to give to the Borrower, or spend on the Borrower's behalf in lieu thereof, and the Borrower acknowledges and agrees that it has no right to receive from the Issuer or cause the Issuer to spend on behalf of the Borrower in lieu thereof, any money or other funds of the Issuer other than the proceeds of the Bonds and any other amounts on deposit in the Construction Fund, either directly or indirectly, on the Project, or the construction of any infrastructure, landscaping or improvements of any kind whatsoever related to or benefiting the Project.

ARTICLE 4

Lease Term and Rental Payments

SECTION 4.01 Lease Term

The term of this Lease Agreement shall begin on the date of the delivery hereof and, unless renewed and extended in accordance with the terms of this Lease Agreement and the Indenture, shall continue until midnight of August 1, 20__.

SECTION 4.02 Basic Rental Payments

(a) Prior to the 10:00 a.m. on each Bond Payment Date in the city where the Trustee maintains its place of business for the performance of its obligations under this Indenture, the Borrower shall make rental payments ("Basic Rental Payments") to the Trustee, for the account of the Issuer in an amount equal to the Debt Service on the Bonds due on such Bond Payment Date.

(b) The Borrower shall receive a credit against the Basic Rental Payments required by subsection (a) of this Section as follows:

(1) Investment income and profits remaining in the Debt Service Fund shall be credited against Basic Rental Payments as directed by the Borrower.

(2) Any other money held by the Trustee and available under the terms of the Indenture and this Lease Agreement for the payment of Debt Service on the Bonds shall be credited against Basic Rental Payments as directed by the Borrower. Such directions must be consistent with any mandatory provision of the Indenture and this Lease Agreement with respect to the required use of such money.

(c) All Basic Rental Payments shall be made in funds immediately available at the Office of the Trustee on the due date of such Payments.

(d) The Borrower acknowledges that Basic Rental Payments required by this Section have been calculated to provide amounts which will be sufficient to pay Debt Service on the Bonds as the same matures and comes due. If on any Bond Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay Debt Service on the Bonds due and payable on such Date, the Borrower shall immediately deposit the amount of such deficiency in the Debt Service Fund.

SECTION 4.03 Additional Rental Payments

The Borrower shall make additional payments ("Additional Rental Payments") as follows:

(a) Except as otherwise provided with respect to Soft Tender Bonds, prior to the close of the Trustee's business on each Tender Date, the Borrower shall pay to the Trustee an amount equal to the purchase price of Bonds to be tendered for purchase on such Tender Date. Such payments shall be made in funds immediately available at the Office of the Trustee on the related Tender Date.

(b) Within 10 days after receipt by the Borrower of an invoice therefor, the Borrower shall pay to the Trustee (i) the acceptance fee of the Trustee, (ii) the normal fees, charges and expenses of the Trustee, and (iii) any amount to which the Trustee may be entitled for compensation or reimbursement under an Indenture.

(c) Within 10 days after receipt by the Borrower of an invoice therefor, the Borrower shall pay to Issuer the reasonable expenses of the Issuer incurred (i) at the request of the Borrower, (ii) in the performance of the Issuer's duties under any of the Bond Documents, (iii) in connection with any litigation which may at any time be instituted involving the Project or the Bond Documents, or (iv) in the pursuit of any remedies under the Bond Documents.

(d) The Borrower shall pay to the Remarketing Agent and the Calculation Agent the fees and expenses due to each of them in accordance with the respective agreements appointing them to serve in such capacities.

SECTION 4.04 Overdue Payments

Any overdue amount of a Basic Rental Payment relating to the principal of Outstanding Bonds shall bear interest from the related Bond Payment Date until paid at the Post-Default Rate for overdue principal payments. Any overdue Additional Rental Payment shall bear interest from the date due until paid at the Post-Default Rate for such Additional Rental Payments specified in the Indenture.

SECTION 4.05 Unconditional Obligation of the Borrower

The Borrower's obligation to make the payments required by this Lease Agreement and to perform and observe the other agreements and covenants on its part herein contained shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer or the Trustee.

ARTICLE 5

Concerning the Bonds,
the Indenture and the Trustee

SECTION 5.01 Assignment of Lease Agreement and Rental Payments by Issuer

(a) Pursuant to the Indenture, the Issuer shall assign and pledge to the Trustee all right, title and interest of the Issuer in and to this Lease Agreement (except for certain rights personal to the Issuer). The Borrower hereby consents to such assignment and pledge.

(b) Until all Indenture Indebtedness under the Indenture has been fully paid, the Trustee may exercise all rights and remedies herein accorded to the Issuer, and any references herein to the Issuer shall be deemed, with the necessary changes in detail, to include the Trustee; *provided, however*, that the Issuer shall retain the rights to indemnification and reimbursement of expenses granted to it by this Lease Agreement.

SECTION 5.02 Redemption of Bonds

(a) The Issuer will cause the Trustee to redeem any or all of the Bonds in accordance with the mandatory redemption provisions of the Bonds without any direction from or consent by the Borrower.

(b) The Issuer will exercise any right of optional redemption with respect to the Bonds only upon the written request of the Borrower.

SECTION 5.03 Amendment of Indenture

The Issuer will not cause or permit the amendment of the Indenture or the execution of any amendment or supplement to the Indenture without the prior written consent of the Borrower.

SECTION 5.04 The Indenture Funds

(a) If no Lease Default exists (as defined in Section 8.01), the Issuer shall cause any money held as part of an Indenture Fund to be invested or reinvested by the Trustee in accordance with the terms of the Indenture and the instructions of the Borrower.

(b) The Borrower shall be solely responsible for (i) determining that any such investment of Indenture Funds under the Indenture complies with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code, and (ii) calculating the amount of, and making payment of, any rebate due to the United States under Section 148(f) of the Internal Revenue Code.

SECTION 5.05 Effect of Full Payment of Indenture Indebtedness

(a) After the Indenture Indebtedness is fully paid, all references in this Lease Agreement to the Bonds, the Indenture and the Trustee shall be ineffective and neither the Trustee nor the Holders of the Bonds shall thereafter have any rights hereunder, except those rights that shall have theretofore vested.

(b) After all Indenture Indebtedness is fully paid, any money or investments remaining in any Indenture Funds shall be delivered to the Borrower.

(c) If all Indenture Indebtedness is fully paid prior to the expiration of the term of this Lease Agreement, the Borrower shall be entitled to the use and occupancy of the Project until the expiration of the term of this Lease Agreement without the payment of any further Basic Rental Payments, but otherwise subject to all the terms and conditions hereof, except that the Borrower shall no longer be required to perform and observe the agreements and covenants of this Lease Agreement that are for the sole benefit of the Trustee or the Holders of the Bonds.

ARTICLE 6

The Project

SECTION 6.01 Possession and Use of Project

(a) So long as no Lease Default exists, the Borrower shall be permitted to possess, use, manage, operate and enjoy the Project without hindrance on the part of the Issuer, subject, however, to all the terms and conditions of this Lease Agreement.

(b) The Issuer shall be permitted such possession of the Project as shall be necessary and convenient for it to construct and install the Improvements and the Equipment and any additions, improvements, modifications, repairs or renovations to the Project that are required to be made by it pursuant to the terms of this Lease Agreement.

SECTION 6.02 Maintenance and Other Operating Expenses

The Borrower will, at its own expense, (i) cause the Project to be maintained and kept in good condition, repair and working order, (ii) cause to be made all necessary repairs, renewals, replacements, betterments and improvements to the Project as may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and (iii) pay all gas, electric, water, sewer and other charges for the operation, use and upkeep of the Project.

SECTION 6.03 Taxes, Assessments, Etc.

The Borrower will pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Project or any part thereof or upon any income therefrom, and also all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Trustee or of the Holders in the Trust Estate, so that the lien of the Indenture shall at all times be wholly preserved at the cost of the Borrower and without expense to the Issuer, the Trustee or the Holders; provided, however, that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the Borrower shall have established and shall maintain adequate reserves on its books for the payment of the same.

SECTION 6.04 Improvements, Alterations, Etc.

The Borrower may, at its own expense, make changes, additions, improvements or alterations to the buildings, structures and other improvements constituting a part of the Project, provided that the Borrower determines, in its judgment, that such changes, additions, improvements or alterations are necessary or desirable in connection with the business of the Borrower carried on at the Project. At the written request of the Borrower, the Issuer will enter into a contract for such changes, additions, improvements, or alterations, subject, however, to the requirements of ***Section 10.01***.

SECTION 6.05 Utility Easements

The Issuer will, upon request of the Borrower, grant such utility and other similar easements over, across or under the Project Site as shall be necessary or convenient for the furnishing of utility and other similar services to the Project or to real property adjacent to the Project Site that is owned or leased by the Borrower; provided, that such easements shall not, in the opinion of the Borrower, materially impair the use of the Project for the purposes for which it is leased by the Borrower.

SECTION 6.06 Transfer or Encumbrance Created by Issuer

Without the prior written consent of the Borrower, the Issuer (i) will not sell, transfer or convey the Project or any part thereof, except as provided in this Lease Agreement, and (ii) will not create or incur or suffer or permit to be created or incurred or to exist any mortgage, lien, charge or encumbrance on the Project or any part thereof. The Issuer will transfer and release any portion of the Project (excluding the buildings financed with the proceeds of the Bonds), as requested by the Borrower, subject however, to ***Section 9.03*** hereof.

SECTION 6.07 Assignment, etc. of Leasehold Interest

The Borrower may assign its rights under this Lease Agreement or mortgage its leasehold interest in the Project, or sublease the Project or any part thereof, subject to the following limitations:

(1) no such assignment, mortgage or sublease shall permit or result in the use of the Project for any purpose that would not be permitted for facilities financed under the Enabling Law; and

(2) within 30 days after the delivery of any such assignment, mortgage or sublease, the Borrower shall deliver a copy thereof to the Issuer and to the Trustee.

SECTION 6.08 Disposition and Substitution of Improvements and Equipment

(a) The Borrower shall have the right, from time to time if no Lease Default exists, in the name and on behalf of the Issuer, without any release from or consent by the Issuer, to sell or otherwise dispose of any item of the Improvements and Equipment which may have become obsolete or unfit for use or no longer useful, necessary or profitable in the conduct of the business carried on by the Borrower at the Project, upon substituting for the same for other capital improvements, personal property or fixtures not necessarily of the same character but of at least equal value as, and costing not less than the amount realized from, the Improvement or item of Equipment disposed of, which shall forthwith become, without further action, property of the Issuer and a part of the Improvements or Equipment subject to this Lease Agreement; and no purchaser of any such Improvements or Equipment shall be bound to inquire into any question affecting the right of the Borrower to sell or otherwise dispose of the same as provided in this Section. Notwithstanding the foregoing, the Borrower shall be permitted to dispose of any Improvement or item of the Equipment which has become obsolete or unfit for use or no longer useful, necessary or profitable in the conduct of the business carried on by the Borrower at the Project.

(b) The Issuer will cooperate with the Borrower in good faith in the exercise of the rights and privileges granted by this Section and shall, from time to time, execute a written instrument to confirm any action taken by the Borrower under this Section, upon receipt by the Issuer of (i) a certificate or certificates signed by an Authorized Representative of the Borrower requesting the same and expressing any required opinions and stating that such action was duly taken in conformity with this Section and (ii) upon the Issuer's reasonable request therefor, an Opinion of Counsel that such action was duly taken by the Borrower in conformity with such provisions and that execution of such written instrument is appropriate to confirm such action under this Section.

(c) Except as permitted by this Section, neither the Issuer nor the Borrower shall sell or otherwise dispose of the Improvements or Equipment or any portion thereof.

SECTION 6.09 Borrower's Personal Property and Fixtures

(a) The Borrower may, at its own expense, install at the Project any personal property or fixtures which, in the Borrower's judgment, are necessary or desirable for the conduct of the business carried on by the Borrower at the Project. Any such personal property or fixtures which are installed at the Borrower's expense and which do not constitute a part of the Equipment under the terms of this Lease Agreement, shall be and remain the property of the Borrower and may be removed by the Borrower at any time while no Lease Default exists; provided, that any damage to the Project occasioned by such removal shall be by the Borrower at its own expense.

(b) If any personal property or fixtures described in subsection (a) of this Section are leased by the Borrower or the Borrower shall have granted a security interest in such property in connection with the acquisition thereof by the Borrower, then the lessor of such property or the party holding a security interest therein, as the case may be, may remove such property from the Project Site even though a Lease Default shall then exist or this Lease Agreement shall have been terminated following a Lease Default hereunder; provided, that the foregoing permission to remove shall be subject to the agreement by such lessor or secured party to at its own expense any damage to the Project occasioned by such removal.

SECTION 6.10 Insurance

(a) The Borrower will at all times (whether or not all Indenture Indebtedness is fully paid) maintain insurance against liability for bodily injury to or death of persons and for damage to or loss of property occurring on or about the Project Site or in any way related to the condition or operation of the Project, of such types and in such amounts or in excess of such amounts as are customarily carried by and insures against such risks as are customarily insured against by business of like size and character to the School and in all cases must be at least in the minimum amounts of $1,000,000 for death of or bodily injury to any one person, $1,000,000 for all death and bodily injury claims resulting from any one accident, $1,000,000 for property damage, and $2,200,000 for business interruption claims. Such insurance shall insure the Issuer, as well as the Borrower, against such liability.

(b) All insurance required by subsection (a) of this Section shall be effected with responsible insurance carriers. Prior to the expiration of such insurance, the Borrower shall furnish to the Issuer and the Trustee evidence that such insurance has been renewed or replaced.

SECTION 6.11 Damage and Destruction

Unless the Borrower elects to redeem the Bonds pursuant to Section 7.1(g) of the Indenture, if all or any portion of the Project is damaged or destroyed by fire or other casualty, then with respect to the repair, rebuilding, restoration or replacement of the property damaged or destroyed (herein referred to as the "Restoration Work"), loss proceeds from any insurance payable with respect to such casualty shall be paid to the Borrower. At the request of the Borrower, the Issuer shall enter into contracts and purchase orders necessary for the Restoration Work, subject to the requirements of ***Section 10.01***.

SECTION 6.12 Condemnation

Unless the Borrower elects to redeem the Bonds pursuant to Section 7.1(g) of the Indenture:

(a) If title to, or the use of, the Project or any part thereof shall be taken by the exercise of the power of eminent domain and such title to, or use of, the Project or any part thereof adversely affects the Borrower's ability to conduct its operations, the entire proceeds of any such award shall be paid to the Borrower and applied to the cost of acquiring, constructing and equipping additional facilities (herein referred to as "Additional Facilities") in accordance with the instructions of the Borrower, which Additional Facilities shall forthwith become, without further action, property of the Issuer and a part of the Project subject to this Lease Agreement.

(b) The Issuer shall cooperate in good faith with the Borrower in the conduct of any condemnation proceeding with respect to the Project and will, to the extent it may lawfully do so, permit the Borrower to appear in such proceeding in the name and on behalf of the Issuer. The Issuer will not settle, or consent to the settlement of, any condemnation proceeding without the prior written consent of the Borrower.

ARTICLE 7

Representations and Covenants

SECTION 7.01 General Representations

The Borrower makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(1) It is duly organized as a nonprofit corporation under the laws of the State of Alabama and is not in default under any of the provisions contained in its articles of incorporation or bylaws or in the laws of the state of its organization.

(2) It has the power to consummate the transactions contemplated by the Bond Documents (the "Transactions").

(3) By proper corporate action it has duly authorized the execution and delivery of the Bond Documents to which it is a party and to approve the other Bond Documents, and the consummation of the Transactions.

(4) It has obtained all consents, approvals, authorizations and orders of governmental authorities that are required to be obtained by it as a condition to the execution and delivery of the Bond Documents to which it is a party, to approve the other Bond Documents, and to consummate the Transactions.

(5) The execution and delivery by it of the Bond Documents to which it is a party and the consummation by it of the Transactions will not (i) conflict with, be in violation of, or constitute (upon notice or lapse of time or both) a default under its charter or bylaws, or any agreement, instrument, order or judgment to which it is a party or is subject, or (ii) result in or require the creation or imposition of any lien of any nature upon or with respect to any of its properties now owned or hereafter acquired, except as contemplated by the Bond Documents.

(6) The Bond Documents to which it is a party constitute legal, valid and binding obligations and are enforceable against it in accordance with the terms of such instruments, except as enforcement thereof may be limited by (i) bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights and (ii) general principles of equity, including the exercise of judicial discretion in appropriate cases.

(7) It has the corporate power and authority, and has obtained all necessary licenses, franchises, and permits, to own its properties and assets and to carry on its business as now being conducted and is duly qualified to do business in every jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary.

(8) It has obtained, or reasonably expects to obtain when and as required, all licenses, permits, franchises or other governmental authorizations necessary and material to the ownership of its property, to the conduct of its activities, and to the development and operation of the Project, and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for its operations in all cases where failure to obtain such licenses, permits, franchises or other governmental authorizations could reasonably be expected to materially and adversely affect the condition (financial or otherwise) of the Borrower or its ability to perform its obligations under the Bond Documents.

(9) It is an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”) and is exempt from federal income tax under Section 501(a) of such Code, except with respect to any unrelated business income of the Borrower, which income is not expected to result from the consummation of the Transactions. The Borrower is not a private foundation within the meaning of Section 509(a) of the Code.

(10) It is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as an organization described in Section 501(c)(3) of the Code.

(11) There is no action, suit, proceeding, inquiry, or investigation pending before any court or governmental authority, or threatened against or affecting its or its properties, that (a) involves the consummation of the Transactions or the validity or enforceability of any of the Bond Documents, or (b) could have a materially adverse impact upon (i) its financial condition or operations, taking into account reserves under self-insurance trusts, coverage under commercial insurance, or applicable indemnity agreements of third parties or (ii) the ability of it to perform its obligations under the Bond Documents.

(12) The audited statement of financial position of the Borrower at June 30, 2025, and the related statements of activities and cash flows for the year ended on such date, including the related footnotes (copies of which, audited by independent certified public accountants, have been furnished to the Issuer), fairly state the financial position of the Borrower at the last day of said fiscal year and the changes in net assets for the year ended on such date in accordance with generally accepted accounting principles, consistently applied, and since June 30, 2025, there has been no material adverse change in the assets, operations or financial condition of the Borrower.

(13) To the best knowledge of the Borrower, no written information, exhibit or report containing current or historical information which was furnished to the Issuer or Stifel, Nicolaus & Company, Incorporated, as the underwriter for the Bonds, by the Borrower, taken together, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and the information pertaining to the Borrower and the Project in the Official Statement, dated August [__], 2026 with respect to the Bonds (the “Official Statement”), does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(14) It has good and marketable title to, or a valid leasehold interest in, its property and its other primary operating assets. Its property and assets are free and clear of Liens of any nature, other than the Permitted Encumbrances or Permitted Liens.

(a) For purposes of this section, “Lien” means and includes a mortgage, deed of trust, pledge, encumbrance, security interest, assignment or other charge of any kind, including without limitation any conditional sale agreement or other title retention agreement.

(b) For purposes of this section and Section 7.09, “Permitted Lien” means a (a) Lien for taxes, assessments, or other governmental charges not yet due and payable or that are being contested in good faith by appropriate proceedings, provided that adequate reserves have been established in accordance with generally accepted accounting principles; (b) mechanics', materialmen's, carriers', workers', repairers', and other similar

Liens arising or incurred in the ordinary course of business that are not yet due and payable or that are being contested in good faith by appropriate proceedings; (c) easements, rights-of-way, restrictions, covenants, encroachments, protrusions, and other similar encumbrances of record affecting its property and assets that do not, individually or in the aggregate, materially interfere with the use or occupancy thereof for its intended purpose; (d) zoning ordinances, building codes, and other land use regulations imposed by any governmental authority having jurisdiction over its property and assets; (e) Liens arising under the terms of this Lease in favor of the Issuer or for the benefit of the holders of Bonds or Additional Bonds; and (f) any other Lien that does not, individually or in the aggregate, materially impair the value of the Borrower's property and assets, taken as a whole, or materially interfere with the Borrower's use or occupancy of its property and assets (taken as a whole) for its intended purpose.

SECTION 7.02 Eligibility of Project for Financing

The Borrower makes the following representations and warranties regarding the eligibility of the Project for financing under the Enabling Law:

(1) The financing or refinancing of the Project through the issuance of the Bonds and the leasing of the Project to the Borrower has and/or will have induced the Borrower to locate the Project in the State of Alabama and will promote the education of the residents of the State of Alabama.

(2) The Borrower intends to operate the Project as educational facilities.

(3) The Project is located wholly within the corporate limits of the City of Huntsville, Alabama.

SECTION 7.03 Compliance with Tax Certificate

The Borrower will comply with the covenants and agreements on its part contained in the Tax Certificate and Agreement executed in connection with the issuance of Bonds.

SECTION 7.04 Corporate Existence

(a) Except as otherwise provided in subsection (b) of this Section, the Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises.

(b) The Borrower may not consolidate with or merge into any other entity or transfer its property substantially as an entirety to any entity unless:

(1) the entity formed by such consolidation or into which the Borrower is merged or the person which acquires by conveyance or transfer the Borrower's property substantially as an entirety (the "Successor") shall execute and deliver to the Issuer and the Trustee an instrument in form acceptable to the Issuer and the Trustee containing an assumption by such Successor of the performance and observance of every covenant and condition of Bond Documents to be performed or observed by the Borrower;

(2) immediately after giving effect to such transaction, no Lease Default or Guaranty Default, or any event which upon notice or lapse of time or both would constitute such a Lease Default or Guaranty Default, shall have occurred and be continuing;

(3) the Issuer and the Trustee shall have received evidence reasonably acceptable to the Issuer and the Trustee that the rating on the Bonds, if any, at the time of such consolidation, merger, sale or transfer, will not be reduced or withdrawn solely as a result of such consolidation, merger, sale or transfer;

(4) the Borrower shall have delivered to the Trustee a certificate executed by an Authorized Representative of the Borrower and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance or transfer complies with this Section and that all conditions precedent herein provided relating to such transactions shall have been complied with; and

(5) the Borrower shall have delivered to the Trustee a Favorable Tax Opinion.

(c) Upon any consolidation or merger or any conveyance or transfer of the Borrower's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, the Borrower under this Lease Agreement with the same effect as if such Successor had been named as the Borrower herein.

SECTION 7.05 Further Assurances

(a) The Borrower will do, execute, acknowledge and deliver such further acts, conveyances, mortgages, financing statements and assurances as the Issuer or the Trustee shall require for accomplishing the purposes of the Bond Documents.

(b) The Borrower will cause this instrument, any amendments to this Lease Agreement and other instruments of further assurance, including financing statements and continuation statements, to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed in such places as may be required by law fully to preserve and protect the rights of the Issuer and the Trustee to all property comprising the Project.

SECTION 7.06 Inspection of Records

The Borrower will at any and all reasonable times, upon the written request of the Issuer or the Trustee, permit the Issuer or the Trustee by their representatives to inspect the Project and any books, records, reports and other papers of the Borrower relating to the Project, and to make copies therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the Borrower will furnish to the Issuer and the Trustee any and all information as the Issuer or the Trustee may reasonably request with respect to the performance by the Borrower of its covenants in this Lease Agreement.

SECTION 7.07 Advances by Issuer or Trustee

If the Borrower shall fail to perform any of its covenants in this Lease Agreement, the Issuer or the Trustee may, at any time and from time to time, after written notice to the Borrower if no Lease Default exists, make advances to effect performance of any such covenant on behalf of the Borrower. Any money so advanced by the Issuer or the Trustee, together with interest at the Post-Default Rate, shall be repaid upon demand.

SECTION 7.08 Indemnity of Issuer

(a) To the extent permitted by law, the Borrower agrees to indemnify the Issuer for, and hold the Issuer harmless against, any loss, liability or expense (including reasonable attorneys' fees) incurred without bad faith or willful misconduct on its part, arising out of or in connection with the issuance of the Bonds, the acceptance of its duties and responsibilities under the Bond Documents, or its performance or observance of any agreement or covenant on its part to be observed or performed under the Bond Documents, including without limitation (i) the acquisition, construction or installation of, or other work on, the Project, (ii) any injury to, or the death of, any person or any damage to property at the Project, or in any manner growing out of, or connected with, the use, nonuse, condition or occupation of the Project or any part thereof, (iii) any damage, loss or destruction of the Project, (iv) violation or breach by the Borrower of any contract, agreement or restriction affecting the Project or the use thereof or of any law, ordinance or regulation affecting the Project or any part thereof or the ownership, occupancy or use thereof, (v) the offer and sale of the Bonds or a subsequent sale or distribution of any of the Bonds, or (vi) any audit of the Bonds by the Internal Revenue Service or any claim or finding that the interest on the Bonds is subject to federal income taxation. The covenant of indemnity by the Borrower contained in this Section shall survive the termination of this Lease Agreement.

(b) To the extent permitted by law, the Borrower shall defend, indemnify and save harmless the Issuer (including all officers, agents, representatives and members of the board of directors thereof) from and against any and all claims, causes of action, judgments, damages, fines, penalties and other losses, costs and expense, including reasonable attorneys' fees and costs of investigation and litigation, asserted against or suffered by the Issuer (or any officer, agent, representative or member of the board of directors thereof) that are related to or arise out of or result from the presence of any Hazardous Substances now or hereafter on or under or included in the Project Site, and any clean up or removal of, or other remedial action with respect to, any Hazardous Substances now or hereafter located on or under or included in the Project Site, or any part thereof, that may be required by any Environmental Law or Governmental Authority. The provisions of this ***Section 7.08(b)*** shall survive the payment of the Bonds in full, the termination of this Lease Agreement and the termination, satisfaction, release (in whole or in part) and the foreclosure of the Indenture with respect to claims and losses asserted against or suffered by the Issuer (or any officer, agent, representative or member of the board of directors thereof).

For purposes of this ***Section 7.08(b)***, the following terms shall have the following meanings:

"Environmental Law" shall mean and include all laws, rules, regulations, ordinances, judgments, decrees, codes, orders, injunctions, notices and demand letters of any Governmental Authority applicable to the Borrower, the Issuer or the Project Site (including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601, et seq.) relating to pollution or protection of human health or the environment, including any relating to Hazardous Substances.

"Governmental Authority" shall mean any federal, state, county, municipal or other government, domestic or foreign, and any agency, authority, department, commission, bureau, board, court or other instrumentality thereof.

"Hazardous Substances" shall mean and include all pollutants, contaminants, toxic or hazardous wastes and other substances (including asbestos, urea formaldehyde, foam insulation and materials containing either petroleum or any of the substances referenced in Section 101(14) of CERCLA), the removal of which is required or the manufacture, use, maintenance and handling of which is regulated, restricted, prohibited or penalized by an Environmental Law, or, even though not so regulated, restricted, prohibited or penalized, might pose a hazard to the health and safety of the public or the occupants of the property on which it is located or the occupants of the property adjacent thereto.

(c) To the extent permitted by law, the Borrower hereby agrees to indemnify and save harmless the Trustee from all losses, liabilities, costs and expenses, including reasonable attorney fees and expenses, which may be incurred by it as a result of its acceptance of or arising from the performance of its duties under the Bond Documents, unless such losses, liabilities, costs and expenses shall have been finally adjudicated to have resulted from the negligence or willful misconduct of the Trustee. Such indemnification shall survive the resignation or removal of the Trustee or the defeasance of the Bonds and the discharge of the Indenture and shall inure to the benefit of the Trustee's successors and assigns.

SECTION 7.09 Agreement Not to Encumber Property or Dispose of Material Property

The Borrower and Issuer hereby covenant and agree that neither shall: (a) create, incur, assume or suffer to exist any lien, mortgage, pledge, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, right of way or other encumbrance (including the retained security title of a conditional vendor, but excluding the Permitted Encumbrances and Permitted Liens under this Lease Agreement) on title to real property of any nature in, upon or with respect to the Drake Campus (as described in ***Exhibit A***), the Garth Campus (as described in ***Exhibit A***), or the Project Site or the Improvements on any of the foregoing, or (b) grant, bargain, sell, convey, assign, transfer or otherwise dispose of, any of Borrower's or Issuer's rights, titles and interests in and to the Garth Campus (as described in ***Exhibit A***), or any Improvements thereon, or the Project Site, or any Improvements thereon, whether now owned or hereafter acquired, other than transfers of any of the foregoing upon which none of the primary operations of the Borrower is conducted and that does not constitute a material or integral part of the operations of the Borrower .

SECTION 7.10 Additional Covenants of the Borrower

(a) The Borrower covenants that, so long as any Bonds are Outstanding, it will comply with all material laws, statutes, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting its property, the Borrower or the operations thereof and it will not commit, suffer or permit any act to be done in violation of any law, ordinance or regulation, except, in each case, where such noncompliance or act would not have a material adverse effect upon the Borrower's assets, operations or financial condition.

(b) The Borrower covenants and agrees to maintain its status as an organization of the type described in Section 501(c)(3) of the Code, or corresponding provisions of future federal income tax laws.

(c) The Borrower covenants that, as soon as practicable and in any event within 10 days after it has knowledge thereof, it will furnish to the Issuer and the Trustee notice of any event which constitutes, or which with the giving of notice or the passage of time or both would constitute a Lease Default, which notice shall set forth the nature of such event and the action which the Borrower proposes to take with respect thereto.

(d) The Borrower covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the Borrower to comply with the Continuing Disclosure Agreement shall not be considered a Lease Default.

ARTICLE 8

Events of Default; Remedies

SECTION 8.01 Events of Default

Any one or more of the following shall constitute an event of default (a "Lease Default") under this Lease Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any Basic Rental Payment when such Basic Rental Payment becomes due and payable; or

(2) default in the payment of any Additional Rental Payment with respect to the purchase price of Tendered Bonds when such Additional Rental Payment becomes due and payable; or

(3) default in the performance, or breach, of any covenant or warranty of the Borrower in this Lease Agreement (other than a covenant or warranty, a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and the continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Borrower by the Issuer or by the Trustee a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" hereunder; or

(4) The appointment of a receiver, liquidator or trustee of the Borrower or any of its property or assets; or a general assignment by the Borrower for the benefit of its creditors; or the commencement of proceedings by the Borrower, or against the Borrower and not dismissed or unstayed for a period of 60 days, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or any jurisdiction, now or hereafter in effect; or

(5) an event of default occurs under any material indebtedness with an outstanding principal amount in excess of $1 million, with respect to which the Borrower is obligated, resulting in acceleration or the declaration of acceleration of any such material indebtedness; or

(6) the occurrence of an event of default, as therein defined, under the Indenture or the Guaranty Agreement, and the expiration of the applicable grace period, if any, specified therein.

SECTION 8.02 Remedies on Default

If a Lease Default occurs and is continuing, the Issuer (or the Trustee, as provided in ***Section 5.01***) may exercise any of the following remedies:

(1) declare all installments of Basic Rental Payments for the remainder of the term of this Lease Agreement to be immediately due and payable in an amount not to exceed the principal amount of all Outstanding Bonds, plus the redemption premium (if any) payable with respect thereto, plus the interest accrued thereon to the date of such declaration;

(2) reenter the Project, without terminating this Lease Agreement, and, upon 10-days' prior written notice to the Borrower, relet the Project or any part thereof for the account of the

Borrower, for such term (including a term extending beyond the term of this Lease Agreement) and at such rentals and upon such other terms and conditions, including the right to make alterations to the Project or any part thereof, as the Issuer reasonably may deem advisable, and such reentry and reletting of the Project shall not be construed as an election to terminate this Lease Agreement nor relieve the Borrower of its obligations to make payments required by this Lease Agreement and to perform and observe any of its other agreements and covenants under this Lease Agreement, all of which shall survive such reentry and re letting, and the Borrower shall continue to make all payments required by this Lease Agreement until the end of the term of this Lease Agreement, less the net proceeds, if any, of any reletting of the Project after deducting all of the Issuer's reasonable expenses in connection with such reletting, including, without limitation, all repossession costs, brokers' commissions, attorneys' fees, alteration costs and expenses of preparation for reletting;

(3) terminate this Lease Agreement, exclude the Borrower from possession of the Project and, if the Issuer elects so to do, lease the same for the account of the Issuer, holding the Borrower liable for all payments due under this Lease Agreement up to the date of such termination; and

(4) take whatever legal proceedings reasonably may appear necessary or desirable to collect the payments under this Lease Agreement then due, whether by declaration or otherwise, or to enforce any obligation or covenant or agreement of the Borrower under this Lease Agreement or by law.

SECTION 8.03 No Remedy Exclusive

No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall, to the extent permitted by law, be cumulative and shall be in addition to every other remedy given under this Lease 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 default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.04 Agreement to Pay Attorneys' Fees, Costs and Expenses

If the Borrower should default under any of the provisions of this Lease Agreement and the Issuer or the Trustee should employ attorneys or incur other costs or expenses for the collection of payments due under this Lease Agreement or the enforcement of performance or observance of any agreement or covenant on the part of the Borrower herein contained, the Borrower will on demand therefor pay to the Issuer or the Trustee (as the case may be) the reasonable fees, costs and expenses of such attorneys and such other costs and expenses reasonably incurred.

SECTION 8.05 No Additional Waiver Implied by One Waiver

In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 8.06 Remedies Subject to Applicable Law

All rights, remedies and powers provided by this Article may be exercised only to the extent the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Lease Agreement invalid or unenforceable.

ARTICLE 9

Options

SECTION 9.01 Option to Terminate

If no Lease Default exists, the Borrower shall have the option to cancel or terminate this Lease Agreement at any time after the Indenture Indebtedness has been fully paid, by giving the Issuer notice in writing of such termination. Such termination shall become effective 10 days after such notice is given.

SECTION 9.02 Option to Renew

The Borrower shall not have the right or option to renew the term of this Lease Agreement for an additional term without the consent of the Issuer.

SECTION 9.03 Option to Purchase Project

If no Lease Default exists, the Borrower shall have the option to purchase the Project for a purchase price of $10.00 after the Indenture Indebtedness has been fully paid. Such option may be exercised by the Borrower prior to the termination of this Lease Agreement upon written notice to the Issuer. Such option shall be deemed automatically exercised on the date of termination of this Lease Agreement unless the Borrower notifies the Issuer in writing that it does not intend to exercise such option. The closing for such purchase shall take place on (i) a Business Day designated by the Borrower that is not less than 7 days from the date of such notice, or the date of termination of this Lease Agreement, as the case may be, or (ii) such other date as shall be mutually acceptable to the Issuer and the Borrower.

SECTION 9.04 Conveyance on Exercise of Option to Purchase

Upon the exercise of any option to purchase granted herein, the Issuer will upon receipt of the purchase price deliver to the Borrower documents conveying to the Borrower the property with respect to which such option was exercised, as such property then exists, subject to the following: (i) all rights, if any, required to be reserved by the Issuer under the terms and provisions of the option being exercised by the Borrower; (ii) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Issuer; (iii) those liens and encumbrances created by the Borrower or to the creation or suffering of which the Borrower consented; and (iv) those liens and encumbrances resulting from the failure of the Borrower to perform or observe any of the agreements or covenants on its part contained in this Lease Agreement.

ARTICLE 10

Miscellaneous

SECTION 10.01 Issuer's Liabilities Limited

(a) The covenants and agreements contained in this Lease Agreement shall never constitute or give rise to a personal or pecuniary liability or charge against the general credit of the Issuer, and in the event of a breach of any such covenant or agreement, no personal or pecuniary liability or charge payable directly or indirectly from the general assets or revenues of the Issuer shall arise therefrom. Nothing contained in this Section, however, shall relieve the Issuer from the observance and performance of the covenants and agreements on its part contained herein.

(b) No recourse under or upon any covenant or agreement of this Lease Agreement shall be had against any past, present or future incorporator, officer or member of the governing body of the Issuer, or of any successor corporation, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Lease Agreement is solely a corporate obligation, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer or member of the governing body of the Issuer or any successor corporation, or any of them, under or by reason of the covenants or agreements contained in this Lease Agreement.

(c) The liability of the Issuer for the payment of any money due under any contract or purchase order entered into by it, or for any other costs incurred in connection with the acquisition, construction, installation or improvement of, or other work on, the Project shall be limited solely to (i) the available proceeds of the Issuer's revenue bonds, if and when issued for the Project, (ii) any money made available to the Issuer for such purpose by the Borrower, and (iii) any revenues or other receipts derived by the Issuer from the Project, subject to prior encumbrances.

SECTION 10.02 Corporate Existence of Issuer

The Issuer shall not consolidate with or merge into any other corporation or transfer its property substantially as an entirety, except as may be permitted by the Indenture.

SECTION 10.03 Notices

(a) Any request, demand, authorization, direction, notice, consent, or other document provided or permitted by this Lease Agreement to be made upon, given or furnished to, or filed with, the Issuer, the Borrower or the Trustee must (except as otherwise expressly provided in this Lease Agreement) be in writing and be delivered as permitted by the Indenture. Any of such parties may change the address for receiving any such notice or other document by giving notice of the change to the other parties named in this Section.

(b) Any such notice or other document shall be deemed delivered when actually received by the party to whom directed (or, if such party is not an individual, to an officer, partner or other legal representative of the party) at the address or number specified pursuant to this Section.

SECTION 10.04 Successors and Assigns

All covenants and agreements in this Lease Agreement by the Issuer or the Borrower shall bind their respective successors and assigns, whether so expressed or not.

SECTION 10.05 Benefits of Lease Agreement

Nothing in this Lease Agreement, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, the Trustee and the Holders of the Bonds, any benefit or any legal or equitable right, remedy or claim under this Lease Agreement.

SECTION 10.06 Additional Bonds

(a) At the request of the Borrower, the Issuer may at any time and from time to time, if no Indenture Default exists, enter into one or more additional indentures with the Trustee (each, an "Additional Indenture") and issue additional Bonds (such Bonds being referred to herein as "Additional Bonds") payable pursuant to this Lease Agreement, within the limitations of and upon compliance with the provisions of this Section for any lawful purpose.

(b) Prior to the issuance of any Additional Bonds, the Issuer and Borrower shall deliver to the Trustee the Additional Indenture and Additional Bonds proposed to be issued, duly executed and accompanied by the following:

(1) **Proceedings**. A certified copy of the proceedings taken by the Issuer authorizing such Additional Bonds and the Additional Indenture providing therefor, which shall include the following: (A) a representation that no Indenture Default exists under the Indenture or any previous Additional Indenture, (B) the purpose or purposes for which such Additional Bonds are being issued, and (C) the person or persons to whom such Additional Bonds are to be sold and the purchase price to be paid therefor.

(2) **Supplement to Lease Agreement**. A supplement to this Lease Agreement, duly executed on behalf of the Issuer and Borrower and containing (to the extent applicable) (A) a description of the facilities to be financed by the issuance of such Additional Bonds, which shall be made part of the Project, (B) an agreement by the Borrower to make Basic Rental Payments or Additional Rental Payments at times and in amounts sufficient to pay Debt Service on the Additional Bonds and (C) any other matters deemed appropriate by the Issuer and the Borrower and not inconsistent with the terms of the Lease Agreement, the Indenture or any previous Additional Indenture.

(3) **Guaranty Agreement**. A guaranty agreement by the Borrower with respect to the Additional Bonds.

(4) **Compliance with Bond Documents**. A certificate or other evidence, of the Issuer's and Borrower's compliance with the terms of the Indenture, any Additional Indenture and each related Bond Document then in effect.

(5) **Opinion of Counsel**. An Opinion of Counsel (which may be bond counsel or counsel for the Issuer) stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that (A) such Additional Bonds are valid and binding obligations of the Issuer in accordance with their terms and are entitled to the benefit and security of the Additional Indenture equally and proportionately with all other Bonds payable from Basic Rental Payments hereunder and (B) the Additional Indenture and this Lease Agreement (as so supplemented) constitute valid and binding obligations of the Issuer in accordance with their terms.

(6) **Opinion of Counsel for Borrower**. An Opinion of Counsel for the Borrower stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that this Lease Agreement (as so supplemented) and the Guaranty constitute valid and binding obligations of the Borrower in accordance with their terms.

(7) **Favorable Tax Opinion**. A Favorable Tax Opinion.

(c) Upon receipt of the documents required by the provisions of this Section to be furnished to it, the Trustee shall thereupon execute and deliver the Additional Indenture so presented and shall authenticate such Additional Bonds and deliver the same upon written order executed by an Authorized Representative of the Issuer.

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this instrument to be duly executed and their respective corporate seals to be hereunto affixed and attested.

THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL

By: ______________________________
Chairman of the Board of Directors

[SEAL]

Attest: ______________________________
Secretary

RANDOLPH SCHOOL

By: ______________________________
Head of School

[SEAL]

Attest: ______________________________
Chief Financial Officer

This instrument was prepared by:

John H. Burton, Jr.
Maynard Nexsen PC
1901 Sixth Avenue North, Suite 1700
Birmingham, Alabama 35203

STATE OF ALABAMA)
MADISON COUNTY)

I __________________, a Notary Public in and for said County in said State, hereby certify that James Chandler, whose name as Chairman of the Board of Directors of **THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE - RANDOLPH SCHOOL**, a public corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the ___ day of ____________, 2026.

____
Notary Public

[NOTARIAL SEAL]

My Commission Expires: _________________________

STATE OF ALABAMA)
MADISON COUNTY)

I, _________________________, a Notary Public in and for said County in said State, hereby certify that Adam Dubé, whose name as Head of School of **RANDOLPH SCHOOL**, a nonprofit corporation under the laws of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the ___ day of ____________, 2026.

____
Notary Public

[NOTARIAL SEAL]

My Commission Expires: _________________________

EXHIBIT A

Description of Project Site

The following described real estate situated in Madison County, Alabama:

Drake Campus

All that part of the northeast quarter of Section 7, Township 4 South, Range 1 East, in the City of Huntsville, Madison County, Alabama, particularly described as beginning at a point on the north margin of Drake Avenue, which point is further described as being located north 0 degrees 14 minutes west 44.78 feet and north 88 degrees 59 minutes west 615.5 feet from the center of the east boundary of Section 7, Township 4 South, Range 1 East; thence from the place of beginning north 88 degrees 59 minutes west along the north boundary of said Drake Avenue 480.0 feet; thence north 1 degree 01 minute cast 769.5 feet to a point on the north margin of a Tennessee Valley Authority Line easement (75 feet from center line of same as measured at right angles); thence north 89 degrees 02 minutes east along the north margin of said Tennessee Valley Authority Line easement 980.6 feet; thence south 1 degree 01 minute west 653.5 feet; thence north 88 degrees 59 minutes west 500.0 feet; thence south l degree 01 minute west 150.0 feet to the place of beginning and containing 15.97 acres more or less and being subject to a transmission line easement previously conveyed to the Tennessee Valley Authority. The above described tract is also subject to a 25-foot wide drainage and utility easement along the north and east boundaries.

Garth Campus

Lot 1 of Randolph School, Phase 3 as recorded in Plat Book 2024, Page 152, in the Office of the, Judge of Probate, Madison County, Alabama.

EXHIBIT B

Personal Property and Fixtures

EXHIBIT C

Permitted Encumbrances

1. Permitted encumbrances pertaining to the Drake Campus:

    a. Utility and drainage easement in favor of the City of Huntsville, dated January 5, 1993 and recorded September 16, 1993, in Deed Book 820, Page 223.
    b. Utility Easement and Right-of-Way Deed from Randolph School to the City of Huntsville, dated August 30, 1996, and recorded September 6, 1996, in Deed Book 881, Page 886, et seq.
    c. Utility easement from Randolph School to the City of Huntsville, dated May 23, 1996, and recorded August 13, 1997, in Deed Book 902, Page 903.
    d. TVA easement and 25 foot wide utility and drainage easement set out in the Project Site legal description.

2. Permitted encumbrances pertaining to the Garth Campus:

    a. Easement for to maintain electric transmission lines and all telegraph and telephone lines, granted to Alabama Power Company, recorded in Book 136, Page 153, in the Office of the Judge of Probate, Madison County, Alabama. This and other easements were conveyed by Alabama Power Company to the United States of America by deed dated September 18, 1940, and recorded in Deed Book 156, Page 1, et seq.
    b. Easement for right of way, recorded in Book 572, Page 1057, in the Office of the Judge of Probate, Madison County, Alabama.
    c. Easement Deed to the City of Huntsville, a municipal corporation, of record in Book 775, Page 511 and Book 852, Page 1008, in the Office of the Judge of Probate, Madison County, Alabama.
    d. Subject to the terms and conditions of that certain Right of First Refusal Agreement by and between GWJ Huntsville, LLC, an Alabama limited liability company and Randolph School, an Alabama non-profit corporation dated May 31, 2024, and recorded June 4, 2024, in Book 2024, Page 20033, in the Office of the Judge of Probate of Madison County, Alabama.
    e. Any and all covenants, restrictions, reservations, limitations, conditions, uses, agreement and other provisions contained in that certain Declaration of Restrictive Covenants by and between GWJ Huntsville, LLC, an Alabama limited liability company and Randolph School, an Alabama non-profit corporation dated May 31, 2024, and recorded June 7, 2024, in Book 2024, Page 20040, in the Office of the Judge of Probate of Madison County, Alabama.
    f. Any and all matters as shown on that certain ALTA/NSPS Survey prepared by Garver, LLC, certified by Loyd W. Carpenter, PLS # 26012, dated May 16, 2024, last revised May 29, 2024, designated as Job No. 2400350.
    g. Each and every easement, right-of-way, minimum setback building line, regulation and/or restrictions noted on that Plat of Randolph School Plat Phase 3, A resub of Lots 1-3 of Randolph School Plat Phase 2 (PB 39, Pg. 60), Tract 1 of a Replat of Randolph School (PB 39, Pg. 59), and a portion of lands recorded in Document No. 20140225000097570, recorded in Plat Book 2024, Pages 152153, in the Office of the Judge of Probate of Madison County, Alabama.

APPENDIX C-3

FORM OF GUARANTY

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GUARANTY AGREEMENT

dated August 1, 2026

by

RANDOLPH SCHOOL

in favor of

PINNACLE BANK
as Trustee

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Page

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT dated August 1, 2026, is entered into by **RANDOLPH SCHOOL**, an Alabama nonprofit corporation (with its successors and assigns, the "Borrower"), for the benefit of **PINNACLE BANK**, a Tennessee banking corporation (with its successors and assigns, the "Trustee"), as trustee under the Indenture referred to below.

Recitals

The Educational Building Authority of the City of Huntsville - Randolph School, an Alabama public corporation (the "Issuer") is authorized by law to issue bonds, notes and other obligations for lawful and proper corporate purposes. Pursuant to a Trust Indenture dated August 1, 2026 (as amended, restated, supplemented, or otherwise modified from time to time, the "Indenture") between the Issuer and the Trustee, the Issuer is issuing its [$Amount] aggregate principal amount of Lease Revenue Bonds (Randolph School Project), Series 2026 (the "Bonds") for the benefit of the Borrower.

The Bonds are being issued for the purpose of (i) refunding certain bonds (the "Refunded Bonds") that provided financing for the benefit of the Borrower and (ii) financing the cost of certain capital improvements to the educational facilities of the Borrower.

Certain real property has been leased by the Issuer to the Borrower pursuant to a Lease Agreement dated August 1, 2026 (as amended, restated, supplemented, or otherwise modified from time to time, the "Lease Agreement") between the Issuer and the Borrower. Pursuant to the Lease Agreement the Borrower has agreed to make rental payments at times and in amounts sufficient to pay Debt Service on the Bonds and (except as otherwise provided with respect to Soft Tender Bonds) the Purchase Price of Tendered Bonds. Pursuant to the Indenture the Issuer will assign and pledge to the Trustee all the Issuer's rights under the Lease Agreement, except for certain rights relating to indemnification, reimbursement of expenses and receipt of notices and other communications.

The Bonds shall be limited obligations of the Issuer payable solely out of payments by the Borrower pursuant to the Lease Agreement and this Agreement. The Trustee will not have a mortgage or security interest in the Project.

Payment of Debt Service on the Bonds and, except as otherwise provided with respect to Soft Tender Bonds, the Purchase Price of Tendered Bonds will be guaranteed by the Borrower pursuant to this Agreement.

NOW, THEREFORE, for and in consideration of the premises, the consummation by the Issuer and the Trustee of the transactions contemplated by the Indenture and the purchase of the Bonds by all Holders thereof, the Borrower does hereby covenant, agree and bind itself as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.1 Definitions

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meaning assigned in the Indenture.

SECTION 1.2 General Rules of Construction

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) Defined terms in the singular shall include the plural as well as the singular, and vice versa.

(b) The definitions in the recitals to this instrument are for convenience only and shall not affect the construction of this instrument.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to "generally accepted accounting principles" refer to such principles as they exist at the date of application thereof.

(d) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(e) The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) The term "person" shall include any individual, corporation, partnership, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

SECTION 1.3 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.4 Date of Agreement

The date of this Agreement is intended as and for a date for the convenient identification of this Agreement and is not intended to indicate that this Agreement was executed and delivered on said date.

SECTION 1.5 Separability Clause

If any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.6 Governing Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Alabama, without regard to conflict of law principles.

SECTION 1.7 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

ARTICLE 2

Guaranty

SECTION 2.1 Guaranty of Payment

(a) The Borrower hereby absolutely and unconditionally guarantees to the Trustee, for its benefit and for the benefit of the Holders from time to time of the Bonds, the full and prompt payment of the following:

(i) the principal of the Bonds and the premium (if any) payable upon redemption thereof, as and when the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise;

(ii) the interest on the Bonds, as and when the same shall become due;

(iii) except as otherwise provided with respect to Soft Tender Bonds, the Purchase Price of the Bonds tendered in accordance with the terms and conditions of the Indenture; and

(iv) all sums of money due or to become due to the Trustee in accordance with the terms and provisions of the Indenture, as and when the same shall become due, and the performance of all obligations of the Issuer thereunder, as and when the same shall become due.

(b) All payments by the Borrower under this Agreement shall be made in lawful money of the United States of America. The guaranty of the Borrower herein contained shall be for the equal and proportionate protection and benefit of the Holders, present and future, of the Bonds equally and ratably, without preference, priority or distinction of any over others by reason of priority in issuance or acquisition or otherwise. Each and every default in payment of Debt Service on the Bonds shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

SECTION 2.2 Absolute and Unconditional Nature of Guaranty

The guaranty of the Borrower herein contained is an absolute, unconditional, irrevocable and continuing guaranty of payment, and not of collectability, and, except as otherwise provided by any mandatory provision of law that may not be waived by a guarantor, shall not be discharged, impaired, modified or otherwise affected upon the happening from time to time of any event, including without limitation any of the following, whether or not with notice to, or the consent of, the Borrower:

(a) the failure to give notice to the Borrower of the occurrence of any default or event of default under any of the Bond Documents;

(b) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of Issuer, the Borrower or the Trustee (herein referred to as the "Financing Participants") under any of the Bond Documents;

(c) any assignment, pledge or mortgage of all or any part of the interest of any of the Financing Participants in the Project or the Trust Estate;

(d) any waiver of the payment, performance or observance by any of the Financing Participants of any obligation, agreement or covenant of any of them contained in any of the Bond Documents;

(e) the extension of the time for payment of Debt Service on the Bonds or any part thereof or of the time for performance of any other obligations, agreements or covenants of any of the Financing Participants under any of the Bond Documents;

(f) the modification or amendment (whether material or otherwise) of any obligation, agreement or covenant contained in any of the Bond Documents;

(g) any failure, omission, or delay on the part of any of the Financing Participants to enforce, assert or exercise any right, power or remedy conferred upon any of them by any of the Bond Documents;

(h) the bankruptcy, insolvency, reorganization, appointment of a receiver for, or dissolution of any of the Financing Participants, or the entering by any or all of them into an agreement of composition with creditors, or the making by any or all of them of an assignment for the benefit of creditors;

(i) any rights of set-off, recoupment, counterclaim or other defense, whether similar or dissimilar to the foregoing, which the Borrower might otherwise have against any of the Financing Participants or any other person;

(j) the default or failure of any one or more of the Financing Participants to perform fully any obligation, covenant or agreement contained in any of the Bond Documents;

(k) the release or discharge of any one or more of the Financing Participants by operation of law, to the extent that such release or discharge may be lawfully avoided, from the performance or observance of any agreement or covenant contained in any of the Bond Documents; and

(l) the invalidity or unenforceability of any of the Bond Documents or of any provision of such instruments.

SECTION 2.3 Waivers

The Borrower hereby expressly waives notice in writing or otherwise from the Trustee or from the Holders at any time of the Bonds of their, or any of their, acceptance and reliance on this Agreement. The obligations of the Borrower hereunder shall attach absolutely and unconditionally when the Bonds shall have been sold and delivered to the original purchasers thereof. The Borrower further waives, as to the enforcement of this Agreement, (a) all rights of exemption that it may have under the constitution and laws of the State of Alabama or any other state as to any levy on and sale of property, (b) presentation and demand for payment (or protest of nonpayment) of Debt Service on the Bonds or any part thereof, and (c) until the Bonds have been fully paid, any rights of subrogation it may have against the Issuer or others by reason of the Borrower's performance under this Agreement.

SECTION 2.4 Termination of Agreement

This Agreement shall terminate when all Bonds have been fully paid.

ARTICLE 3

Representations and Covenants

SECTION 3.1 General Representations and Covenants

The Borrower hereby adopts and incorporates herein by reference its representations and warranties set forth in Article 7 of the Lease Agreement. The Borrower hereby adopts and incorporates herein by reference its covenants set forth in Article 6 and Article 7 of the Lease Agreement.

SECTION 3.2 Corporate Existence

(a) Except as provided in ***Section 3.2(b)***, the Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises.

(b) The Borrower may not consolidate with or merge into any other entity or transfer its property substantially as an entirety to any entity unless:

(i) the entity formed by such consolidation or into which the Borrower is merged or the person which acquires by conveyance or transfer the Borrower's property substantially as an entirety (the "Successor") shall execute and deliver to the Trustee an instrument in form acceptable to the Trustee containing an assumption by such Successor of the performance and observance of every covenant and condition of the Bond Documents to be performed or observed by the Borrower;

(ii) immediately after giving effect to such transaction, no Guaranty Default (as defined in ***Section 4.1***) or Lease Default, or any event which upon notice or lapse of time or both would constitute such a Guaranty Default or Lease Default, shall have occurred and be continuing;

(iii) the Issuer and the Trustee shall have received evidence reasonably acceptable to the Issuer and the Trustee that the rating on the Bonds, if any, at the time of such consolidation, merger, sale or transfer, will not be reduced or withdrawn solely as a result of such consolidation, merger, sale or transfer; and

(iv) the Borrower shall have delivered to the Trustee a certificate executed by an Authorized Borrower Representative and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance or transfer complies with this Section and that all conditions precedent herein provided relating to such transactions shall have been complied with.

(c) Upon any consolidation or merger or any conveyance or transfer of the Borrower's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for the Borrower under this Agreement with the same effect as if such Successor had been named as the Borrower herein.

ARTICLE 4

Remedies

SECTION 4.1 Events of Default

Any one or more of the following shall constitute an event of default (a "Guaranty Default") under this Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) failure to make any payment required under ***Section 2.1*** as and when the same shall become due and payable; or

(b) default in the performance, or breach, of any covenant or warranty of the Borrower in this Agreement (other than a covenant or warranty, a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and the continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Borrower by the Trustee a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" hereunder; or

(c) An Act of Insolvency occurs with respect to the Borrower. "Act of Insolvency," for purposes of this ***Section 4.1(c)***, shall mean the appointment of a receiver, liquidator or trustee of the Borrower or any of its property or assets; or a general assignment by the Borrower for the benefit of the creditors thereof; or the commencement of proceedings by the Borrower, or against the Borrower and not dismissed or unstayed for a period 60 days, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or any jurisdiction, nor or hereafter in effect; or

(d) an event of default occurs under any material indebtedness with respect to which the Borrower is obligated resulting in acceleration or the declaration of acceleration of any such material indebtedness; or

(e) the occurrence of an event of default, as therein defined, under the Indenture or the Lease Agreement, and the expiration of the applicable grace period, if any, specified therein.

SECTION 4.2 Remedies

If a Guaranty Default exists, the Trustee may proceed to protect its rights and the rights of the Holders of the Bonds by suit in equity, action at law or other appropriate proceedings, whether for the specific performance of any covenant or agreement of the Borrower herein contained or in aid of the exercise of any power or remedy granted to the Trustee under the other Bond Documents. The Trustee may proceed directly against the Borrower hereunder without resorting to any other remedies which it may have and without proceeding against any other security held by the Trustee.

SECTION 4.3 Limitation on Suits

No Holder of any Bonds shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Agreement, unless:

(a) such Holder has previously given written notice to the Trustee of a continuing Guaranty Default;

(b) the Holders of not less than a majority in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Guaranty Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(e) no direction inconsistent with such written consent has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Bonds, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Agreement to affect, disturb or prejudice the rights of any other Holders of Bonds, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Agreement, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Bonds.

SECTION 4.4 Unconditional Right of Bondholders to Receive Principal, Premium and Interest

Notwithstanding any other provision in this Agreement, the Holder of any Bond shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 4.5 Application of Money Collected

Any money collected by the Trustee pursuant to this Agreement shall be applied to the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected; and in case such money shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal (and premium, if any) and interest, without any preference or priority, ratably according to the aggregate amount so due.

SECTION 4.6 Agreement to Pay Attorneys' Fees, Costs and Expenses

In the event the Borrower should default under any of the provisions of this Agreement and the Trustee (in its own name or in the name and on behalf of the Holders of the Bonds) should employ attorneys or incur other costs or expenses for the collection of any payments due hereunder or the enforcement of performance or observance of any agreement or covenant on the part of the Borrower herein contained, the Borrower will on demand therefor pay to the Trustee the reasonable fees, costs and expenses of such attorneys and such other reasonable costs and expenses so incurred.

SECTION 4.7 Waiver of Past Defaults

(a) Before any judgment or decree for payment of money due has been obtained by the Trustee, the Holders of not less than a majority in principal amount of the Outstanding Bonds may, by notice from such Holders delivered to the Trustee and the Borrower, on behalf of the Holders of all the Bonds, waive any past default hereunder and its consequences, except for a default in the payment of any sums due pursuant to Section 2.1.

(b) Upon any such waiver, such default shall cease to exist, and any Guaranty Default arising therefrom shall be deemed to have been cured, for every purpose of this Agreement and the Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 4.8 No Additional Waiver Implied by One Waiver

If any agreement contained in this Agreement should be breached by the Borrower and thereafter waived by the Holders of not less than a majority in principal amount of the Outstanding Bonds, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 4.9 Remedies Subject to Applicable Law

All rights, remedies and powers provided by this Article may be exercised only to the extent the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Agreement invalid or unenforceable.

ARTICLE 5

Miscellaneous

SECTION 5.1 Amendments

This Agreement shall not be amended except as provided in the Indenture and the Lease Agreement.

SECTION 5.2 Notices

Any request, demand, authorization, direction, notice, consent, or other document provided or permitted by this Agreement to be made upon, given or furnished to, or filed with, the Borrower or the Trustee must (except as otherwise provided in this Agreement) be in writing and be delivered by one of methods and at the addresses provided for under the Indenture.

SECTION 5.3 Successors and Assigns

All covenants and agreements in this Agreement by the Borrower shall bind its successors and assigns, whether so expressed or not.

SECTION 5.4 Benefits of Agreement

Nothing in this Agreement, express or implied, shall give to any person, other than the Trustee and the Holders of the Outstanding Bonds, any benefit or any legal or equitable right, remedy or claim under this Agreement.

IN WITNESS WHEREOF, the Borrower has caused this instrument to be duly executed and its corporate seal to be hereunto affixed and attested.

RANDOLPH SCHOOL

By: ____________________________________
Head of School

[SEAL]

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC and none of the Issuer, the School, or the Underwriter make any representation or warranty or take any responsibility for the accuracy or completeness of such information.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal, premium, if any, redemption proceeds, 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 Issuer or the Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect 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 Direct Participants or Indirect Participants and not of DTC (nor its nominee), the Trustee, the Issuer, or the School, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Issuer, or the School, 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 the Direct Participants and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the School believe to be reliable, but neither the Issuer nor the School takes responsibility for the accuracy thereof.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE BONDS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The Issuer can make no assurances that DTC will distribute payments of principal of, redemption premium, if any, or interest on the Bonds to the Direct Participants, or that Direct Participants and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Bonds or redemption notices to the Beneficial Owners of such Bonds or that they will do so on a timely basis, or that DTC or any of its Direct Participants or Indirect Participants will act in a manner described in this Official Statement. The Issuer is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct Participant or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Bonds and the manner of transferring or pledging those interests is subject to applicable state law. Holders of beneficial interests in the Bonds may want to discuss the manner of transferring or pledging their interest in the Bonds with their legal advisors.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered. Thereafter, the Bond certificates may be transferred and exchanged as described in the Indenture. See **Appendix C-1**.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

August ___, 2026

Holders of the Bonds referred to below

Re: $_______ Lease Revenue Bonds (Randolph School Project), Series 2026, issued by The Educational Building Authority of the City of Huntsville-Randolph School

We have acted as bond counsel in connection with the issuance of the above-referenced bonds (the "Bonds") by The Educational Building Authority of the City of Huntsville–Randolph School, a public corporation organized under the laws of the State of Alabama (the "Issuer"), including particularly Chapter 17, Title 16, Sections 16-17-1 et seq. of the Code of Alabama 1975 (the "Enabling Law"). The Bonds are being issued pursuant to a Trust Indenture dated August 1, 2026 (the "Indenture") between the Issuer and Pinnacle Bank, as trustee (the "Trustee"), to finance a portion of the costs of acquiring, constructing, installing and equipping educational facilities on the Randolph School Garth campus (the "Project"), located in Huntsville, Alabama. Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

Pursuant to a Lease Agreement dated August 1, 2026 (the "Lease Agreement") between the Issuer and Randolph School, a nonprofit corporation organized under the laws of the State of Alabama (the "Lessee"), the Issuer has leased the Project to the Lessee, and the Lessee has agreed to pay lease payments at times and in amounts sufficient to pay when due the principal of, premium (if any) and interest ("Debt Service") on the Bonds. Pursuant to the Indenture the Issuer has assigned and pledged to the Trustee all the Issuer's rights under the Lease Agreement, except for certain rights for the exclusive benefit of the Issuer (relating to indemnification, reimbursement of expenses and receipt of notices and other communications).

Payment of Debt Service on the Bonds is guaranteed by the Lessee pursuant to a Guaranty Agreement dated August 1, 2026 (the "Bond Guaranty"), in favor of the Trustee.

The Bonds will be limited obligations of the Issuer payable solely out of (i) payments by the Lessee pursuant to the Lease Agreement and the Bond Guaranty, and (ii) any other revenues, rentals or receipts derived by the Issuer from the leasing or sale of the Project.

We have examined executed counterparts of the Indenture, the Bond Guaranty and the Lease Agreement and such other certificates, proceedings, proofs and documents as we have deemed necessary in connection with the opinions hereinafter set forth.

For purposes of this opinion, the term "Internal Revenue Code" means whichever of the following shall be applicable in the context: the Internal Revenue Code of 1954, as amended; the Internal Revenue Code of 1986, as amended; and the transition rules of related legislation.

Regarding questions of fact material to the opinions below, we have relied on the certified proceedings and other certifications of representatives of the Issuer and the Lessee, and certifications of others furnished to us without undertaking to verify them by independent investigation. As to certain matters of law material to the opinions below, we also have relied upon certifications of public officials.

Based on the foregoing and upon such investigation as we have deemed necessary, we are of the opinion that, under existing law:

1. The Issuer is validly existing as a body corporate and public instrumentality of the State of Alabama, established under the Enabling Law, with the power to perform its obligations under the Indenture, the Lease Agreement and to issue the Bonds.

2. The execution, delivery and performance by the Issuer of its obligations under the Indenture and the Lease Agreement, and the issuance and delivery of the Bonds have been duly authorized by all requisite action of the Issuer.

3. The Bonds have been duly authorized and executed by the Issuer and are valid and binding limited obligations of the Issuer, payable solely out of (i) payments by the Lessee pursuant to the Lease Agreement and the Bond Guaranty, and (ii) any other revenues, rentals or receipts derived by the Issuer from the leasing or sale of the Project.

4. The Indenture and the Lease Agreement have been duly authorized and executed by the Issuer and constitute valid and binding obligations of the Issuer and are enforceable against the Issuer in accordance with their respective terms.

5. The Indenture creates a valid pledge and assignment of the Trust Estate for the equal and proportionate benefit and security of the holders of the Bonds.

6. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer and the Lessee comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The Issuer and the Lessee have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

7. Interest on the Bonds is exempt from State of Alabama income taxation.

We express no opinion regarding federal or state tax consequences arising with regard to the Bonds other than the opinions expressed in paragraphs 6 and 7 above.

The rights of the holders of the Bonds and the enforceability thereof and of the Indenture, the Lease Agreement, and the Bond Guaranty are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Faithfully yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "**Disclosure Agreement**"), dated as of August 1, 2026, is executed and delivered by and between Randolph School, a nonprofit corporation organized under the laws of the State of Alabama (with its successors and assigns, the "**School**") and Pinnacle Bank, as dissemination agent hereunder (with its successors and assigns, the "**Dissemination Agent**") in connection with the issuance by The Educational Building Authority of the City of Huntsville-Randolph School (the "**Issuer**") of its Lease Revenue Bonds (Randolph School Project) Series 2026 (the "**Bonds**"). The Bonds are being issued pursuant to a Trust Indenture dated August 1, 2026 (as amended, restated, supplemented, and otherwise modified from time to time, the "**Indenture**") by and between the Issuer and Pinnacle Bank, as trustee thereunder (with its successors and assigns, the "**Trustee**"). The proceeds of the Bonds are being made available by the Issuer to the School pursuant to the Lease Agreement defined in the Indenture. In connection therewith, the School has covenanted and agreed to provide the continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events.

Section 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the School for the benefit of the Registered Owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered Registered Owners of the Bonds) and to assist Stifel, Nicolaus & Company, Incorporated (the "**Participating Underwriter**"), in complying with the Rule.

Section 2. Defined Terms. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"**Annual Report**" shall mean any Annual Report provided by the School pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Agreement.

"**Annual Reporting Date**" shall mean December 31 of each calendar year; provided, however, that if the School shall change its fiscal year end to a date other than June 30, the Annual Reporting Date shall be 180 days after the last day of each fiscal year.

"**Beneficial Owner**" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"**Bonds**" means the Issuer's Lease Revenue Bonds (Randolph School Project) Series 2026.

"**Disclosure Representative**" shall mean the Chief Financial Officer of the School or such other officer, agent or employee as the School shall designate in writing to the Dissemination Agent from time to time.

"**Dissemination Agent**" means Pinnacle Bank, as dissemination agent under this Disclosure Agreement, its successors and assigns.

“**EMMA**” means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule as of the date hereof.

“**Event Notices**” means the notices required to be given by the School pursuant to Section 5 of this Disclosure Agreement.

“**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 twelve-month accounting period used with respect to the operations of the School, which as of the date hereof ends on June 30 of each year.

“**Indenture**” means the Trust Indenture, dated August 1, 2026, between the Issuer and the Trustee, as amended, restated, supplemented, and otherwise modified from time to time.

“**Issuer**” means The Educational Building Authority of the City of Huntsville-Randolph School, its successors and assigns.

“**Listed Event**” means any of the events listed in Section 5(a) and Section 5(b).

“**MSRB**” means the Municipal Securities Rulemaking Board, its successors and assigns.

“**Participating Underwriter**” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds, its successors and assigns.

“**Official Statement**” means the Official Statement dated ________, 2026, relating to the Bonds.

“**Repository**” means EMMA.

“**Rule**” means Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as amended or supplemented by the SEC from time to time.

“**School**” means Randolph School, a nonprofit corporation organized under the laws of the State of Alabama, and its permitted successors and assigns.

“**SEC**” means the Securities and Exchange Commission, its successors and assigns.

“**Trustee**” means Pinnacle Bank, a Tennessee banking corporation, its successors and assigns.

Section 3. Provision of Annual Reports.

(a) The School shall provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than the Annual Reporting Date immediately succeeding the end of each Fiscal Year of the School, commencing with the Fiscal Year ended June 30, 2026, an Annual Report for such Fiscal Year that is consistent with the requirements of Section 4. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the School (and any information determined from the audited financial statement) may be submitted separately from the balance of the Annual Report and later than the applicable Annual Reporting Date if they are not available by that date. If the School's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Annual Report shall identify the Bonds by name and CUSIP number, if available.

(b) The School shall be responsible for the preparation of the Annual Report. Not later than five (5) Business Days prior to the applicable Annual Reporting Date, the School shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the School to determine if the School is or expects to be in compliance with the first sentence of subsection (a) above.

(c) The Dissemination Agent shall transmit the Annual Report to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB.

Section 4. Content of Annual Reports.

(a) The Annual Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) The annual financial statements of the School for the applicable Fiscal Year, prepared in accordance with GAAP, audited if available;

(ii) An update of the information of the type set forth in Appendix A to the Official Statement in the following tables:

- "STUDENT ENROLLMENT–Student Demand Statistics"
- "STUDENT ENROLLMENT– Annual Opening Enrollment by Grade"
- "TUITION & FINANCIAL AID – Randolph Historic Tuition Levels"
- "TUITION & FINANCIAL AID – Tuition Assistance"
- "FINANCIAL MATTERS – Investments;
- "FINANCIAL MATTERS – Endowment Funds"
- "ADVANCEMENT – Annual Giving"; and
- "ADVANCEMENT – Total Philanthropic Support – All Gifts"

(b) Any or all of the items listed above may be included by specific reference to other documents, including any official statement, offering memorandum, or prospectus of debt issues for the benefit of the School or related entities, which have been submitted to the MSRB. If the document included by reference is a final official statement or offering memorandum, it must be available from the MSRB. The School shall clearly identify each such other document so included by reference. The School is solely responsible for the content and format of the Annual Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy, or completeness of such Annual Report.

(c) Any or all of the Annual Reports may be incorporated by reference from other documents, including official statements and offering memoranda, which have been submitted to the Repository. If the Annual Report information is changed or this Disclosure Agreement is amended in accordance with its terms, then the School is to include in the next Annual Report to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the School shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) non-payment related defaults;

(ii) modifications to rights of Bond holders;

(iii) Bond calls;

(iv) unless described in Section 5(b)(vii), other material notices or determinations with respect to the tax exempt status of any Bonds or other events affecting the tax exempt status of any Bonds;

(v) release, substitution or sale of property securing repayment of any Bonds;

(vi) the consummation of a merger, consolidation or acquisition involving the School or the sale of all or substantially all of the assets of the School (other than in the ordinary course of business) or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than in accordance with its terms;

(vii) appointment of a successor or additional trustee or change in name of a trustee; or

(viii) incurrence of a Financial Obligation of the School, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School, any of which affect security holders.

(b) Pursuant to the provisions of this Section 5, the School shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) defeasances;

(iii) rating changes;

(iv) unscheduled draws on debt service reserves reflecting financial difficulties;

(v) unscheduled draws on any credit enhancements reflecting financial difficulties;

(vi) substitution of credit or liquidity providers, or their failure to perform;

(vii) adverse tax opinions affecting the tax exempt status of any Bonds, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB);

(viii) tender offers;

(ix) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School, any of which reflect financial difficulties; and

(ix) bankruptcy, insolvency, receivership or a similar proceeding by the School.

For purposes of the event identified in clause (ix) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the School, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School.

(c) Upon the occurrence of a Listed Event specified in Section 5(a), the School shall as soon as possible determine if such event would be material. The Dissemination Agent shall have no responsibility for such determination.

(d) If the School has determined that the occurrence of a Listed Event specified in Section 5(a) would be material, or upon the occurrence of a Listed Event specified in Section 5(b), the School shall notify the Dissemination Agent in writing within five business days or such lesser time period as is acceptable to the Dissemination Agent of the occurrence of such event in a format suitable for filing with the MSRB, with instructions to the Dissemination Agent to file a notice of the occurrence of such Listed Event pursuant to Section 5(e).

(e) If the Dissemination Agent has been instructed in writing by the School to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file such notice with the MSRB with a copy to the Participating Underwriter in a timely manner not in excess of ten business days after the occurrence of the event.

Section 6. Use of EMMA. Any filings required to be made with or notices to be given to the MSRB under this Disclosure Agreement shall be effected by sending the filing or notice to EMMA at www.emma.msrb.org in an electronic format accompanied by identifying information as prescribed by the MSRB, or to such other entity and in such other format as may be designated under the Rule. The Dissemination Agent agrees to comply with the provisions of EMMA in making such filings and giving such notices under this Disclosure Agreement.

Section 7. Termination of Reporting Obligation. The obligations of the School and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the School shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) hereof.

Section 8. Failure to File. If the School does not provide to the Dissemination Agent a copy of an Annual Report by the dates required above, the Dissemination Agent in a timely manner shall send a notice to the School and the Participating Underwriter in substantially the form attached as Exhibit A. If the School files any report directly with MSRB, the School shall promptly provide the Dissemination Agent with a confirmation or documentation reasonably required by the Dissemination Agent confirming that the filing of such report was made in a timely manner on or before the date required herein (or if not as of such date, specifying the date of filing) and that such filing contained the information required by this Disclosure Agreement.

Section 9. Dissemination Agent. The School may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the School shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. Any person succeeding to all or substantially all of the Trustee's corporate trust business shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties under this Disclosure Agreement upon 60 days prior written notice to the School.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the School and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person (determined in accordance with the Rule) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel or another party unaffiliated with the School, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the School shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the School. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 5(d).

Section 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the School from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Agreement, the School shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the School or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent (at the written direction of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, or the Participating Underwriter or any Holder of Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bonds, the Indenture, the Lease, the Guaranty, or any other related document and the sole remedy under this Disclosure Agreement in the event of any failure of the School or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. The Dissemination Agent shall not be required to take any action whatsoever to cause the School to comply with its obligations under this Dissemination Agreement other than those specifically set forth in Section 3 and Section 6 hereof.

Section 13. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically and expressly set forth in this Disclosure Agreement, and no implied covenants or obligations of the Dissemination Agent shall arise in this Disclosure Agreement. The School agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, fees, expenses and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, as the case may be. The obligations of the School under this Section shall survive resignation or removal of the Dissemination Agent, termination of this Disclosure Agreement and payment of the Bonds. The Dissemination Agent shall have no liability for the School's failure to report any event or any financial information or operating data as to which the School has not provided an information report in format suitable for filing with the MSRB. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in a fiduciary capacity. The obligations of the School under this Section shall survive resignation of the Dissemination Agent or the termination of this Dissemination Agreement. The Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent by the Disclosure Representative and conforming to the requirements of this Disclosure Agreement. In the case of any Annual Reports or description of any Listed Events, or any opinions which by any provision hereof are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Disclosure Agreement, but shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. No provision of this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, judgment, decree, or other paper or document believed by it to be genuine and to have been signed or presented by the Disclosure Representative, not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein. The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the School. The School shall not be liable for the fees and expenses of any such counsel consulted by the Dissemination Agent without the prior consent of the School. The Dissemination Agent shall not be bound to make any investigation into the facts or matters stated in and Annual Report or description of a Listed Event. To the extent not otherwise provided in this Disclosure Agreement, the Dissemination Agent shall be entitled to resign and discharge its obligations hereunder in like manner as specified in the Indenture for the discharge of the obligations of the Trustee thereunder.

Section 14. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the School:	Randolph School 1005 Drake Avenue Huntsville, Alabama 35802 Attention: Chief Financial Officer
To Dissemination Agent:	Pinnacle Bank 800 Shades Creek Parkway-Suite 275 Birmingham, AL 35209 Attn: Dean Matthews

A copy of each notice shall be sent to the Participating Underwriter as follows:

Stifel, Nicolaus & Company, Incorporated
One Financial Plaza
501 North Broadway
St. Louis, Missouri 63102
Attention: Director of Public Finance

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School, the Dissemination Agent, the Participating Underwriter, the Trustee and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 16. Fees and Expenses. Except to the extent limited by Section 13 hereof, the Dissemination Agent shall be entitled to payment and reimbursement from the School for its services rendered hereunder and all rightful advances and other expenses reasonably made or incurred by the Dissemination Agent.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 18. Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Alabama, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 19. Severability. If any portion of this Disclosure Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Agreement shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 20. Other Instruments. The School and the Dissemination Agent covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Disclosure Agreement.

Section 21. Captions, Titles, and Headings. The captions, titles, and headings used in this Disclosure Agreement are for convenience only and shall not be construed in interpreting this Disclosure Agreement.

Section 22. Entire Agreement. This Disclosure Agreement contains the entire understanding among the parties and supersedes any prior understandings or written or oral agreements between them respecting the subject matter of this Disclosure Agreement.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Continuing Disclosure Agreement as of the date first written above.

PINNACLE BANK, as Dissemination Agent

By: ____________________________________
Authorized Officer

RANDOLPH SCHOOL, an Alabama nonprofit corporation

By: ____________________________________
Head of School

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	The Educational Building Authority of the City of Huntsville-Randolph School
Name of Bond Issues:	The Educational Building Authority of the City of Huntsville-Randolph School (Randolph School Project) Series 2026
Dissemination Agent:	Pinnacle Bank
Name of Obligated Person:	Randolph School, an Alabama nonprofit corporation (the "**School**")
Date of Issuance:	August __, 2026

NOTICE IS HEREBY GIVEN that the School has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of August 1, 2026, between the undersigned Dissemination Agent and the School. The School anticipates that the Annual Report will be filed by ____________________________.

Dated: ____________________________

PINNACLE BANK, as Dissemination Agent

By: ____________________________________
Authorized Officer

cc: Stifel, Nicolaus & Company, Incorporated

RANDOLPH

THE EDUCATIONAL BUILDING AUTHORITY OF THE CITY OF HUNTSVILLE-RANDOLPH SCHOOL

LEASE REVENUE BONDS (RANDOLPH SCHOOL PROJECT), SERIES 2026

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