APPENDIX C
FINACIAL PERFORMANCE RESPONSE and EVALUATION

Financial Performance Response Evaluation Instrument

Charter Holder Name: BASIS Charter Schools, Inc.
Charter Holder Entity ID: 91280

Required for: Expansion Request
Audit Year: 2018

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response Evaluation Instrument for the Board in its consideration of applicable requests made by the charter holder. For each measure where the charter holder did not meet the target for the most recent audited fiscal year presented in the dashboard, Appendix C of the Financial Performance Framework requires the charter holder to answer three questions: 1) why did we not meet the measure's target in the audited fiscal year; 2) what specifically have we done to improve our performance so that it's possible to meet the measure's target in the next fiscal year or a subsequent fiscal year; and 3) what can we provide to support our explanations and analysis? A "Not Acceptable" evaluation means the response for that measure did not sufficiently address one or more of these questions. "Not Acceptable" answers may adversely affect the Board's decision regarding a charter holder's request.

Measure	Reason(s) for "Not Acceptable" Rating
1a. Going Concern Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
1b. Unrestricted Days Liquidity Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
1c. Default Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
2a. Net Income Acceptable ☒ Not Acceptable ☐ Not Applicable ☐	Please note while depreciation and amortization are noncash expenses, they are used to allocate costs of fixed and other assets over the asset's life. As such, the Board's current financial framework intentionally does not remove depreciation and amortization from the measure's calculation. When estimated depreciation and amortization are added back to expenses, the charter holder's fiscal year 2019 net loss would be approximately $4.4 million, which is an improvement over the charter holder's fiscal year 2018 net loss of approximately $11.7 million.

Measure	Reason(s) for "Not Acceptable" Rating
2b. Cash Flow Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
2c. Fixed Charge Coverage Ratio Acceptable ☒ Not Acceptable ☐ Not Applicable ☐	

BASIS FY 18 Supplemental Financial Performance Response

2a. Net Income

In further support of the net income measure, we ask the Board to consider the following information:

1. The refinancing phase of the schools owned by the Charter Holder is complete. Hence, the write-off of loan issuance costs and prepayment penalties is going to be lower in FY 2019. As a part of this submission, we have provided a comparative statement of financial activities, which includes projected, unaudited FY 2019 numbers and audited FY 2018 numbers, before depreciation and amortization, as Exhibit 1. As shown in Exhibit 1, the FY 2019 amount associated with the write-off of loan issuance costs and prepayment penalties is approximately $1.6 million, which is the FY 2019 interest expense for the bond defeasance negotiated with the previous bondholders. Hence, we expect the change in net assets before depreciation and amortization, but after the write-off of loan issuance costs and prepayment penalties to be in the neighborhood of $3.4 million in FY 2019. In FY 2018, the change in net assets before depreciation, amortization and gain on disposal of assets, but after the write-off of loan issuance costs and prepayment penalties was approximately -$4 million. Consequently, we request the Board to consider this positive movement in the net surplus measure in the financial response evaluation.

2. We also ask the Board to consider that focusing on the "net book value" of the land and buildings is inaccurate when analyzing BCSI financials. It is more accurate to consider the market value of the land and buildings, which captures reality rather than an accounting calculation called net book value. This is the approach used by the public markets and if applied here, BCSI net assets would turn positive by over $6 million. The difference between the market value and the book value of the BCSI real estate portfolio at June 30, 2018 is at least +$50 million using appraisals from the last 4 years, with the exception that one appraisal is from 2013. This is one of the reasons that the BCSI bond offerings during the refinancing phase have been oversubscribed. The Board can confirm this by comparing the most recent appraisal values from the 2018A bond series, attached here as Exhibit 2 (Table A-2-4), to Note 5 on the audit report, attached here as Exhibit 3. Please note that Exhibit 2 was provided as a part of the entire 2018A Limited Offering Memorandum (LOM) in a previous submission, but we are presenting only this table as a part of this submission for your convenience. If the Board wants the entire 2018A LOM submitted again as a part of this submission, we are happy to provide it. The real property market value of the schools at June 30, 2018 per Exhibit 2 as compared to the Land and improvements, Building and leasehold improvements, and Accumulated Depreciation from Exhibit 3 shows at least +$50 million in net assets.

2c. Fixed Charge Coverage Ratio

In further support of the FCC ratio, we ask the Board to consider the following table, which is the prospective FCC ratio calculation for FY 2019 after taking into account the FY 2019 net assets before depreciation and amortization, but after the write-off of loan issuance costs and prepayment penalties, as shown in Exhibit 1. The calculation is consistent with the existing Financial Performance Dashboard.

Beginning Net Surplus(Deficit)-Per FY 2019 Unaudited Statement of Activities		**$3,360,363**
Cash paid during the year for interest expensed and leases	+	$18,575,907
Net Surplus(Deficit) after adding back cash paid during the year for interest expensed and leases(A)		**$21,936,270**
Current Portion of Long Term Debt + Interest Expense + Lease(B)		**$22,755,907**
Fixed Charge Coverage Ratio(A/B)		**0.96**

The cash paid for interest expense is based on the aggregate debt service schedule, which is shown in Exhibit 4. Per the yellow highlighted rows, the interest expense for FY 2019 is $17,912,981. The lease amount of $662,926 is consistent with the amount shown in the FY 2018 audit report, which is provided as Exhibit 5. Together they result in fixed charges of $18,575,907 for FY 2019, as shown in the table above.

Per Exhibit 4, which is the Debt Service Schedule through FY 2025, the current portion of long-term debt is $4,180,000. This is a component of the denominator in the FCC formula.

Given the above calculation, we request the Board to consider the positive movement in the FCC measure to 0.96 in FY 2019 from 0.54 in FY 2018.

FY 2019 Unaudited Preliminary BASIS Charter Schools, Inc. Statement of Financial Activities & FY 2018 Audited Financials before Amortization, Depreciation and Gain/Loss on Disposal of Assets	FY 2018 Per Audit Report	FY 2019 Projected
Revenues & Support		
State Revenues	$120,517,024	$146,531,038
Federal Revenues	$2,124,267	$2,702,602
Local Revenues	$22,887,321	$26,209,145
Total Revenue & Support	**$145,528,612**	**$175,442,785**
Expenses		
Primary and Secondary Education	$123,085,955	$145,936,144
General & Administrative	$20,373,202	$23,871,836
Fundraising	$1,084,597	$705,131
Total Expenses before depreciation, amortization and gain/loss on disposal of assets	**$144,543,754**	**$170,513,111**
Change in Net Assets before unrealized loss and write-off of loan issuance costs and prepayment penalties	**$984,858**	**$4,929,674**
Write-off of loan issuance costs and prepayment penalties	**-$5,015,513**	**-$1,569,311**
Change in Net Assets(Deficit)	**-$4,030,655**	**$3,360,363**

Appraisals

In connection with issuance of the Bonds, the Borrower obtained a new appraisal for the Baton Rouge Campus. In addition, the Borrower has previously obtained appraisals for each of the Existing Facilities. The opinions of value for each of the Facilities, except the Baton Rouge Campus are set forth in the following table.

Table A-2-4
Appraisals - The Facilities

Campus	Appraisal Firm	Appraisal Date	Appraised Value
Ahwatukee Campus	KS Appraisal	09-22-2017	$16,100,000
Baton Rouge Campus	Pinnacle Real Estate Advisors, LLC	01-18-2018	13,420,000
Chandler Campus	KS Appraisal	11-25-2015	13,300,000
Chandler Primary North Campus	KS Appraisal	11-25-2015	8,300,000
Chandler Primary South Campus	KS Appraisal	1-16-2017	8,000,000
DC Campus	Joseph J. Blake & Associates	12-9-2015	28,300,000
Flagstaff Campus	KS Appraisal	09-22-2017	15,100,000
Goodyear Campus	KS Appraisal	12-12-2017	17,500,000
Mesa Campus	KS Appraisal	12-12-2017	15,834,000
Oro Valley Campus	KS Appraisal	2-11-2015	6,090,000
Oro Valley Primary Campus	KS Appraisal	11-9-2015	10,440,000
Peoria Campus	KS Appraisal	1-16-2017	12,375,000
Peoria Primary Campus	KS Appraisal	1-16-2017	9,500,000
Phoenix Campus	KS Appraisal	12-12-2017	9,390,000
Phoenix Central Campus	KS Appraisal	1-16-2017	12,750,000
Phoenix Primary Campus	KS Appraisal	12-12-2017	11,265,000
Phoenix South Primary Campus	KS Appraisal	12-12-2017	5,600,000
Prescott Campus	KS Appraisal	12-12-2013	8,828,000[32]
San Antonio Primary Medical Center Campus	Noble & Associates, Inc.	8-1-2017	9,750,000
San Antonio Primary North Central Campus	Noble & Associates, Inc.	8-7-2017	8,250,000
San Antonio Shavano Campus	Noble & Associates, Inc.	9-22-2017	18,250,000
Scottsdale Campus	KS Appraisal	11-24-2015	17,950,000
Scottsdale Primary Campus	KS Appraisal	2-20-2015	8,100,000
Tucson North Campus	KS Appraisal	09-22-2017	13,500,000
Tucson Primary Campus	KS Appraisal	12-20-2016	9,150,000

There is no requirement that the value of the Facilities equal the amount of the Obligations or the amount loaned to the Borrower pursuant to the Loan Agreement. See "BONDHOLDERS' RISKS – Risks of Real Estate Investment" in the Limited Offering Memorandum.

[Remainder of page intentionally left blank.]

[32] The appraised valuation for the Prescott Campus is adjusted to include an additional $350,000 in additions made to the campus and to delete $672,000 for the value of excess, unused land that was severed from the Prescott Campus.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2018 consists of the following:

Land and improvements	$ 53,512,734
Buildings and leasehold improvements	155,616,117
Vehicles, furniture and equipment	12,163,090
Textbooks	6,211,335
Software	261,264
Construction in progress	46,287,299
Total	274,051,839
Less accumulated depreciation	25,004,769
Property and equipment, net	$ 249,047,070

Depreciation for the year ended June 30, 2018 totaled $7,196,494.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2018:

$1,725,250 promissory note payable to the City of Goodyear dated December 23, 2014. The loan matures over 30 years at an interest rate of 3.26%. Annual interest only payments of $54,613 are due through December 2024, and annual principal and interest payments of $114,125 start in January 2025. The note matures in December 2044. The loan was used to purchase real property for BASIS Goodyear and BASIS Goodyear Primary and is secured by a deed of trust on real property.	$ 1,675,250

BASIS Charter Schools, Inc. Debt Service Schedule through FY 2025				
	Principal	Interest	Total	Outstanding
DATE				
1/1/2018	$0	$6,511,824	$6,511,824	$290,120,000
7/1/2018	$3,905,000	$8,888,472	$12,793,472	$359,965,000
1/1/2019	$0	$8,956,491	$8,956,491	$359,965,000
7/1/2019	$4,180,000	$8,956,491	$13,136,491	$355,785,000
1/1/2020	$0	$8,888,591	$8,888,591	$355,785,000
7/1/2020	$4,390,000	$8,888,591	$13,278,591	$351,395,000
1/1/2021	$0	$8,817,047	$8,817,047	$351,395,000
7/1/2021	$5,125,000	$8,817,047	$13,942,047	$346,270,000
1/1/2022	$0	$8,715,875	$8,715,875	$346,270,000
7/1/2022	$5,290,000	$8,715,875	$14,005,875	$340,980,000
1/1/2023	$0	$8,607,150	$8,607,150	$340,980,000
7/1/2023	$5,495,000	$8,607,150	$14,102,150	$335,485,000
1/1/2024	$0	$8,492,950	$8,492,950	$335,485,000
7/1/2024	$6,235,000	$8,492,950	$14,727,950	$329,250,000
1/1/2025	$0	$8,359,375	$8,359,375	$329,250,000
7/1/2025	$6,490,000	$8,359,375	$14,849,375	$322,760,000

NOTE 7 - ECONOMIC DEPENDENCY

Approximately 65% of the Firm's revenue for the year ended June 30, 2018 was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301), State of Arizona grants, and federal grants passed through the State of Arizona. Non-federal funds that are paid from the State of Arizona are subject to funding approval from the state legislature. Changes in state funding levels for charter schools could have a significant impact on the Firm's revenues.

Approximately 60% of the Firm's total expenses for the year ended June 30, 2018 were paid to BASIS.ed for leased employee costs and approximately 11% were paid to BASIS.ed for management services fees.

NOTE 8 - OPERATING LEASES

The Firm entered into leases for some of its school sites under the provisions of long-term lease agreements classified as operating leases. Rental expense under these leases was $88,000 for the year ended June 30, 2018. Future minimum operating lease commitments are as follows:

Year ending June 30,	
2019	$ 662,026
2020	858,065
2021	858,065
2022	566,865
2023	566,865
Thereafter	14,738,490
	$ 18,250,376

FY 2018 BASIS Charter Schools, Inc. Financial Performance Response

2a. Net Income

The net surplus for the year falls below $1 threshold primarily due to the GAAP effect of our capital restructuring. In Fiscal Year 2018, multiple schools were refinanced into our obligated group structure, which resulted in non-cash expenses of approximately $5 Million, which is shown below as Exhibit 1. Recording these transactions results in unamortized loan issuance costs and early repayment premiums being expensed in full on the statement of activities. These non-cash expenses are added back to the net surplus during most financial evaluations and ratio calculations. Each single bond refinancing is a non-recurring event.

Part of the approximate $5 Million non-cash expense is $3.83 Million in defeased interest and $1.19 Million in extinguishment of debt for Ahwatukee, Mesa and San Antonio Primary Medical Center at the time of the 2017CDE and 2017FG obligated group closing. This is the Fiscal Year 2018 interest expense for the bond defeasance negotiated with the previous bondholder for these schools. This non-cash expense would have been amortized over the life of the old debt. Instead, per GAAP this amount is expensed onto the statement of activities, though the refinancing of these schools provides for positive cash flow and NPV in total.

To demonstrate the positive cash flow and NPV for the bond series referenced above please see Exhibit 2 through Exhibit 3, included with this response and summarized as follows:

Exhibit	**School**	**NPV Savings**
Exhibit 2	2017CDE	$867,138
Exhibit 3	2017FG	-$261,920

Refinancing these five schools generated over $600K in positive NPV for BASIS Charter Schools, Inc. (BCSI).

Given the above total NPV savings, we ask the Board to consider adding back the non-cash and non-recurring entries to the Net Surplus (Deficit):

Beginning Net Surplus(Deficit)-Per Audit		**($11,668,174)**
Write-off of loan issuance cost and prepayment penalties	+	$5,015,513
Depreciation and Amortization	+	$7,769,613
Gain on disposal of assets	+	(132,094)
Net Surplus(Deficit) after adding back the non-cash & non-recurring entries		**$984,858**

Once the above adjustments for non-cash and non-recurring entries are made, the Fiscal Year 2018 net surplus for BASIS Charter Schools, Inc. is close to $1 Mil, which meets the Board's requirement of Net Surplus equal to or exceeding $1.

2c. Fixed Charge Coverage Ratio

To demonstrate how BCSI maintained the proposed FY 2017 FCC ratio of 0.90, we have demonstrated below our FCC ratio calculation using the FY 2018 audit report, as submitted to the Board.

Beginning Net Surplus(Deficit)-Per Audit		**($11,668,174)**
Write-off of loan issuance cost and prepayment penalties	+	$5,015,513
Depreciation and Amortization	+	$7,769,613
Gain on disposal of assets	+	(132,094)
Cash paid during the year for interest expensed and leases	+	$13,393,063
Repair and Replacement Fund Expenses	+	276,287
Net Surplus(Deficit) after adding back the non-cash & non-recurring entries(A)		**14,654,208**
Current Portion of Long Term Debt + Interest Expense + Lease		**$17,798,064**
Irrevocable Deposit Trust-Cash Deposit to Prepay Debt		($1,600,000)
Current Portion of Long Term Debt + Interest Expense + Lease, Net Of Cash Deposit to Prepay Debt(B)		**$16,198,064**
Fixed Charge Coverage Ratio(A/B)		**0.90**

We are pleased to report that the ratio is 0.90 when the non-cash and non-recurring entries are removed. As shown above, to arrive at the Net Surplus available to cover fixed charges, the write-off of loan issuance cost and prepayment penalties are added back, as these are non-cash expenses described in the net income calculation adjustment mentioned above.

We are also requesting the Board to consider subtracting the repair related expenses that were paid through a special Repair and Replacement fund, which was set-up as part of the obligated group structure and held by the Master Trustee. The funds in the Repair and Replacement account is used to pay for expenditures related to maintenance, improvements and replacement to ensure that the school facilities and associate assets are in good working condition. At the end of FY 2017, the ending balance on the Repair and Replacement Fund was $414,035, as shown by Exhibit 4, which is Page 10 of the FY 2017 BCSI Audit Report. During Fiscal Year 2018, BCSI used approximately $276K, as shown above, to fund certain repair related cost, which caused the FY 2018 ending balance of the Repair and Replacement account to be $48,377, as shown by Exhibit 5, which is page 10 of the FY 2018 BCSI Audit Report. As these repairs were funded by monies outside of FY 2018 operating cash, they are subtracted from the operating expenses during financial evaluations to ascertain the net surplus from operations available to cover fixed charges of the relevant year.

In Fiscal Year 2018, BCSI deposited $1.6 Million in operating cash to an irrevocable deposit trust account to prepay some of the debt obligations under the obligated group structure, which is included as Exhibit 6. During financial evaluations, this preemptive deposit is subtracted from the fixed obligations, as BCSI went beyond what was required by the fixed financial commitments of the relevant year.

In additional support of BCSI's ability to cover fixed charges, we ask the Board to consider a similar calculation framework that is required annually by our bondholders. The calculation is performed annually by the same firm which completes the audit report and is included here as Exhibit 7. This calculation reveals a Debt Service Coverage Ratio of 1.17x, which exceeds our debt covenant compliance requirement of 1.10x.

BASIS CHARTER SCHOOLS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
State revenues	$ 120,517,024		$ 120,517,024
Federal revenues	2,124,267		2,124,267
Local revenues	14,400,382	$ 8,486,939	22,887,321
Net assets released from restrictions	6,523,271	(6,523,271)	
Total revenue and support	143,564,944	1,963,668	145,528,612
Expenses:			
Primary and secondary education	128,432,218		128,432,218
General and administrative	22,664,457		22,664,457
Fundraising	1,084,598		1,084,598
Total expenses	152,181,273		152,181,273
Change in net assets (deficit) before unrealized loss and write-off of loan issuance costs and prepayment penalties	(8,616,329)	1,963,668	(6,652,661)
Write-off of loan issuance costs and prepayment penalties	(5,015,513)		(5,015,513)
Change in net assets (deficit)	(13,631,842)	1,963,668	(11,668,174)
Net assets (deficit), beginning of year	(37,063,553)	4,910,451	(32,153,102)
Net assets (deficit), end of year	$ (50,695,395)	$ 6,874,119	$ (43,821,276)

The accompanying notes are an integral part of these statements.

SAVINGS

Arizona Industrial Development Authority
Education Revenue Bonds
Series 2017C (Credit Enhanced), Series 2017D and Series 2017E (Taxable)
(BASIS Schools Projects)
****
FINAL REVISED

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings	Present Value to 10/17/2017 @ 4.3135209%
07/01/2018	710,500.00	237,444.89	473,055.11	468,019.72		468,019.72	5,035.39	2,008.76
07/01/2019	711,725.00		711,725.00	659,000.00		659,000.00	52,725.00	50,354.43
07/01/2020	712,275.00		712,275.00	662,400.00		662,400.00	49,875.00	45,684.08
07/01/2021	712,150.00		712,150.00	660,500.00		660,500.00	51,650.00	45,261.14
07/01/2022	711,350.00		711,350.00	658,450.00		658,450.00	52,900.00	44,359.68
07/01/2023	709,875.00		709,875.00	661,250.00		661,250.00	48,625.00	39,119.14
07/01/2024	707,725.00		707,725.00	661,250.00		661,250.00	46,475.00	35,852.43
07/01/2025	709,900.00		709,900.00	660,850.00		660,850.00	49,050.00	36,189.11
07/01/2026	711,062.50		711,062.50	660,050.00		660,050.00	51,012.50	36,008.08
07/01/2027	711,212.50		711,212.50	658,850.00		658,850.00	52,362.50	35,369.86
07/01/2028	710,350.00		710,350.00	657,250.00		657,250.00	53,100.00	34,330.07
07/01/2029	708,475.00		708,475.00	657,250.00		657,250.00	51,225.00	31,745.78
07/01/2030	710,587.50		710,587.50	661,500.00		661,500.00	49,087.50	29,163.23
07/01/2031	711,350.00		711,350.00	659,750.00		659,750.00	51,600.00	29,329.74
07/01/2032	710,762.50		710,762.50	662,250.00		662,250.00	48,512.50	26,438.25
07/01/2033	708,825.00		708,825.00	658,750.00		658,750.00	50,075.00	26,114.06
07/01/2034	710,537.50		710,537.50	659,500.00		659,500.00	51,037.50	25,473.52
07/01/2035	710,562.50		710,562.50	659,250.00		659,250.00	51,312.50	24,514.51
07/01/2036	708,900.00		708,900.00	658,000.00		658,000.00	50,900.00	23,278.39
07/01/2037	710,550.00		710,550.00	660,750.00		660,750.00	49,800.00	21,803.05
07/01/2038	710,175.00		710,175.00	657,250.00		657,250.00	52,925.00	22,152.99
07/01/2039	707,775.00		707,775.00	657,750.00		657,750.00	50,025.00	20,045.30
07/01/2040	708,350.00		708,350.00	657,000.00		657,000.00	51,350.00	19,675.12
07/01/2041	711,562.50		711,562.50	660,000.00		660,000.00	51,562.50	18,892.01
07/01/2042	712,075.00		712,075.00	661,500.00		661,500.00	50,575.00	17,717.38
07/01/2043	709,887.50		709,887.50	661,500.00		661,500.00	48,387.50	16,202.96
07/01/2044								
07/01/2045								
07/01/2046								
07/01/2047								
07/01/2048								
07/01/2049								
07/01/2050								
07/01/2051					534,880.56	-534,880.56	534,880.56	126,925.96
	18,468,500.00	237,444.89	18,231,055.11	16,959,869.72	534,880.56	16,424,989.16	1,806,065.95	884,009.04

Savings Summary

PV of savings from cash flow	884,009.04
Plus: Refunding funds on hand	-16,870.66
Net PV Savings	867,138.38

SAVINGS

2017G Refunding (Mesa Unenhanced)

Date	Prior Debt Service	Prior Adjustments	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flow	Savings
07/01/2018	1,324,125.00	12,324.39	663,566.98	672,882.41	611,596.70	12,890.98	598,705.72	74,176.69
07/01/2019	1,327,625.00	12,110.64		1,339,735.64	1,216,681.26	24,425.00	1,192,256.26	147,479.38
07/01/2020	1,319,925.00	11,885.64		1,331,810.64	1,217,568.76	24,425.00	1,193,143.76	138,666.88
07/01/2021	1,321,625.00	11,649.39		1,333,274.39	1,213,118.76	24,425.00	1,188,693.76	144,580.63
07/01/2022	1,327,125.00	11,396.27		1,338,521.27	1,213,500.00	24,425.00	1,189,075.00	149,446.27
07/01/2023	1,326,125.00	11,126.27		1,337,251.27	1,216,700.00	24,425.00	1,192,275.00	144,976.27
07/01/2024	1,323,925.00	10,841.27		1,334,766.27	1,219,300.00	24,425.00	1,194,875.00	139,891.27
07/01/2025	1,325,525.00	10,539.39		1,336,064.39	1,216,300.00	24,425.00	1,191,875.00	144,189.39
07/01/2026	1,320,625.00	10,220.64		1,330,845.64	1,217,900.00	24,425.00	1,193,475.00	137,370.64
07/01/2027	1,319,525.00	9,885.02		1,329,410.02	1,213,900.00	24,425.00	1,189,475.00	139,935.02
07/01/2028	1,321,925.00	9,528.76		1,331,453.76	1,214,500.00	24,425.00	1,190,075.00	141,378.76
07/01/2029	1,322,525.00	9,150.00		1,331,675.00	1,215,750.00	24,425.00	1,191,325.00	140,350.00
07/01/2030	1,320,025.00	8,748.75		1,328,773.75	1,216,000.00	24,425.00	1,191,575.00	137,198.75
07/01/2031	1,325,650.00	8,321.25		1,333,971.25	1,215,250.00	24,425.00	1,190,825.00	143,146.25
07/01/2032	1,323,775.00	7,865.63		1,331,640.63	1,218,500.00	24,425.00	1,194,075.00	137,565.63
07/01/2033	1,324,712.50	7,381.88		1,332,094.38	1,215,500.00	24,425.00	1,191,075.00	141,019.38
07/01/2034	1,318,150.00	6,870.00		1,325,020.00	1,216,500.00	24,425.00	1,192,075.00	132,945.00
07/01/2035	1,322,650.00	6,326.26		1,328,976.26	1,221,250.00	24,425.00	1,196,825.00	132,151.26
07/01/2036	1,323,900.00	5,745.01		1,329,645.01	1,214,500.00	24,425.00	1,190,075.00	139,570.01
07/01/2037	1,321,900.00	5,126.25		1,327,026.25	1,211,750.00	24,425.00	1,187,325.00	139,701.25
07/01/2038	1,321,650.00	4,468.13		1,326,118.13	1,217,750.00	24,425.00	1,193,325.00	132,793.13
07/01/2039	1,322,825.00	3,766.89		1,326,591.89	1,217,000.00	24,425.00	1,192,575.00	134,016.89
07/01/2040	1,325,100.00	3,018.77		1,328,118.77	1,214,750.00	24,425.00	1,190,325.00	137,793.77
07/01/2041	1,323,150.00	2,221.89		1,325,371.89	1,216,000.00	24,425.00	1,191,575.00	133,796.89
07/01/2042	1,326,975.00	1,372.51		1,328,347.51	1,215,500.00	24,425.00	1,191,075.00	137,272.51
07/01/2043	1,325,925.00	466.88		1,326,391.88	1,218,250.00	24,425.00	1,193,825.00	132,566.88
07/01/2044					1,214,000.00	24,425.00	1,189,575.00	-1,189,575.00
07/01/2045					1,218,000.00	24,425.00	1,193,575.00	-1,193,575.00
07/01/2046					1,214,750.00	24,425.00	1,190,325.00	-1,190,325.00
07/01/2047					1,214,500.00	24,425.00	1,190,075.00	-1,190,075.00
07/01/2048					1,212,000.00	24,425.00	1,187,575.00	-1,187,575.00
07/01/2049					1,217,250.00	24,425.00	1,192,825.00	-1,192,825.00
07/01/2050					1,219,750.00	24,425.00	1,195,325.00	-1,195,325.00
07/01/2051					1,249,500.00	1,245,675.00	3,825.00	-3,825.00
	34,406,987.50	202,357.78	663,566.98	33,945,778.30	40,775,065.48	2,040,165.98	38,734,899.50	-4,789,121.20

Savings Summary

PV of savings from cash flow	-261,605.71
Plus: Refunding funds on hand	-314.51
Net PV Savings	-261,920.22

Notes:
* Prior Debt Service includes Phoenix IDA Annual Fee (7.5bps of outstanding principal)
* New DSRF assumes 2% annual earnings.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes: The Firm and its subsidiaries are exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, which requires entities to present debt issuance costs in the Statement of Financial Position as a direct deduction from the related debt liability rather than as an asset. The School adopted the standard during the year ended June 30, 2017, and applied the standard to the 2017 Statement of Financial Position by reclassifying $6,436,594 of debt issuance costs from long-term assets to long-term debt.

NOTE 3 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see Note 6). The tax and insurance funds shall be used to pay real property taxes and premiums for the required insurance policies. The debt service reserve funds shall be used if the Firm is unable to make payments when due. The project funds shall be used solely to complete construction on the new campuses. The bond funds shall be used to pay the interest coming due. The accounts are held by Bank of Arizona as trustee.

Restricted cash as of June 30, 2017 consisted of the following:

Debt service reserve funds	$ 15,584,611
Repair and replacement funds	414,035
Tax and insurance funds	90,504
Project funds	16,725,023
Bond funds	1,919,702
Total	$ 34,733,875

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Firm maintains its unrestricted cash with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, such cash may be in excess of FDIC insurance limits. The Firm has not experienced any losses in such accounts and management believes it is not exposed to any significant risks related to these accounts.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Firm and its subsidiaries are exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

NOTE 2 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see Note 5). The tax and insurance funds shall be used to pay real property taxes and premiums for the required insurance policies. The debt service reserve funds shall be used if the Firm is unable to make payments when due. The project funds shall be used to complete construction on the new campuses and furnishings and renovations to existing campuses. The bond funds shall be used to pay the interest coming due. The accounts are held by Bank of Arizona as trustee.

Restricted cash as of June 30, 2018 consisted of the following:

Debt service reserve funds	$ 22,903,245
Repair and replacement funds	48,377
Tax and insurance funds	2,729
Project funds	46,740,762
Bond funds	4,859,329
Total	$ 74,554,442

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Firm maintains its unrestricted cash and cash equivalents with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, such cash and cash equivalents may be in excess of FDIC insurance limits. The Firm has not experienced any losses in such accounts and management believes it is not exposed to any significant risks related to these accounts.

EXECUTION VERSION

ESCROW DEPOSIT AGREEMENT

between

BASIS CHARTER SCHOOLS, INC.,
as Borrower,

and

BOKF, NA,
as Escrow Agent

relating to:

$89,140,000
The Industrial Development Authority
of the City of Phoenix, Arizona
Education Facility Revenue Bonds
(BASIS Schools, Inc. Projects)
Series 2015A

Dated June 29, 2018

ESCROW DEPOSIT AGREEMENT

This Escrow Deposit Agreement is dated June 29, 2018 (this "Escrow Agreement"), and is between **BASIS CHARTER SCHOOLS, INC.** (formerly known as BASIS Schools, Inc.), an Arizona nonprofit corporation (the "Borrower"), and **BOKF, N.A.**, as Bond Trustee under the hereinafter-defined Bond Indenture and as escrow agent hereunder (the "Bond Trustee" or the "Escrow Agent").

W I T N E S S E T H:

WHEREAS, The Industrial Development Authority of the City of Phoenix, Arizona (the "Issuer") previously issued its $89,140,000 aggregate original principal amount of Education Facility Revenue Bonds (BASIS Schools, Inc. Projects), Series 2015A (the "Series 2015A Bonds") pursuant to the Bond Indenture, dated as of March 1, 2015 (the "Bond Indenture"), between the Issuer and the Bond Trustee and made a loan (the "Loan") of the proceeds of the Series 2015A Bonds to the Borrower pursuant to the Loan Agreement, dated as of March 1, 2015 (the "Loan Agreement"), between the Issuer and the Borrower; and

WHEREAS, the Borrower desires to prepay a portion of the Loan by depositing with the Escrow Agent moneys sufficient to pay all or a portion of the principal portion of the Loan payments coming due on July 15, 2018 through and including June 15, 2019 described on Exhibit A attached hereto and, in turn, prepay a portion of the principal of the Series 2015A Bonds due or subject to mandatory redemption on July 1, 2019 (the "Principal Being Prepaid"); and

WHEREAS, by the execution of this Escrow Agreement, the Borrower requests and directs the Escrow Agent to apply the moneys received by the Escrow Agent to pay the Loan payments and prepay the Principal Being Prepaid on the terms described herein; and

WHEREAS, in order to accomplish the foregoing, the sum of $1,600,000.00 shall be transferred to the Escrow Agent by the Borrower to be deposited in the Escrow Fund (hereinafter defined) and invested as provided herein; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Borrower and the Escrow Agent agree as follows:

Section 1. Definitions. As used herein, the term "Investment Obligations" means money market funds (including funds for which the Bond Trustee or any of its affiliates is an investment manager or advisor) registered under the Federal Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act, and which are rated in the highest rating category by S&P, Moody's or Fitch.

All other capitalized terms used and not otherwise defined herein shall have the same meaning given such terms in the Bond Indenture or Loan Agreement.

Section 2. Deposit of Moneys. Concurrently with the execution and delivery of this Escrow Agreement, the Borrower shall deposit with the Escrow Agent the aggregate sum of

$1,600,000.00, which the Escrow Agent shall invest in the following Investment Obligation: BAZ Short Term Cash Fund 1 (CUSIP JAO081820).

The cash and the Investment Obligations and any other amounts from time to time held by the Escrow Agent hereunder shall be held in irrevocable trust by the Escrow Agent separate and apart from other funds of the Borrower and the Bond Trustee and applied solely as provided in this Escrow Agreement.

Section 3. Establishment of Escrow Fund; Use and Investment of Moneys.

(a) The Escrow Agent shall establish a special escrow fund with respect to the Principal Being Prepaid (the "Escrow Fund") to be held by the Escrow Agent in irrevocable trust separate and apart from other funds of the Borrower and the Bond Trustee for the benefit of the holders of the Series 2015A Bonds related to the Principal Being Prepaid. Following redemption of the Series 2015A Bonds related to the Principal Being Prepaid on July 1, 2019, the Escrow Agent shall disburse any funds remaining in the Escrow Fund and not otherwise pledged to the payment of the Series 2015A Bonds related to the Principal Being Prepaid to the Borrower.

(b) The Escrow Agent acknowledges receipt of the moneys described in Section 2 hereof and agrees immediately to invest said moneys in the Escrow Fund in the Investment Obligation described in Section 2 hereof.

Section 4. Payment of Loan Payments and Series 2015A Bonds.

(a) ***Payment***. The Escrow Agent shall, no later than each date on which the Loan payments shall become due (as specified in Exhibit A hereto), liquidate the specified amount of the Investment Obligations and transfer such amounts from the Escrow Fund to the Bond Trustee, as paying agent for the Series 2015A Bonds, for deposit into the Bond Fund and use in accordance with the Bond Indenture.

(b) ***No Other Use***. Unless there shall be compliance with Section 9 of this Escrow Agreement, neither Investment Obligations nor moneys deposited in the Escrow Fund pursuant to this Escrow Agreement nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Loan payments and, in turn, deposits into the Bond Fund required to pay the principal of the Series 2015A Bonds related to the Principal Being Prepaid.

(c) ***Priority of Payments***. The holders of the Series 2015A Bonds related to the Principal Being Prepaid shall have a first lien on the moneys and Investment Obligations in the Escrow Fund until such moneys and Investment Obligations are used and applied as provided in this Escrow Agreement.

(d) ***Unclaimed Moneys***. Subject to applicable law, anything in the Bond Indenture or herein to the contrary notwithstanding, any moneys held by the Escrow Agent in the Escrow Fund which remain unclaimed for four years after July 1, 2019 shall, at the written request of the Borrower, be repaid by the Escrow Agent to the Borrower, as its absolute property and free from trust, and the Escrow Agent shall thereupon be released and discharged with respect thereto and the holders of such Series 2015A Bonds related to the Principal Being Prepaid shall look only to

the Borrower for the payment thereof, provided, however, that the Escrow Agent shall first comply with the notice requirements specified in the Bond Indenture.

Section 5. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein subject to the terms and conditions hereof and to the provisions of Article IX of the Bond Indenture.

Section 6. Indemnity. The Borrower hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) or whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Borrower or by any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Investment Obligations, the retention of the Investment Obligations or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Borrower shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's successors, assigns, agents, employees and servants or the breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Borrower or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Escrow Agreement and any assignment made by the Escrow Agent to a successor trustee pursuant to Section 18 hereof.

Section 7. Responsibilities of Escrow Agent. Neither the Escrow Agent nor its successors or assigns shall be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with (i) the execution and delivery of this Escrow Agreement; (ii) the creation of the Escrow Fund; (iii) the acceptance of the moneys or securities deposited therein; (iv) the purchase of the Investment Obligations; (v) the retention of the Investment Obligations or the proceeds thereof; (vi) the sufficiency of the Investment Obligations to accomplish the payment of the Principal Being Prepaid; or (vii) any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the Borrower, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Investment Obligations to accomplish the payment of the Principal Being Prepaid and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its negligence, misconduct or default, and the duties and obligations of the Escrow Agent shall be

determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a written certificate signed by an Authorized Representative of the Borrower.

Section 8. Amendments. This Escrow Agreement is made for the benefit of the Borrower and the holders from time to time of the Series 2015A Bonds related to the Principal Being Prepaid and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent and the Borrower; provided, however, that the Borrower and the Escrow Agent may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Series 2015A Bonds related to the Principal Being Prepaid, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 8, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Series 2015A Bonds related to the Principal Being Prepaid or that any instrument executed hereunder complies with the conditions and provisions of this Section 8.

Section 9. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of (i) the date upon which the Loan payments specified in Exhibit A hereto have been paid (and the related deposits into the Bond Fund for payment of the Series 2015A Bonds related to the Principal Being Prepaid have been made) in accordance with this Escrow Agreement; or (ii) the date on which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 4(d) of this Escrow Agreement. Any cash remaining in the Escrow Fund on or after the July 1, 2019 and not required for the prepayment of the Loan payments (and the related deposits to the Bond Fund for payment of the Series 2015A Bonds related to the Principal Being Prepaid) shall be paid to the Borrower free and clear of any trust, lien, pledge or assignment securing the Series 2015A Bonds related to the Principal Being Prepaid or otherwise existing under this Escrow Agreement.

Section 10. Compensation. The Borrower agrees to pay or cause to be paid the Escrow Agent's fees for services rendered under this Escrow Agreement from funds other than the Escrow Fund as agreed between the Borrower and the Escrow Agent. The Escrow Agent's acts hereunder shall constitute services rendered under the Bond Indenture for purposes of Article IX thereof; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement.

If the Escrow Agent shall resign as such prior to the termination of this Escrow Agreement, it shall refund to the Borrower a pro rata portion of the fees it received for such services.

Section 11. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Borrower or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 12. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 13. Governing Law. This Escrow Agreement shall be construed in accordance with the laws of the State.

Section 14. Days Other than Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions are authorized by law to close in the city in which the Escrow Agent is located, such payment may be made or act performed or right exercised on the next succeeding day with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

Section 15. Assignment. This Escrow Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the Borrower except that the right, title and interest of the Escrow Agent hereunder shall be assigned to, and its obligations hereunder shall be assumed by, any successor trustee appointed pursuant to the Bond Indenture, in which event the Escrow Agent shall be relieved of any further obligation hereunder.

[*Remainder of page intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers, as of the day and year first above written.

BASIS CHARTER SCHOOLS, INC. (formerly known as BASIS Schools, Inc.), as Borrower

By: Bill Driscoll
Name: Bill Driscoll
Its: COO

BOKF, NA, as Bond Trustee and Escrow Agent

By: _____
Name: Denyce Doubleday
Its: Vice President

[SIGNATURE PAGE TO ESCROW DEPOSIT AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers, as of the day and year first above written.

BASIS CHARTER SCHOOLS, INC. (formerly known as BASIS Schools, Inc.), as Borrower

By:_____
Name:_____
Its:_____

BOKF, NA, as Bond Trustee and Escrow Agent

By:_____
Name: Denyce Doubleday
Its: Vice President

[SIGNATURE PAGE TO ESCROW DEPOSIT AGREEMENT]

EXHIBIT A

LOAN PAYMENTS TO BE PAID

Loan Payment Date	Principal Payment Amount
07/15/18	$ 140,833.33
08/15/18	140,833.33
09/15/18	140,833.33
10/15/18	140,833.33
11/15/18	140,833.33
12/15/18	140,833.33
01/15/19	140,833.33
02/15/19	140,833.33
03/15/19	140,833.33
04/15/19	140,833.33
05/15/19	140,833.33
06/15/19	50,833.37[1]
Total Principal Prepayments	$1,600,000.00

[1] The total principal portion of the Loan payment due on June 15, 2019, is $140,833.37, of which $50,833.37 is being prepaid pursuant to this Escrow Agreement.

BASIS CHARTER SCHOOLS, INC.

SERIES 2015, 2016, 2017, and 2018 (BASIS Schools Projects)

DEBT SERVICE COVERAGE RATIO

Year Ended June 30, 2018

Covenants

Debt Service Coverage Ratio: The Obligated Group Representative shall deliver to the Master Trustee an Officer's Certificate, no later than six months after the close of each fiscal year, setting forth the Debt Service Coverage Ratio as of the end of any such Fiscal Year.

			Series 2015, 2016, 2017, 2018
Net income available for debt service:			
Pledged revenue		$	146,120,825
Interest earnings			267,431
Total operating expenses:	$ 153,006,802		
Net income (loss)	(6,618,546)		
Add: depreciation	7,187,212		
Add: amortization	745,634		
Add: new schools and growth expenses	1,396,049		
Add: repair and replacement	276,287		
Add: interest expense	13,717,481		
Add: unrealized gain/loss	612,898		
Subtotal			17,317,015
Total non-recurring expenses:	(5,015,513)		
Add back:			
Extraordinary items	-		
Gain/loss on extinguishment of debt	5,015,513		
Unrealized gain/loss	-		
Proceeds of new debt	-		
Proceeds of insurance policies	-		
Subtotal			-
Net income available for debt service:			17,317,015
	Year		
Fiscal year debt service requirement:	2017-2018	$	14,836,189
DEBT SERVICE COVERAGE RATIO:			1.17