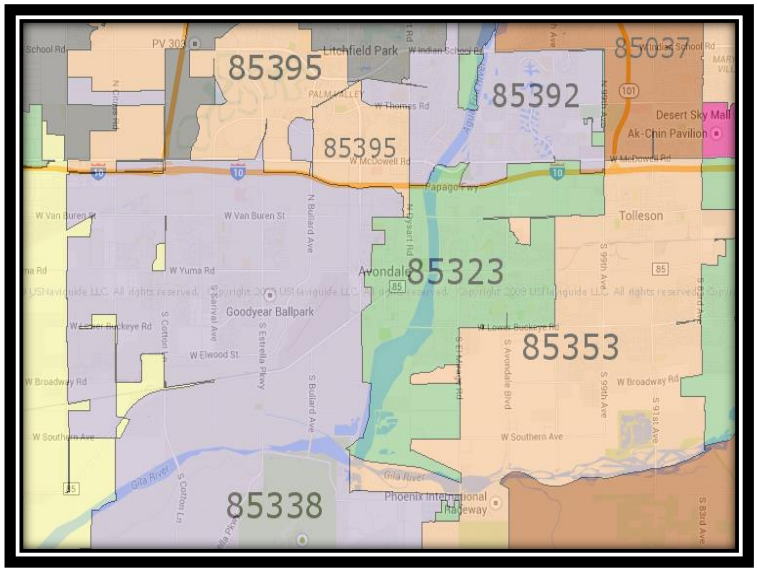
C.1. Facilities Acquisition

Target Community

Highland Prep will provide a STEM College Preparatory experience for high school students in high school grades 9 – 12 who live in the city of Goodyear, AZ as well as neighboring communities in several different zip codes in the area (85323, 85353, 85392, 85395, 85338). Highland Prep will be located in the North Central area of 85338 near the cross streets of Litchfield Road and Buckeye Road. Highland Prep's interest in these zip codes is consistent with our interest in serving high need populations (as defined through poverty and minority indexes) where effective schools are in demand.



Upon full enrollment the school facility will have a building area of approx. 14,000 SF with 14 classrooms for general instruction and special use including Chemistry, Biology, Physics, and Engineering Laboratories. The school facility will also house a school office and reception area. During Year 1, the facility space need is approximately 8,000 SF, given the projected enrollment of 150 students and the grade levels served. Approximately 6,000 SF of additional classroom space will be needed subsequently to accommodate the program of instruction at full enrollment for the grade levels served.

Highland Prep intends to lease, and if necessary, modify a property and facility conducive to implementing its high school STEM program of instruction. The founder of Highland Prep studied the availability of facilities in the targeted area that could be made ready with small modifications, remodeling and/or building additions and site improvements. Highland Prep has identified properties in Tolleson and Goodyear as target school site properties. At this time, current properties of interest are:

Primary Target Property**: 8415 W. Sherman, Tolleson, AZ 85119**

Source: *Loopnet, Pictures retrieved on 05-16-2015*

Located within the target area in Tolleson, Arizona. Major features:

- Space Available: **14,000 *SF***
- Rental Rate: **$0.35 */SF/Month***
- Lease Type: NNN
- Purchase at $85/SF

See attachment for additional information.

Additional Available Property: **13951 W. El Cielo, Goodyear AZ**

See attachment for additional information

Major features:

- Space Available: **13,515 SF**
- Rental Rate: **$0.50 /SF/Month**
- Lease Type: Modified Gross

Timeframe for securing an appropriate facility

The targeted facility is projected to be secured by February 2016. The on-site school office will be operational by March 1, 2016. All necessary building and property improvements will be financed and managed by the landlord with a target completion date of July 1, 2016. All classrooms and other school amenities necessary for school operation during year 1 will be ready by July 15, 2016.

Costs associated with securing the facility

Highland Prep working with potential school facility investors/developers who would purchase the targeted school property, bring the property and buildings up to code if necessary, and finance the addition of building space and any other site improvements. The modification of the interior design and floor plans of the existing buildings and the financing of the associated costs is projected to be the responsibility of the landlord and factored into the rent payments.

With such arrangements, Highland Prep would not be required to have any capital outlays for the property acquisition or any of the building modifications and additions, as well as for any improvements related to making the buildings move-in ready with all applicable licenses and permits to operate as a charter school (Certificate of Occupancy, clean Fire Marshal Report, and any other applicable local jurisdiction license to operate as a charter school). With that stated, $12,500 has been budgeted for such costs in each of the first two years of operation as a contingency.

Capital outlays required for compliance with all applicable laws and regulations related to educational occupancy (Certificate of Occupancy, clear Fire Marshal Report, etc.) for the building additions in year 2, as described in Section C.1.d., would be financed fully by the landlord and reflected in respective increases of the base rent levels during year 2 and thereafter.

Highland Prep Academy will be responsible to pay the net rent, which includes all applicable sales and transaction privilege taxes and the property tax (Classification 9, partial tax-exempt). Specifically, the following facility costs are projected during the Start-Up period and first 3 years of operations:

Start-up Period:

Gross rent - $2,000 per month for the 6 months prior to the start of the first year (February-July 2016).

Year 1, 2 & 3:

During the first year of operations, the configuration, after landlord improvements, of the first property will suffice to service 150 students (with room to grow) at a net rent of $9,000 per month and an estimated sales and transaction privilege tax burden of an additional $170 per month. The estimated property tax is approximately $500 per month. Gross rent due from the school would be $9,670 per month and $116,040 per annum. Year 2 and year 3 gross rents would increase 3% to $119,521 and $123,106 respectively.

Financial arrangements for securing the facility

The anticipated financial arrangement for the facility is a 15-year triple-net lease agreement with an option to purchase after the third and before the fifth year from the start of lease. All capital expenditures toward making the facility move-in ready will be financed and performed by the landlord, and reflected in a respective increase of the rent during year 2 to account for the addition of building space, including all costs toward meeting compliance requirements with laws and regulations related to educational occupancy for the existing buildings and all new building additions. The school will be responsible to pay the net rent, plus all applicable sales and transaction privilege taxes, and the property tax (partial tax-exempt, Classification 9).

Currently no financial arrangements have been made to secure purchase of the facility because it is not anticipated that Highland Prep will be in a position to purchase until year three. Initial funding for rent and required deposits will be allocated from start-up funds. Highland Prep is working with private investors and developers to explore lease to purchase options.

Layout of Space

Each property considered allows Highland Prep the ability to provide a space layout consistent with the charter application. Classrooms will require very little modification other than wireless capability for the school's digital learning environment. Science classrooms will be outfitted with safety materials, but will require no additional modifications. All extracurricular programs including athletics will be conducted in partnership with other local schools, neighborhood parks, community parks, community centers, and City facilities.