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November 30, 2011

VIA COURIER

Mr. Julio Miranda, Assistant Chief Auditor  
Office of Management and Compliance Audits  
Miami-Dade School Board  
School Board Administration Building  
1450 NE 2<sup>nd</sup> Avenue, Suite 415  
Miami, Florida 33132

***Re: Lincoln-Marti Charter Schools, Inc.  
Independent Auditors' Reports Reflecting  
Elimination of Credit Guarantees***

Dear Mr. Miranda:

On behalf of Lincoln-Marti Charter Schools, Inc., I am pleased to report that the issue of the Schools guaranteeing the credit agreement with the bank has been resolved by eliminating the guarantee agreements.

The amended Independent Auditors Reports for each campus (Hialeah Campus, Little Havana Campus, and International Campus) indicate (in paragraph 7 of each audit, amended November 22, 2011:

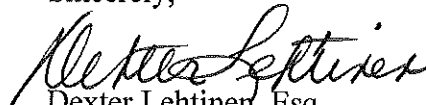
“On November 22, 2011, the bank released the School as one of the Corporate Guarantors under the term of the Credit Agreement with the bank.”

Copies of the Independent Auditors' Reports are enclosed with the hand-delivery form of this letter (eight copies each) and are attached to the e-mail form of this letter. For the paragraph 7 amendment, see page 23 of the Reports of the Hialeah and Little Havana and page 20 of the International Campus Report. The amendment date of November 22, 2011 is indicated on page 2 of each Report.

Letter to Mr. Miranda  
November 30, 2011  
Page 2

I trust that the elimination of the guarantees and these Independent Auditors' Reports reflecting such elimination are sufficient to resolve this inquiry. If I may be of further assistance, please contact me at any time.

Sincerely,

  
Dexter Lehtinen, Esq.

Enclosures

cc: Mr. Jon Goodman

MIAMI:562230.1



**GLSC & COMPANY, PLLC**  
certified public accountants

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of  
Lincoln-Marti Charter Schools, Inc.  
(Hialeah Campus Charter School)  
(A Component Unit of the School Board of Miami-Dade County)  
Miami, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of Lincoln-Marti Charter Schools, Inc. (Hialeah Campus Charter School) (the "School"), (a component unit of the School Board of Miami-Dade County), as of and for the fiscal years ended June 30, 2011 and 2010. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As explained in Note 1 to the special purpose financial statements, the financial statements being presented are only for the School referred to above, which is a Charter School of Lincoln-Marti Charter Schools, Inc. The special purpose financial statements do not include the statement of financial position, activities, and cash flows of Lincoln-Marti Charter Schools, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Lincoln-Marti Charter Schools, Inc. as of June 30, 2011 and 2010 and its changes in net assets and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2011 and 2010 and the changes in its financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2011 on our consideration of the School's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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To the Board of Directors and Officers of  
Lincoln-Marti Charter Schools, Inc.  
(Hialeah Campus Charter School)  
(A Component Unit of the School Board of Miami-Dade County)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 through 25 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As more fully explained in Note 7 subsequent to our report dated August 31, 2011, the bank released the School as one of the Corporate Guarantors under the term of the Credit Agreement with the bank.

*GLSC and Company PLLC*

August 31, 2011  
(Except Note 7, as to which  
the date is November 22, 2011)



**LINCOLN-MARTI CHARTER SCHOOLS, INC.**  
**(HIALEAH CAMPUS CHARTER SCHOOL)**  
**(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)**  
**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

**5. RELATED PARTY TRANSACTIONS (CONTINUED)**

***DP Real Estate Holdings, LLC***

During the fiscal years ended June 30, 2011 and 2010, lease expenses for the rental of the school property between DP and the School were \$744,000 and \$741,773, respectively, of which \$185,634 and \$233,333 were owed as of June 30, 2011 and 2010, respectively. (See note 4 Commitment and Contingencies).

***Lincoln-Marti Management Services***

During the years ended June 30, 2011 and 2010, the School incurred expenses under the term of the agreement for approximately \$153,000 and \$120,000, respectively. The fees were waived by the management company. (See note 4 Commitment and Contingencies).

**6. CURRENT VULNERABILITY DUE TO CONCENTRATION**

During fiscal year 2011, the School received most of its support from the Miami-Dade School Board. It is reasonably possible that in the near term these programs could decrease due to budget cuts at the School Board, which could affect the School and its ability to continue operations. The School has considered this possibility and would seek other funding sources to continue its operations if such circumstances were to occur.

**7. SUBSEQUENT EVENT**

In our report dated August 31, 2011, management disclosed under Note 5 Commitments and Contingencies a Credit Agreement. This note stated that the School together with other companies, which are affiliated directly or indirectly (collectively referred to as "affiliated companies"), entered in a Corporate Guarantee Agreement where the affiliated companies irrevocably and unconditionally guarantee the full payment and performance of all the guarantees and obligations as a primary obligor in case of nonperformance by the Borrowers (DP Real Estate Holdings, LLC and other limited liability companies) under the term of the Credit Agreement with the bank.

On November 22, 2011, the bank released the School as one of the Corporate Guarantors under the term of the Credit Agreement with the bank.



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of  
Lincoln-Martí Charter Schools, Inc.  
(International Campus Charter School)  
(A Component Unit of the School Board of Miami-Dade County)  
Miami, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of Lincoln-Martí Charter Schools, Inc. (International Campus Charter School) (the "School"), (a component unit of the School Board of Miami-Dade County), as of June 30, 2011 for the period from July 15<sup>th</sup> 2010 (Inception) through June 30, 2011. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

As explained in Note 1 to the special purpose financial statements, the financial statements being presented are only for the School referred to above, which is a Charter School of Lincoln-Martí Charter Schools, Inc. The special purpose financial statements do not include the statement of financial position, activities, and cash flows of Lincoln-Martí Charter Schools, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Lincoln-Martí Charter Schools, Inc. as of June 30, 2011 and its changes in net assets and cash flows for the period from July 15<sup>th</sup> 2010 (Inception) through June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2011 and the changes in its financial position thereof for the period from July 15<sup>th</sup> 2010 (Inception) through June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2011 on our consideration of the School's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results or our audit.

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To the Board of Directors and Officers of  
Lincoln-Marti Charter Schools, Inc.  
(International Campus Charter School)  
(A Component Unit of the School Board of Miami-Dade County)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 21 through 22 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As more fully explained in Note 7 subsequent to our report dated August 31, 2011, the bank released the School as one of the Corporate Guarantors under the term of the Credit Agreement with the bank.

*GLSC and Company PLLC*

August 31, 2011  
(Except Note 7, as to which  
the date is November 22, 2011)



**LINCOLN-MARTI CHARTER SCHOOLS, INC.**  
**(INTERNATIONAL CAMPUS CHARTER SCHOOL)**  
**(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)**  
**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

**5. RELATED PARTY TRANSACTIONS (CONTINUED)**

***School Board***

Pursuant to the Charter School Agreement with the School Board, the School Board is paid an administrative fee of five percent (5%) of the qualifying revenues of the School. Administrative expenses during the period from July 15, 2010 (Inception) through June 30, 2011 were approximately \$49,160. Pursuant to the Charter School Agreement with the School Board, the School receives from the School Board an FTE for each full-time equivalent student enrolled. There were 107 full time students enrolled during the period from July 15, 2010 (Inception) through June 30, 2011. The School also receives other allowances based upon students enrolled.

***Lincoln-Martí Community Agency, Inc.***

During period ended June 30, 2011, Lincoln-Martí Community Agency, Inc. made contributions of approximately \$60,000 to help with the cash flows of the School.

***Lincoln-Martí Charter Schools, Inc (Little Havana Charter School)***

During period ended June 30, 2011, Lincoln-Martí Charter Schools, Inc. (Little Havana Campus Charter Schools) advanced approximately \$52,780 to provide cash flows for the School and the amount was repaid during the period ended June 30, 2011. These amounts were unsecured non-interest bearing and due on demand.

***Lincoln-Martí Management Services***

During the year ended June 30, 2011 the School incurred expenses under the term of the agreement for approximately \$49,750, all of which was owed at June 30, 2011.

**6. CURRENT VULNERABILITY DUE TO CONCENTRATION**

During fiscal year 2011, the School received most of its support from the Miami-Dade School Board. It is reasonably possible that in the near term these programs could decrease due to budget cuts at the School Board, which could affect the School and its ability to continue operations. The School has considered this possibility and would seek other funding sources to continue its operations if such circumstances were to occur.

**7. SUBSEQUENT EVENT**

In our report dated August 31, 2011, management disclosed under Note 5 Commitments and Contingencies a Credit Agreement. This note stated that the School together with other companies, which are affiliated directly or indirectly (collectively referred to as "affiliated companies"), entered in a Corporate Guarantee Agreement where the affiliated companies irrevocably and unconditionally guarantee the full payment and performance of all the guarantees and obligations as a primary obligor in case of nonperformance by the Borrowers (DP Real Estate Holdings, LLC and other limited liability companies) under the term of the Credit Agreement with the bank.

On November 22, 2011, the bank released the School as one of the Corporate Guarantors under the term of the Credit Agreement with the bank.





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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of  
Lincoln-Marti Charter Schools, Inc.  
(Little Havana Campus Charter School)  
(A Component Unit of the School Board of Miami-Dade County)  
Miami, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of Lincoln-Marti Charter Schools, Inc. (Little Havana Campus Charter School) (the "School"), (a component unit of the School Board of Miami-Dade County), as of and for the fiscal years ended June 30, 2011 and 2010. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 1 to the special purpose financial statements, the financial statements being presented are only for the School referred to above, which is a Charter School of Lincoln-Marti Charter Schools, Inc. The special purpose financial statements do not include the statement of financial position, activities, and cash flows of Lincoln-Marti Charter Schools, Inc. (a nonprofit organization). Accordingly, the accompanying special purpose financial statements are not intended to present the financial position of Lincoln-Marti Charter Schools, Inc. as of June 30, 2011 and 2010 or its changes in net assets and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2011 and 2010 and the respective changes in its financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2011 on our consideration of the School's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors and Officers of  
Lincoln-Martí Charter Schools, Inc.  
(Little Havana Campus Charter School)  
(A Component Unit of the School Board of Miami-Dade County)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 to 25 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As more fully explained in Note 7 subsequent to our report dated August 31, 2011, the bank released the School as one of the Corporate Guarantors under the term of the Credit Agreement with the bank.

*GLSC and Company PLLC*

August 31, 2011  
(Except Note 7, as to which  
the date is November 22, 2011)



**LINCOLN-MARTI CHARTER SCHOOLS, INC.**  
**(LITTLE HAVANA CAMPUS CHARTER SCHOOL)**  
**(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)**  
**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

**7. SUBSEQUENT EVENT**

In our report dated August 31, 2011, management disclosed under Note 5 Commitments and Contingencies a Credit Agreement. This note stated that the School together with other companies, which are affiliated directly or indirectly (collectively referred to as "affiliated companies"), entered in a Corporate Guarantee Agreement where the affiliated companies irrevocably and unconditionally guarantee the full payment and performance of all the guarantees and obligations as a primary obligor in case of nonperformance by the Borrowers (DP Real Estate Holdings, LLC and other limited liability companies) under the term of the Credit Agreement with the bank.

On November 22, 2011, the bank released the School as one of the Corporate Guarantors under the term of the Credit Agreement with the bank.

PARTIAL RELEASE AND REAFFIRMATION OF GUARANTY AGREEMENTS  
(Credit Facility)

MANAGEMENT AND  
COMPLIANCE AUDITS  
2011 DEC -6 AM 10:35

THIS PARTIAL RELEASE AND REAFFIRMATION OF GUARANTY AGREEMENTS (this "Release and Reaffirmation"), is made and entered into as of the 22<sup>nd</sup> day of November, 2011, by and among DEMETRIO PEREZ, JR. (the "Individual Guarantor"), LINCOLN-MARTI COMMUNITY AGENCY, INC., a Florida not-for-profit corporation ("LMCA"), LINCOLN-MARTI SCHOOLS, L.L.C., a Florida limited liability company ("LMS") and LINCOLN-MARTI MANAGEMENT SERVICES, L.L.C., a Florida limited liability company ("LMMS" and, together with the Individual Guarantor, LMCA and LMS, the "Guarantors"), and REGIONS BANK, an Alabama banking corporation (the "Lender").

WITNESSETH:

WHEREAS, the Lender has made certain loans (the "Loans") to (i) DP Real Estate Holdings, L.L.C., 860 SW 143rd Avenue, L.L.C., 2217 Normandy Dr, L.L.C., 1700 Jefferson Ave, L.L.C., 14 W 45th Pl, L.L.C. and 28801 SW 152nd Avenue, L.L.C., each a Florida limited liability company (collectively, the "Original Borrowers") pursuant to that certain Credit Agreement, dated as of September 22, 2008, as amended by that certain First Amendment to Credit Agreement, dated as of October 31, 2008, as further amended by that certain Second Amendment to Credit Agreement, dated as of August 3, 2010 and as further amended by that certain Third Amendment to Credit Agreement, dated as of the date hereof, by and among the Lender and the Original Borrowers and (ii) LMCA and LMS (the "Revolving Loan Borrowers"; and, together with the Original Borrowers, the "Borrowers") pursuant to that certain Business Loan Agreement, dated as of July 7, 2011, by and among Lender and Revolving Loan Borrowers;

WHEREAS, the Loans are guaranteed pursuant to the terms of (i) Amended and Restated Guaranty Agreement, dated as of August 3, 2010 (the "Amended Guaranty"), by and between the Individual Guarantor, LMCA and LMS in favor of the Lender, (ii) Guaranty Agreement, dated as of August 3, 2010 (the "Additional Guaranty") by and between LINCOLN-MARTI CHARTER SCHOOLS, INC., a Florida not-for-profit corporation ("LMCS") and LMMS in favor of the Lender and (iii) Reaffirmation of Guaranty Agreements, dated as of July \_\_, 2011 (the "Reaffirmation of Guaranty"; and, together with the Amended Guaranty and the Additional Guaranty, the "Guarantees"), by and between Guarantors and LMCS in favor of Lender;

WHEREAS, in connection with its approval of the operation of the charter schools located on a portion of the properties owned by the Original Borrowers, Miami-Dade County Public Schools is requiring the termination of LMCS as a guarantor under the Additional Guaranty;

WHEREAS, Lender has agreed to release LMCS from the Additional Guaranty pursuant to this Release and Reaffirmation.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Guarantors do hereby covenant and agree as follows:

1. Lender hereby releases LMCS from any and all obligations under the Additional Guaranty.
2. Section 9.1(a) of the Additional Guaranty is hereby deleted in its entirety and replaced with the following:

(a) Guarantors' Quarterly Financial Statements. As soon as available and, in any event within sixty (60) days after the close of each quarterly accounting period in each fiscal year of the Guarantors, consolidated CPA-prepared compilations as at the end of such quarterly accounting period and the related consolidated statements of income and retained earnings and statement of cash flows for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, in each case setting forth comparative figures for the corresponding quarterly accounting period in the prior fiscal year, all of which shall be certified, by a CPA, together with a report of such CPA stating that in the course of preparing the financial statements required under this Section 9.1(a), such CPA obtained no knowledge of any Default or an Event of Default relating to financial or accounting matters which has occurred and is continuing or, if in the opinion of such CPA such a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof.

3. The information covenants and requirements under Sections 9.1(b) of the Additional Guaranty shall hereinafter apply to the LMMS. For purposes of clarification, LMMS will be required to provide consolidated CPA-prepared annual audited financial statements required by such section pursuant to the terms and requirements thereof.

4. The Guarantors hereby acknowledge and consent to the release of LMCS from any and all obligations under the Additional Guaranty.

5. The Guarantors hereby agree that all of the terms and provisions of the Guarantees, except as modified hereby, are hereby ratified and reaffirmed, and the Guarantors hereby acknowledge the validity and enforceability thereof.

6. The Guarantors hereby represent and warrant that there are no uncured defaults on the part of any party under the Guarantees and no event has occurred which, with notice and/or lapse of time, would cause such a default to occur.

7. Whenever in this Release and Reaffirmation one of the parties hereto is named or referred to, the heirs, legal representatives, successors and assigns of such parties will be included, and all covenants and agreements contained in this Release and Reaffirmation by or on behalf of the Guarantors or by or on behalf of the Lender will bind and inure to the benefit of their respective heirs, legal representatives, successors and assigns, whether so expressed or not. If fulfillment of any provision hereof or any transaction related hereto at the time performance on such provisions is due, involves transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled will be reduced to the limit of such validity; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Release and Reaffirmation in whole or in part, then such clause or provision only will be held for naught as though not contained herein, and the remainder of this Release and Reaffirmation will remain operative and in full force and effect. Neither this Release and Reaffirmation nor any provision hereof may be changed, waived, discharged or terminated orally, but only by instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. This Release and Reaffirmation will be governed by and construed according to the laws of the State of Florida. This Release and Reaffirmation may be executed in any number of counterparts, each of which will be an original but all of which together shall constitute one agreement. In the event of any conflict between the terms of the Guarantees and this Release and Reaffirmation, the terms of this Release and Reaffirmation will control and govern in all respects. Except as expressly modified hereby, all other terms and provisions of the Guarantees shall remain unchanged and in full force and effect.

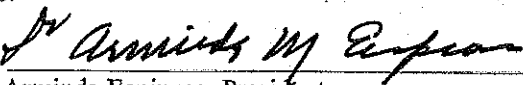
[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Guarantors and Lender have executed this Release and Reaffirmation as of the date first above written.

LINCOLN-MARTI SCHOOLS, L.L.C.

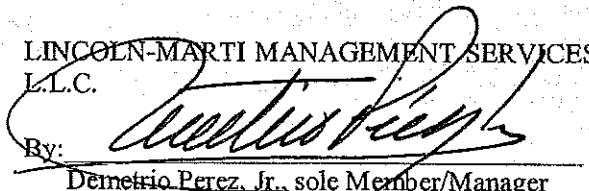
By:   
Demetrio Perez, Jr., sole Member/Manager

LINCOLN-MARTI COMMUNITY AGENCY,  
INC.

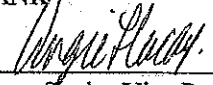
By:   
Arminda Espinosa, President

  
DEMETRIO PEREZ, JR.

LINCOLN-MARTI MANAGEMENT SERVICES,  
L.L.C.

By:   
Demetrio Perez, Jr., sole Member/Manager

REGIONS BANK

By:   
Angie Elaca, Senior Vice President

By:   
Oscar Herrera, Vice President

PARTIAL RELEASE AND REAFFIRMATION OF GUARANTY AGREEMENT  
(Revolving Loan) 2011 DEC 6 AM 10:35

THIS PARTIAL RELEASE AND REAFFIRMATION OF GUARANTY AGREEMENTS (this "Release and Reaffirmation"), is made and entered into as of the 22<sup>nd</sup> day of November, 2011, by and among DEMETRIO PEREZ, JR. (the "Individual Guarantor") and DP REAL ESTATE HOLDINGS, L.L.C., 860 SW 143RD AVENUE, L.L.C., 2217 NORMANDY DR, L.L.C., 1700 JEFFERSON AVE, L.L.C., 14 W 45TH PL, and 28801 SW 152ND AVENUE, L.L.C., each, a Florida limited liability company (collectively, the "Borrower Guarantors"; and, together with the Individual Guarantor, the "Guarantors") and REGIONS BANK, an Alabama banking corporation (the "Lender").

WITNESSETH:

WHEREAS, the Lender has made a revolving loan in the maximum principal amount of \$950,000 (the "Loan") to Lincoln-Marti Schools, L.L.C., a Florida limited liability company, and Lincoln-Marti Community Agency, Inc, a Florida not-for-profit corporation (collectively, the "Borrowers") pursuant to the terms of a Business Loan Agreement, dated as of July 7, 2011 (the "Loan Agreement"), between the Borrowers and the Lender and evidenced by a Promissory Note, dated as of July 7, 2011 (the "Note" and, together with the Loan Agreement and other agreements evidencing and securing the Loan, the "Loan Documents"), from the Borrowers in favor of the Lender;

WHEREAS, the Loan is guaranteed pursuant the terms of that certain Guaranty Agreement, dated as of July 7, 2011, by and among the Guarantors and LINCOLN-MARTI CHARTER SCHOOLS, INC., a Florida not-for-profit corporation ("LMCS") in favor of Lender (the "Guaranty");

WHEREAS, in connection with its approval of the operation of the charter schools located on a portion of the properties owned by the Borrower Guarantors, Miami-Dade County Public Schools is requiring the termination of LMCS as a guarantor under the Guaranty; and

WHEREAS, Lender has agreed to release LMCS from the terms of the Guaranty pursuant to this Release and Reaffirmation.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties do hereby covenant and agree as follows:

1. Lender hereby releases LMCS from any and all obligations under the Guaranty.
2. The Guarantors hereby acknowledge and consent to the release of LMCS from any and all obligations under the Guaranty.
3. The Guarantors hereby agree that all of the terms and provisions of the Guaranty, as modified hereby, are hereby ratified and reaffirmed, and the Guarantors hereby acknowledge the validity and enforceability thereof.
4. The Guarantors hereby represent and warrant that there are no uncured defaults on the part of any party under the Guaranty and no event has occurred which, with notice and/or lapse of time, would cause such a default to occur.
5. Whenever in this Release and Reaffirmation one of the parties hereto is named or referred to, the heirs, legal representatives, successors and assigns of such parties will be included, and



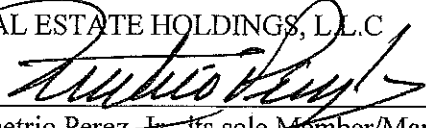
all covenants and agreements contained in this Release and Reaffirmation by or on behalf of the Guarantors or by or on behalf of the Lender will bind and inure to the benefit of their respective heirs, legal representatives, successors and assigns, whether so expressed or not. If fulfillment of any provision hereof or any transaction related hereto at the time performance on such provisions is due, involves transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled will be reduced to the limit of such validity; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Release and Reaffirmation in whole or in part, then such clause or provision only will be held for naught as though not contained herein, and the remainder of this Release and Reaffirmation will remain operative and in full force and effect. Neither this Release and Reaffirmation nor any provision hereof may be changed, waived, discharged or terminated orally, but only by instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. This Release and Reaffirmation will be governed by and construed according to the laws of the State of Florida. This Release and Reaffirmation may be executed in any number of counterparts, each of which will be an original but all of which together shall constitute one agreement. In the event of any conflict between the terms of the Guaranty and this Release and Reaffirmation, the terms of this Release and Reaffirmation will control and govern in all respects. Except as expressly modified hereby, all other terms and provisions of the Guaranty shall remain unchanged and in full force and effect.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each Guarantor and Lender have caused this Release and Reaffirmation to be executed to be effective as of the date first above written.

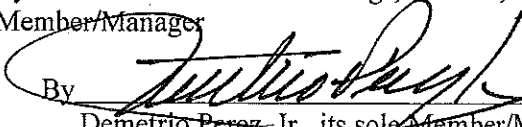
GUARANTORS:

DP REAL ESTATE HOLDINGS, L.L.C

By   
Demetrio Perez, Jr., its sole Member/Manager

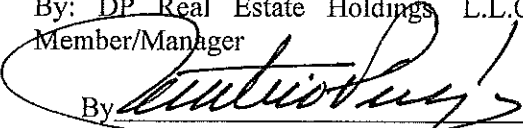
860 SW 143RD AVENUE, L.L.C.

By: DP Real Estate Holdings, L.L.C., its sole Member/Manager

By   
Demetrio Perez, Jr., its sole Member/Manager

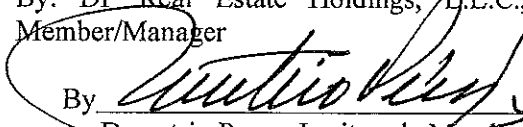
2217 NORMANDY DR, L.L.C.

By: DP Real Estate Holdings, L.L.C., its sole Member/Manager

By   
Demetrio Perez, Jr., its sole Member/Manager

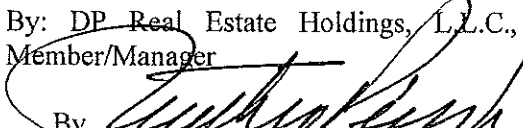
1700 JEFFERSON AVE, L.L.C.

By: DP Real Estate Holdings, L.L.C., its sole Member/Manager

By   
Demetrio Perez, Jr., its sole Member/Manager

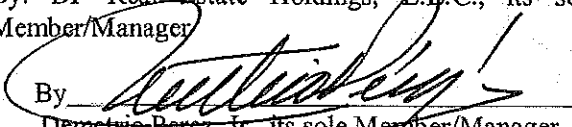
14 W 45TH PL, L.L.C.

By: DP Real Estate Holdings, L.L.C., its sole Member/Manager

By   
Demetrio Perez, Jr., its sole Member/Manager

28801 SW 152ND AVENUE, L.L.C.

By: DP Real Estate Holdings, L.L.C., its sole Member/Manager

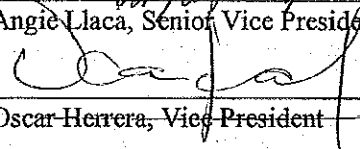
By   
Demetrio Perez, Jr., its sole Member/Manager

  
DEMETRIO PEREZ, JR.

LENDER:

REGIONS BANK

By:   
Angie Llaca, Senior Vice President

By:   
Oscar Herrera, Vice President

MANAGEMENT AND  
COMPLIANCE AUDITS  
NOV 10 2011 10:38 AM

**PARTIAL RELEASE AND REAFFIRMATION OF ENVIRONMENTAL CERTIFICATION  
AND INDEMNITY GUARANTORS AGREEMENT**

THIS PARTIAL RELEASE AND REAFFIRMATION OF ENVIRONMENTAL CERTIFICATE AND INDEMNITY AGREEMENT (this "Release and Reaffirmation") is made as of November 22, 2011, by the undersigned, DP REAL ESTATE HOLDINGS, L.L.C., a Florida limited liability company (the "Borrower"), LINCOLN-MARTI MANAGEMENT SERVICES, LLC, a Florida limited liability company ("LMMS"), LINCOLN-MARTI SCHOOLS, L.L.C., a Florida limited liability company ("LMS"), LINCOLN-MARTI COMMUNITY AGENCY, INC., a Florida not-for-profit corporation ("LMCA") and DEMETRIO PEREZ, JR. ("Mr. Perez," and together with the Borrower, LMMS, LMS and LMCA, the "Indemnitors") and REGIONS BANK, an Alabama banking corporation (the "Lender").

WITNESSETH:

WHEREAS, the Lender has made certain loans (the "Loans") to (i) DP Real Estate Holdings, L.L.C., 860 SW 143rd Avenue, L.L.C., 2217 Normandy Dr, L.L.C., 1700 Jefferson Ave, L.L.C., 14 W 45th Pl, L.L.C. and 28801 SW 152nd Avenue, L.L.C., each a Florida limited liability company (collectively, the "Original Borrowers") pursuant to that certain Credit Agreement, dated as of September 22, 2008, as amended by that certain First Amendment to Credit Agreement, dated as of October 31, 2008, as further amended by that certain Second Amendment to Credit Agreement, dated as of August 3, 2010 and as further amended by that certain Third Amendment to Credit Agreement, dated as of the date hereof, by and among the Lender and the Original Borrowers and (ii) LMCA and LMS (the "Revolving Loan Borrowers"; and, together with the Original Borrowers, the "Borrowers") pursuant to that certain Business Loan Agreement, dated as of July 7, 2011, by and among Lender and Revolving Loan Borrowers;

WHEREAS, in connection with the Loans, Indemnitors and LINCOLN-MARTI CHARTER SCHOOLS, INC., a Florida not-for-profit corporation ("LMCS") entered into that certain Environmental Certification and Indemnity Guarantors Agreement, dated as of August 3, 2010 in favor of Lender (the "Environmental Indemnity");

WHEREAS, in connection with its approval of the operation of the charter schools located on a portion of the properties owned by the Borrowers, Miami-Dade County Public Schools is requiring the termination of LMCS as a party to the Environmental Indemnity; and

WHEREAS, Lender has agreed to release LMCS from the terms of the Environmental Indemnity pursuant to this Release and Reaffirmation.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties do hereby covenant and agree as follows:

1. Lender hereby releases LMCS from any and all obligations under the Environmental Indemnity.
2. The Indemnitors hereby acknowledge and consent to the release of LMCS from any and all obligations under the Environmental Indemnity.

3. The Indemnitors hereby agree that all of the terms and provisions of the Environmental Indemnity, except as modified hereby, are hereby ratified and reaffirmed, and the Indemnitors hereby acknowledge the validity and enforceability thereof.

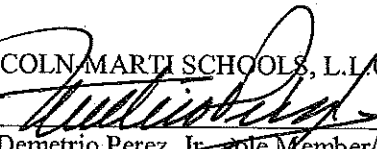
4. The Indemnitors hereby represent and warrant that there are no uncured defaults on the part of any party under the Environmental Indemnity and no event has occurred which, with notice and/or lapse of time, would cause such a default to occur.

5. Whenever in this Release and Reaffirmation one of the parties hereto is named or referred to, the heirs, legal representatives, successors and assigns of such parties will be included, and all covenants and agreements contained in this Release and Reaffirmation by or on behalf of the Indemnitors or by or on behalf of the Lender will bind and inure to the benefit of their respective heirs, legal representatives, successors and assigns, whether so expressed or not. If fulfillment of any provision hereof or any transaction related hereto at the time performance on such provisions is due, involves transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled will be reduced to the limit of such validity; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Release and Reaffirmation in whole or in part, then such clause or provision only will be held for naught as though not contained herein, and the remainder of this Release and Reaffirmation will remain operative and in full force and effect. Neither this Release and Reaffirmation nor any provision hereof may be changed, waived, discharged or terminated orally, but only by instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. This Release and Reaffirmation will be governed by and construed according to the laws of the State of Florida. This Release and Reaffirmation may be executed in any number of counterparts, each of which will be an original but all of which together shall constitute one agreement. In the event of any conflict between the terms of the Environmental Indemnity and this Release and Reaffirmation, the terms of this Release and Reaffirmation will control and govern in all respects. Except as expressly modified hereby, all other terms and provisions of the Environmental Indemnity shall remain unchanged and in full force and effect.

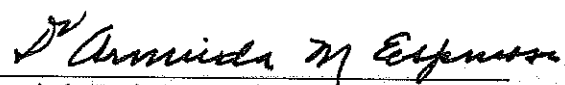
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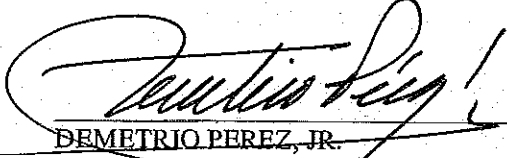
IN WITNESS WHEREOF, the Indemnitors and Lender have executed this Release and Reaffirmation as of the date first above written.

LINCOLN MARTI SCHOOLS, L.L.C.


By:   
Demetrio Perez, Jr., sole Member/Manager

LINCOLN-MARTI COMMUNITY AGENCY,  
INC.

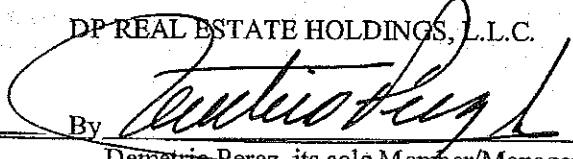
By:   
Arminda Espinosa, President

  
DEMETRIO PEREZ, JR.

LINCOLN-MARTI MANAGEMENT SERVICES,  
L.L.C.

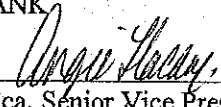
By:   
Demetrio Perez, Jr., sole Member/Manager

DP REAL ESTATE HOLDINGS, L.L.C.

By:   
Demetrio Perez, its sole Member/Manager

LENDER

REGIONS BANK

By:   
Angie Llaca, Senior Vice President

By:   
Oscar Herrera, Vice President

**MINUTES OF  
A MEETING OF THE  
BOARD OF DIRECTORS  
OF  
LINCOLN-MARTI CHARTER SCHOOLS, INC.**

A meeting of the Directors of the above non-profit corporation was held on July 29, 2010 at 11:00 a.m.

The purpose of the meeting was to review the operations of the Lincoln-Marti Charter Schools.

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**1. Quorum**

A quorum was declared present based on the presence of the following Directors: Martin Anorga, Cruz Rodriguez (via telephone), and Gil Beltran.

**2. Approval of Minutes**

A motion was made by Cruz Rodriguez to accept the minutes of the meeting for July 15, 2010. Seconded by Gil Beltran. Passed unanimously.

**3. New Business**

a. Ratification of International Campus Lease Agreement

- i. Martin Añorga reported on the facility that was located for the International Campus in Florida City. The facility was the site of the Rise Academy Charter School during the 2009-2010 school year. However, the Miami-Dade School District revoked that school's charter. Demetrio Perez stated that he had a conversation with a school district representative who suggested the property as a possible site because the landlord was left without a tenant and parents in the area were also left without a school for their children. As a result, the management company inquired with the landlord on behalf of the school. Because of the pressing need to enter the premises and begin remodeling the facility to make it suitable for use by the International Campus, Mr. Anorga stated that he executed the lease pending ratification by the Governing Board. There was a discussion of the terms of the lease. Gil Beltran made a motion to ratify the execution of the lease for the International Campus. Cruz Rodriguez seconded the motion. The motion passed unanimously.

b. Proposed loan guaranty for Hialeah campus facility

- i. Mr. Añorga stated that he was approached by the landlord of the Hialeah Campus regarding a request to serve as a guarantor of the property on a financing loan that the landlord was going to enter into. As guarantor, the school would be liable for the loan payments should the landlord default on its commitment to the bank. There was a discussion regarding the terms and obligations under the guarantee. The benefits of the transaction to the school were discussed because the property owner who is not the landlord wants to sell the property to the

school's landlord. This financing transaction would allow the landlord to remain the same and for the school to continue on the site without the uncertainty of a new property owner. The possibility of buying the property by the school was discussed but it was stated that it is difficult to obtain financing for the school because it is only in its second year of operation, it is expected to have a "D" based on calculations of the FCAT grade and that could lead to a revocation of its charter, and there is a clause in its contract with the school board that states that if the school's charter is revoked, the school board will not be responsible for the school's debts. The terms of the guaranty were discussed. As part of the guaranty, the Board would sign a resolution authorizing the transaction. The Board reviewed the guaranty and the consensus of the members was that it was in the organization's best interest to enter into the guaranty. Gil Beltran made a motion to execute the resolution and authorize the president of the board to execute the guaranty that will be presented on the closing of the proposed loan naming the corporation as a guarantor. Cruz Rodriguez seconded the motion. The motion passed unanimously.

c. Adoption of 2010-2011 Budget

- i. Mr. Beltran presented the proposed budget for the 2010-2011 fiscal year, incorporating the FTE funding amounts announced by the Florida Department of Education. The budget was discussed and reviewed. Cruz Rodriguez made a motion to accept the budget as presented, Gil Beltran seconded the motion. The motion passed unanimously.

**4. Next Meeting**

The next meeting of the Board of Directors will be held on Thursday August 26, 2010, at 11:00 a.m., at 2700 SW 8<sup>th</sup> Street, Miami, Florida 33135.

There being no further business, the meeting was duly adjourned.



## GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty") is made and entered into as of August 2<sup>nd</sup>, 2010, by LINCOLN-MARTI CHARTER SCHOOLS, INC., a Florida not-for-profit corporation ("LMCS") and LINCOLN-MARTI MANAGEMENT SERVICES, L.L.C., a Florida limited liability company ("LMMS;" and together with LMCS, the "Guarantors"), in favor of REGIONS BANK, an Alabama banking corporation (the "Lender").

### PRELIMINARY STATEMENT:

A. DP REAL ESTATE HOLDINGS, L.L.C., a Florida limited liability company ("DPRE"), 860 SW 143RD AVENUE, L.L.C., a Florida limited liability company ("860"), 2217 NORMANDY DR, L.L.C., a Florida limited liability company ("2217"), 1700 JEFFERSON AVE, L.L.C., a Florida limited liability company ("1700"), and 14 W 45TH PL, L.L.C., a Florida limited liability company ("14;" and together with DPRE, 860, 2217 and 1700, the "Original Borrower"), as borrowers, and Lender, as lender, previously entered into that certain Credit Agreement dated September 22, 2008 (the "Original Credit Agreement"), which was amended by that certain First Amendment to Credit Agreement dated October 31, 2008 by and among the Original Borrowers and 28801 SW 152ND AVENUE, L.L.C., a Florida limited liability company ("28801;" and together with the Original Borrowers, the "Borrowers"), as borrowers, and the Lender, as lender (the "First Amendment;" and together with the Original Credit Agreement, the "Prior Agreement"), pursuant to which the Lender made certain loans in the aggregate principal amount of \$17,400,000.00 (the "Original Loans") to the Borrowers.

B. The Original Loans were guaranteed by Demetrio Perez, Jr., Lincoln-Marti Community Agency, Inc., a Florida not-for-profit corporation, and Lincoln-Marti Schools, L.L.C., a Florida limited liability company (collectively, the "Original Guarantors"), pursuant to that certain Amended and Restated Guaranty Agreement dated as of October 31, 2008 (the "Original Guaranty").

C. The Borrowers have requested that the Lender also make a Tranche A Loan and a Tranche B Loan (collectively, the "Charter School Loan;" and together with the Original Loans, the "Loans") to DPRE, pursuant to the terms of the Original Credit Agreement, as amended by Second Amendment to Credit Agreement dated as of the date hereof (the "Second Amendment;" and together with the Original Credit Agreement, the "Credit Agreement"). All capitalized terms used herein not otherwise defined shall have the meaning provided thereto in the Credit Agreement.

D. Simultaneously herewith, the Original Guarantors are delivering to the Lender an amended and restated guaranty, guaranteeing the Borrowers' obligations under the Original Loans and the Charter School Loan.

E. As a condition of the Lender's willingness to make the Charter School Loan, the Lender has also required that the Guarantors to enter into this Guaranty.

F. The Guarantors are direct or indirect owners of the Borrowers or otherwise affiliated with a direct or indirect owner of the Borrowers and will receive a significant economic benefit from the making of the Charter School Loan and desire to execute this Guaranty in order to satisfy the condition described in the immediately preceding paragraph and to induce Lender to make the Charter School Loan to DPRE.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, each Guarantor does hereby covenant and agree with the Lender, as follows:

Section 1. Guaranty.

1.1 Each Guarantor irrevocably, absolutely and unconditionally, and jointly and severally with each other Guarantor, guarantees to the Lender, and its successors and assigns, the full and prompt payment and performance of all of the Guaranteed Obligations (as hereinafter defined) as and when the same shall be due, whether by lapse of time, acceleration of maturity or otherwise. Each Guarantor hereby irrevocably and unconditionally covenants and agrees that it is liable for all of the Guaranteed Obligations as a primary obligor and not merely as surety. As used herein, the term "Guaranteed Obligations" means the following:

(a) the full and prompt payment when due (whether at the stated maturity, by required prepayment, declaration, acceleration, demand or otherwise) of (i) the principal of and interest on the Notes issued by the Borrowers (including the Tranche A Note and the Tranche B Note) and (ii) all other Obligations (including, without limitation, obligations due), liabilities and indebtedness owing by the Borrowers to the Lender under each of the Credit Documents to which the Borrowers are party (including, without limitation, indemnities, fees and interest thereon (including, without limitation, any interest accruing after the commencement of any bankruptcy, insolvency, receivership or similar proceeding at the rate provided for in the Credit Agreement, whether or not such interest is an allowed claim in any such proceeding)), whether now existing or hereafter incurred under, arising out of or in connection with each such Credit Document and the due performance and compliance by the Borrowers with all of the terms, conditions, covenants and agreements contained in all such Credit Documents, and all renewals, refinancings, replacements, extensions, future advances and/or modifications thereof; and

(b) Any and all losses, damages, costs, expenses, liabilities, claims and other obligations incurred by the Lender (including, without limitation, attorney's fees and costs), which arise by reason of (1) the granting of the Mortgage securing the Charter School Loan by DPRE to the Lender being deemed a fraudulent conveyance, fraudulent transfer or preferential transfer, (2) the subordination of the Lender's first priority lien on the Collateral securing the Charter School Loan as a result of the application of the doctrine of equitable subordination or (3) any other matter that would otherwise have been covered by the title insurance policy but for the fact the title insurance company was unwilling to provide the 1970 policy jacket without exclusion for creditors rights.

1.2 Each Guarantor further agrees to pay the Lender, upon demand, all losses and reasonable costs and expenses, including attorneys' and legal assistants' fees incurred in connection with any trial or appellate proceedings or otherwise, that may be incurred by the Lender in exercising its rights and remedies with respect to payment of the Guaranteed Obligations or its other rights and remedies against Guarantors under this Guaranty. Each Guarantor understands, agrees and confirms that Lender may enforce this Guaranty up to the full amount of the Guaranteed Obligations against such Guarantor without proceeding against the Borrowers, against any security for the Guaranteed Obligations or against any other Guarantor. Each Guarantor irrevocably, absolutely and unconditionally, and

jointly and severally with each other Guarantor, promises to pay such Guaranteed Obligations to Lender on demand. This Guaranty shall constitute a guaranty of payment and performance and not of collection.

1.3 Each Guarantor irrevocably, absolutely and unconditionally, and jointly and severally with each other Guarantor, guarantees the payment of any and all Guaranteed Obligations, whether or not due or payable by the Borrowers upon the occurrence of any of the following events: (i) any Borrower or Guarantor shall commence a voluntary case concerning itself under any bankruptcy Law; or (ii) an involuntary case under any such Law shall be commenced against any Borrower or Guarantor, and the petition shall not have been controverted within thirty (30) calendar days, or dismissed within sixty (60) calendar days, after commencement of the case; or (iii) a custodian shall be appointed for, or shall take charge of, all or substantially all of the property of any Borrower or Guarantor; or (iv) any Borrower or Guarantor shall commence any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar Law of any jurisdiction whether now or hereafter in effect relating to any such Borrower or Guarantor; or (v) there shall be commenced against any Borrower or Guarantor any such proceeding which remains undismissed for a period of sixty (60) calendar days, or any Borrower or Guarantor shall be adjudicated insolvent or bankrupt; or (vi) any order of relief or other order approving any such case or proceeding shall be entered; or (vii) any Borrower or Guarantor shall suffer any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of sixty (60) calendar days; or (viii) any Borrower or Guarantor shall make a general assignment for the benefit of creditors; or (ix) any Borrower or Guarantor shall admit in writing its inability to pay its debts as they become due; or (x) any corporate action shall be taken by any Borrower or Guarantor for the purpose of effecting any of the foregoing.

1.4 If any obligation of any Guarantor under Section 1.1 above is at any time and for any reason void or unenforceable, each Guarantor, as an additional and independent obligation, hereby agrees to individually indemnify and hold harmless Lender against and from any and all loss, reasonable cost, damage or expense (including reasonable attorneys' fees in all trial, bankruptcy and appellate proceedings, and whether or not litigation has been commenced) suffered or incurred by Lender as a result of any such obligation being void or unenforceable against any such Guarantor, and each Guarantor expressly agrees that in such event each Guarantor shall be jointly and severally liable to Lender as a principal obligor on the Notes and other Credit Documents to the same extent as if such Guarantor had been an original signer and obligor thereof and said instruments were fully enforceable as written against such Guarantor.

## Section 2. Liability of Guarantors Absolute.

The liability of each Guarantor hereunder is primary, absolute, and unconditional, and joint and several with each other Guarantor, and is exclusive and independent of any security for or other guaranty of the indebtedness of the Borrowers, whether executed by such Guarantor, any other Guarantor or by any other party, and the liability of each Guarantor hereunder shall not be affected or impaired by any circumstance or occurrence whatsoever, including, without limitation: (a) any direction as to application of payment by the Borrowers or any other party; (b) any other continuing or other guaranty, undertaking or maximum liability of any Guarantor or of any other party as to the Guaranteed Obligations; (c) any payment on or in reduction of any such other guaranty or undertaking; (d) any merger or consolidation involving any Borrower or Guarantor, any sale, assignment, transfer, conveyance or issuance of any stock or any other equity interest in any Borrower or Guarantor, or any sale, assignment, transfer or conveyance by any Guarantor or any other person of all or any part of his interest in any Borrower or Guarantor or any dissolution, termination or increase, decrease or change in personnel by any Borrower or Guarantor; (e) the failure of any Guarantor to receive any benefit from or as a result of its execution, delivery and

performance of this Guaranty; (f) any payment made to Lender on the indebtedness which Lender repays any Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each Guarantor hereby irrevocably waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding; (g) any action or inaction by Lender as contemplated in Section 5; or (h) any invalidity, rescission, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of any security therefor.

Section 3. Obligations of Guarantors Independent.

Each Guarantor is jointly and severally liable with each Borrower and with each other Guarantor for the full and prompt payment and performance of all of the Guaranteed Obligations. The obligations of each Guarantor hereunder are independent of the obligations of any other Guarantor or any Borrower and a separate action or actions may be brought and prosecuted against any Guarantor whether or not action is brought against any other Guarantor or any Borrower and whether or not any other Guarantor or any Borrower be joined in any such action or actions.

Section 4. Waivers by Guarantors.

4.1 Each Guarantor hereby irrevocably waives (to the fullest extent permitted by applicable Law) notice of acceptance of this Guaranty and notice of the existence, creation or incurrence of any new or additional liability to which it may apply, and irrevocably waives promptness, diligence, presentment, demand of payment, demand for performance, protest, notice of dishonor or nonpayment of any such liabilities, notice of the occurrence of a default under the Notes or other Credit Documents, suit or taking of other action by Lender against, and any other notice to, any party liable thereon (including any Guarantor or Borrower) and each Guarantor further hereby irrevocably waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice or proof of reliance by Lender upon this Guaranty, and the Guaranteed Obligations shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified, supplemented or waived, in reliance upon this Guaranty.

4.2 Each Guarantor hereby irrevocably waives any right to require Lender to: (i) proceed against any Borrower, any Guarantor or any other party; (ii) proceed against or exhaust any security held from any Borrower, any Guarantor or any other party; or (iii) pursue any other remedy in Lender's power whatsoever. Each Guarantor hereby further irrevocably waives any defense based on or arising out of any defense of any Borrower, any Guarantor or any other party other than payment in full in cash of the Guaranteed Obligations, including, without limitation, any defense based on or arising out of the disability of any Borrower, any Guarantor or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Borrower other than payment in full in cash of the Guaranteed Obligations. Lender may, at its election, foreclose on any Collateral serving as security held by Lender by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable Law), or exercise any other right or remedy Lender may have against any Borrower, any Guarantor or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder. Each Guarantor hereby irrevocably waives any defense arising out of any such election by Lender, including the defense to enforcement of this Guaranty by virtue of any "anti-deficiency" statutes and their application following a non-judicial foreclosure sale, even though such election operates to impair or extinguish any right of reimbursement, contribution, indemnification or subrogation or other right or remedy of such Guarantor against any Borrower, any other Guarantor or any other party or any security.

4.3 Each Guarantor has knowledge and assumes all responsibility for being and keeping itself informed of each Borrower's financial condition, affairs and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which each such Guarantor assumes and incurs hereunder, and has adequate means to obtain from each Borrower on an ongoing basis information relating thereto and each Borrower's ability to pay and perform its respective Guaranteed Obligations, and agrees to assume the responsibility for keeping, and to keep, so informed for so long as this Guaranty is in effect. Each Guarantor acknowledges and agrees that (i) Lender shall have no obligation to investigate the financial condition or affairs of any Borrower for the benefit of any Guarantor nor to advise any Guarantor of any fact respecting, or any change in, the financial condition, assets or affairs of any Borrower that might become known to Lender at any time, whether or not Lender knows or believes or has reason to know or believe that any such fact or change is unknown to such Guarantor, or might (or does) increase the risk of such Guarantor as guarantor hereunder, or might (or would) affect the willingness of such Guarantor to continue as guarantor of the Guaranteed Obligations hereunder and (ii) Lender shall have no duty to advise any Guarantor of information known to it regarding any of the aforementioned circumstances or risks.

4.4 Each Guarantor warrants and agrees that each of the waivers set forth in this Section 4 is made voluntarily and intentionally with full knowledge of its significance and consequences and that if any of such waivers are determined to be contrary to any applicable Law or public policy, such waivers shall be effective only to the maximum extent permitted by applicable Law.

4.5 Each Guarantor hereby irrevocably waives (to the fullest extent permitted by applicable Law) the benefits of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by any Borrower or other circumstance which operates to toll any statute of limitations as to any Borrower shall operate to toll the statute of limitations as to each Guarantor.

4.6 Each Guarantor hereby acknowledges and agrees that neither Lender nor any other person or entity shall be under any obligation (a) to marshal any assets in favor of any Guarantor or in payment of any or all of the liabilities of any Borrower under the Credit Documents or the obligation of any Guarantor hereunder or (b) to pursue any other remedy that any Guarantor may or may not be able to pursue itself, any right to which each Guarantor hereby irrevocably waives.

#### Section 5. Rights of Lender.

5.1 Lender may (except as shall be required by applicable statute and cannot be waived) at any time and from time to time without the consent of, or notice to, any Guarantor, without incurring responsibility to any Guarantor, without impairing or releasing the obligations or liabilities of any Guarantor hereunder, upon or without any terms or conditions and in whole or in part:

(a) change the manner, place or terms of payment of, and/or change, increase or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including, without limitation, any increase or decrease in the rate of interest thereon or the principal amount thereof), any security therefor, or any liability incurred directly or indirectly in respect thereof, and the guaranty herein made shall apply to the Guaranteed Obligations as so changed, extended, increased, accelerated, renewed or altered;

(b) exercise or refrain from exercising any rights against any Borrower, any Guarantor or any other obligor or otherwise act or refrain from acting;

(c) release or substitute any one or more endorsers, any Guarantor, any Borrower or any other obligors;

(d) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of any Borrower to creditors of such Borrower other than Lender;

(e) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of any Borrower to Lender regardless of what liabilities of such Borrower remain unpaid;

(f) consent to or waive any breach of, or any act, omission or default under, any of the Credit Documents or any of the instruments or agreements referred to therein, or otherwise amend, modify or supplement any of the Credit Documents or any of such other instruments or agreements;

(g) enforce this Guaranty as to any one or more breaches either separately or cumulatively;

(h) act or fail to act in any manner which may deprive any Guarantor of its right to subrogation against any Borrower to recover full indemnity for any payments made pursuant to this Guaranty; and/or

(i) take any other action or omit to take any other action which would, under otherwise applicable principles of common law, give rise to a legal or equitable discharge of any Guarantor from its liabilities under this Guaranty (including, without limitation, any action or omission whatsoever that might otherwise vary the risk of any Guarantor or constitute a legal or equitable defense to or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against any Guarantor).

5.2 No invalidity, illegality, irregularity or unenforceability of all or any part of the Guaranteed Obligations, the Credit Documents or any other agreement or instrument relating to the Guaranteed Obligations or of any guarantee therefor shall affect, impair or be a defense to this Guaranty, and this Guaranty shall be primary, absolute and unconditional notwithstanding the occurrence of any event or the existence of any other circumstances which might constitute a legal or equitable discharge of a surety or guarantor except payment in full in cash of the Guaranteed Obligations.

#### Section 6. Continuing Guaranty.

This Guaranty is a continuing one and all liabilities to which it applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. No failure or delay on the part of Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly specified are cumulative and not exclusive of any rights or remedies which Lender would otherwise have. No notice to or demand on any Guarantor in any case shall entitle any Guarantor to any other further notice or demand in similar or other circumstances or constitute a waiver of the rights of Lender to any other or further action in any circumstances without notice or demand. It is not necessary for Lender to inquire into the capacity or powers of any Borrower or its respective officers,

directors, partners or agents acting or purporting to act on its behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

Section 7. Subordination of Indebtedness Held by Guarantors.

Any indebtedness of any Borrower now or hereafter held by any Guarantor is hereby subordinated to the indebtedness of each Borrower to Lender; and such indebtedness of such Borrower to any such Guarantor, after an Event of Default has occurred and is continuing, shall be collected, enforced and received by such Guarantor as trustee for Lender and be paid over to Lender whether acting by itself or on account of the Indebtedness of such Borrower to Lender, but without affecting or impairing in any manner the liability of such Guarantor under the other provisions of this Guaranty. Prior to the transfer by any Guarantor of any note or negotiable instrument evidencing any Indebtedness of any Borrower to such Guarantor, such Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination. Without limiting the generality of the foregoing, each Guarantor hereby agrees with Lender that it will not exercise any right of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the Bankruptcy Code or otherwise) until all Guaranteed Obligations have been irrevocably paid in full in cash; provided, that if any amount shall be paid to such Guarantor on account of such subrogation rights at any time prior to the irrevocable payment in full in cash of all the Guaranteed Obligations, such amount shall be held in trust for the benefit of Lender and shall forthwith be paid to Lender to be credited and applied upon the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Documents or, if the Credit Documents do not provide for the application of such amount, to be held by Lender as collateral security for any Guaranteed Obligations thereafter existing.

Section 8. Representations and Warranties.

In order to induce the Lender to make the Charter School Loan, each Guarantor makes the following representations, warranties and agreements, as applicable, as of the date hereof, all of which shall survive the execution and delivery of the Notes and the other Credit Documents:

8.1 Legal Status of Guarantors. Each Guarantor (i) is duly organized, validly existing, and in active status under the Laws of the jurisdiction of its organization or incorporation, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged and proposes to engage and (iii) is duly qualified and is authorized to do business and is in active status in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification.

8.2 Power and Authority of Guarantors. Each Guarantor has the power and authority to execute, deliver and perform the terms and provisions of this Guaranty and each of the other Credit Documents to which it is a party and has taken all necessary action to authorize the execution, delivery and performance by it of each such Credit Document. Each Guarantor has duly executed and delivered this Guaranty and each of the other Credit Documents to which it is a party, and each such Credit Document constitutes its legal, valid and binding obligation enforceable in accordance with its terms.

8.3 No Violation. Neither the execution, delivery or performance by any Guarantor of this Guaranty or any other Credit Document to which it is a party, nor compliance by it with the terms and provisions hereof and thereof, nor the use of the proceeds of the Loans, nor the consummation of the transactions contemplated herein or therein will (i) contravene any provision of any Law, (ii) conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien of any nature whatsoever upon any of the property or assets of any Guarantor pursuant to the

terms of, any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument to which any Guarantor is a party or by which it or any of its properties or assets is bound or to which it may be subject or (iii) violate any provision of the constituent documents of any Guarantor.

8.4 Compliance with Laws. Each Guarantor is in compliance with all applicable Laws (including those pertaining to the Americans with Disabilities Act) of, and all applicable restrictions imposed by, all Governmental Authorities, in respect of the conduct of its business and the ownership of its property.

8.5 Governmental Approvals. No Governmental Approval (except as have been obtained or made and are in full force and effect) is required to authorize, or is required in connection with, (i) the execution, delivery and performance by any Guarantor of this Guaranty or any other Credit Document to which it is party or (ii) the legality, validity, binding effect or enforceability against any Guarantor of this Guaranty or any such other Credit Document.

8.6 Litigation. There is no litigation, action, suit, investigation, claim or proceeding pending against any Guarantor before any court, Governmental Authority or arbitrator that could reasonably be expected to have a Material Adverse Effect or that purports to affect the legality, validity, binding effect or enforceability of this Guarantor or any other Credit Document to which it is party or the consummation of any of the transactions contemplated hereby.

8.7 School Leases. The applicable Guarantors have accepted possession of the Properties and are operating the Schools as more particularly described in Credit Agreement. Except as set forth in the Credit Agreement, the School Leases have not been amended or modified. The School Leases are enforceable, in full force and effect and represent the entire agreement between the applicable Guarantors and the Borrowers with respect to the Properties. The applicable Guarantors (i) have not received any notice of cancellation or termination under such School Leases and such Guarantors have no right of termination or cancellation under said School Leases, (ii) have not received any notice of a breach or default under such School Leases, and (iii) have not assigned nor granted to any other Person any rights, adverse or otherwise, under any such School Lease. To the knowledge of the Guarantors, no event has occurred that, with the passage of time or the giving of notice, or both, would constitute a breach or default or permit termination, modification or acceleration under such School Leases. The applicable Guarantors are in peaceful and undisturbed possession of each Property, are paying Rent and there are no contractual or legal restrictions that preclude or restrict the use of same for the purposes for which they are currently being used.

8.8 Material Agreements. The Material Agreements (other than the School Leases) are enforceable, in full force and effect and represent the entire agreement between the parties thereto with respect to the subject matter thereof. The Guarantors have not received any notice of (i) cancellation or termination under such Material Agreements and no party thereto has a right of termination or cancellation under such Material Agreements except as specifically set forth therein, (ii) a breach or default under such Material Agreements, and (iii) an assignment or granting to any other Person of any rights in, adverse or otherwise, any such Material Agreements. To the knowledge of the Guarantors, neither party to such Material Agreements is in breach or default in any material respect and no event has occurred that, with the passage of time or the giving of notice, or both, would constitute such a breach or default or permit termination, modification or acceleration under such Material Agreements.

8.9 Financial Condition of Guarantors; No Material Adverse Change. The audited financial statements (which includes balance sheets and statement of activities and changes in net assets) of the Guarantors for the fiscal year ending December 2009, a true and correct copy of which has been



furnished to Lender, fairly present in all material respects the financial condition and results of operations of the Guarantors for the period covered thereby. All of the financial statements referred to in this Section 8.11 have been prepared in accordance with U.S. GAAP. Except as reflected in the financial statements referred to in this Section 8.11, there are no liabilities or obligations with respect to any Guarantor of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) known to any Guarantor which, either individually or in aggregate, could reasonably be expected to have a Material Adverse Effect. As of the date hereof, no Guarantor knows of any basis for the assertion against any Guarantor of any liability or obligation of any nature whatsoever which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

8.10 Pari Passu Obligations. The Guaranteed Obligations constitute senior, unconditional and unsubordinated Indebtedness of the Guarantors that rank at least *pari passu* in priority of payment with all other present and future unsubordinated obligations of the Guarantors.

8.11 Interest in Borrowers. Such Guarantor will not transfer, hypothecate, encumber, pledge or sell any direct or indirect interest held by it in any Borrower.

8.12 Tax Returns and Payments. Each Guarantor has filed all tax returns required to be filed by it and has paid all Taxes payable by it which have become due pursuant to such tax returns and all other Taxes and assessments payable by it which have become due. There is no action, suit, proceeding, investigation, audit or claim now pending, or to the best knowledge of each Guarantor, threatened by any Governmental Authority regarding any Taxes related to such Guarantor.

8.13 Compliance with Laws and Governmental Approvals, etc. Each Guarantor is in compliance with all applicable Laws, Governmental Approvals and Governmental Requirements of, and all applicable restrictions imposed by, all Governmental Authorities in respect of the conduct of its business and the ownership of its property (including applicable Laws, Governmental Approvals and Governmental Requirements and restrictions relating to environmental standards and controls). Each Guarantor has all of the necessary permits, licenses, accreditation, and other Governmental Approvals necessary for the operation of the Schools at the Properties.

8.14 Compliance with Material Agreements. Each Material Agreement to which any Guarantor is party is in full force and effect, and no Guarantor is in default under any provision thereof.

8.15 Fees and Enforcement. No fees or Taxes, including, without limitation, stamp, transaction, registration or similar Taxes, are required to be paid for the legality, validity, or enforceability of this Guaranty or any of the other Credit Document to which the Guarantors are party.

8.16 Investment Company Act. No Guarantor is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

8.17 True and Complete Disclosure. All factual information (taken as a whole) heretofore or contemporaneously furnished by or on behalf of any Guarantor for purposes of or in connection with this Guaranty or any transaction contemplated herein or in any other Credit Document is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of the Guarantors to the Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not materially incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. No Guarantor has knowledge of any fact contrary to any of the representations and warranties made by the Borrowers in the Credit Documents.

8.18 Benefit of Guaranty. Each Guarantor has received, or will receive, significant economic benefit from making this Guaranty and the making of the Loans to the Borrowers.

8.19 Solvency. As of the date hereof, and after giving effect to this Guaranty and the contingent obligations evidenced hereby, each Guarantor is and expects to be solvent at all times, and has and expects to have assets at all times that, fairly valued, exceed its or its obligations, liabilities and debts, and has and expects to have property and assets at all times sufficient to satisfy and repay its obligations and liabilities.

8.20 USA PATRIOT Act. No Guarantor or any of its affiliates is a "Prohibited Person" which is defined as follows:

(a) a person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order");

(b) a person or entity owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order;

(c) a person or entity with whom Lender is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering Law, including the Executive Order and the Patriot Act;

(d) a person or entity who commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order;

(e) a person or entity that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, <http://www.treas.gov/ofac/tlstdn.pdf> or at any replacement website or other replacement official publication of such list; and

(f) a person or entity who is affiliated with a person or entity listed above.

## Section 9. Covenants.

Each Guarantor hereby covenants and agrees, as applicable, that on the date hereof and thereafter for so long as this Guaranty is in effect and until the Guaranteed Obligations have been paid in full:

9.1 Information Covenants. Each Guarantor will furnish to Lender, as applicable:

(a) Guarantors' Quarterly Financial Statements. As soon as available and, in any event within sixty (60) days after the close of each quarterly accounting period in each fiscal year of the Guarantors, in the case of LMCS, consolidated CPA-prepared compilations and in the case of LMMS, consolidated company-prepared compilations as at the end of such quarterly accounting period and the related consolidated statements of income and retained earnings and statement of cash flows for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, in each case setting forth comparative figures for the corresponding quarterly accounting period in the prior fiscal year, all of which shall be certified in the case of LMCS, by a CPA, together with a report of such CPA stating that in the course of preparing the financial statements required

under this Section 9.1(a), such CPA obtained no knowledge of any Default or an Event of Default relating to financial or accounting matters which has occurred and is continuing or, if in the opinion of such CPA such a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof.

(b) LMCS's Annual Financial Statements. As soon as available and, in any event within one hundred and twenty (120) days after the close of each fiscal year of LMCS, the consolidated CPA-prepared annual audited financial statement of LMCS as at the end of such fiscal year and the related consolidated statements of income and retained earnings and statement of cash flows for such fiscal year setting forth comparative figures for the preceding fiscal year and certified by a CPA, together with a report of such CPA stating that in the course of its regular audit of the financial statements of LMCS, which audit was conducted in accordance with generally accepted auditing standards, such CPA obtained no knowledge of any Default or an Event of Default relating to financial or accounting matters which has occurred and is continuing or, if in the opinion of such accounting firm such a Default or an Event of Default has occurred and is continuing, a statement as to the nature thereof.

(c) LMMS's Annual Tax Returns. Within thirty (30) days after the timely filing thereof, but in no event later than October 15 of each year, a copy of LMMS's federal income tax return and any extension filed in connection therewith for the prior year.

(d) Other Financial Reports. As soon as available, such other financial statements or reports, budgets, projections, performance reports or other similar documentation or information required to be delivered or prepared by the Guarantors pursuant to the Material Agreements or for the operation of the Schools, as the Lender may reasonably require.

(e) Officer's Certificates. At the time of the delivery of the financial statements with respect to the Guarantors provided for in this Section 9.1, a certificate of a duly authorized officer of the Guarantors, as applicable, to the effect that, to the best of such person's knowledge, after due inquiry, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof, which certificate shall set forth the calculations required to establish whether the Guarantors are in compliance with the provisions of Section 9.10 at the end of such fiscal quarter or year, as the case may be.

(f) Notice of Default or Litigation. Promptly, and in any event within five (5) Business Days after an officer of the Guarantor obtains knowledge thereof, written notice of (i) the occurrence of any event which constitutes a Default or Event of Default, (ii) any litigation or governmental proceeding pending or threatened (x) against any Guarantor which could reasonably be expected to have a Material Adverse Effect or (y) with respect to any Credit Document to which such Guarantor is party, and (iv) any other event which could reasonably be expected to have a Material Adverse Effect.

(g) Other Notices. Within twenty (20) days after an officer of a of the Guarantor obtains actual knowledge thereof or receives such notice, as applicable: (i) any material and adverse notice relating to the Schools, School Leases or other Material Agreements, including, without limitation, any notice of cancellation or termination thereof or default thereunder; (ii) any amendment or modification to such School Leases or other Material Agreements; (iii) notice of the opening of a new school by the Guarantors or the opening of a new school in the vicinity of the Schools; (iv) notice of the revocation or suspension, or threatened revocation or suspension, of any licenses, permits, accreditation or other Governmental Approvals necessary for the operation of the Schools; (v) notice of any new charter agreement made by any Guarantor and (vi) such other notices as the Lender may reasonably require.

(h) Other Information. From time to time, such other information or documents (financial or otherwise) as Lender may reasonably request.

9.2 Books, Records and Inspections. Each Guarantor will keep proper books of record and account in which full, true and correct entries in conformity with U.S. GAAP and all requirements of Law will be made of all dealings and transactions in relation to its business and activities. Each Guarantor will permit officers and designated representatives of Lender to visit and inspect, under guidance of officers of the Guarantors, any of the properties of such Guarantor and to examine and make copies of the books of record and account of such Guarantor and to examine and make such Guarantor with, and be advised as to the same by, its officers, all at such reasonable times and intervals and to such reasonable extent as the Lender may request.

9.3 Compliance with Laws and Approvals. Each Guarantor will comply, and will immediately upon demand provide Lender evidence of compliance, with all Laws, Governmental Requirements and Governmental Approvals held by or binding upon such Guarantor or its assets, and all applicable restrictions imposed by, all Governmental Authorities, domestic or foreign, in respect of the conduct of its business, the ownership of its property and all time frames for public reporting of all budgetary and financial compliance. Without limiting the foregoing, the Guarantors will do all things necessary to maintain, and renew, in full force and effect, from time to time, as necessary, all permits, licenses, accreditation, and other Governmental Approvals necessary for the operation of the Schools at the Properties.

9.4 Performance of Obligations. Each Guarantor will perform all of its obligations under (i) this Guaranty and each other Credit Document to which it is a party, or by which it is bound.

9.5 Performance under the Material Agreements. The Guarantors will do all things necessary to maintain, and renew, in full force and effect, from time to time, as necessary, the Material Agreements. Without limiting the foregoing, the Guarantors covenant and agree to exercise such skill and diligence as will provide Rents sufficient to pay all expenses of the operation, maintenance and repair of the Properties. The Guarantors will not: (i) amend, modify or terminate, or permit the amendment, modification or termination of, any provision of any Material Agreement, (ii) amend, modify or change, or permit the amendment, modification or change of, any provision of its certificate of organization, operating agreement or other organizational documents, or (iii) amend, modify or change, or permit the amendment, modification or change of, any provision of any agreement entered into by it, with respect to its Capital Stock. The Guarantors will not suffer or permit any breach or default to occur and remain uncured in excess of the applicable cure period in the Material Agreements with respect to any obligations of the Guarantors under any of the Material Agreements nor suffer or permit the same to terminate by reason of any failure of any Guarantor to meet any requirement of any such Material Agreement.

9.6 Compliance with Credit Documents. Each Guarantor will (a) take all action within its control to cause each Borrower to comply with its respective obligations under the Credit Documents to which it is a party and (b) refrain from taking any action which violates or is inconsistent with any of the Credit Documents.

9.7 Taxes. Each Guarantor will pay and discharge or cause to be paid and discharged all applicable Taxes, assessments and governmental charges or levies imposed upon it or upon any of its income or profits or upon any of its property, real, personal or mixed or upon any part thereof, when due, as well as all lawful claims for labor, materials and supplies that, if unpaid might by applicable Law become a Lien upon such property.

9.8 Maintenance of Corporate Franchises and Governmental Approvals. Each Guarantor will do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, licenses, patents and Governmental Approvals.

9.9 Pari Passu Obligations. The Guaranteed Obligations will constitute senior, unconditional and unsubordinated Indebtedness of each Guarantor and will at all times rank at least *pari passu* in priority of payment with all other present and future unsubordinated obligations of such Guarantor.

9.10 Financial Covenants.

(a) The Guarantors will maintain, together with the Borrowers and the Original Guarantors, a Debt Service Coverage Ratio as of the last day of any calendar quarter and period of four consecutive fiscal quarters, taken as one accounting period, of no less than 1.25: 1.00.

(b) The Guarantors will maintain an EBITDAR to Lease Expense Ratio as of the last day of any calendar quarter and period of four consecutive fiscal quarters, taken as one accounting period, of no less than 1.10:1.00.

9.11 Deposits. The Guarantors covenant, as an inducement for Lender to make the Loans to the Borrowers and recognizing that the terms and conditions of the Loans proposed have been structured in reliance thereon, that for so long the Guaranteed Obligations shall be outstanding, Lender shall be the primary depository for the operating, management and other deposit accounts of the Guarantors. Prior to the Charter School Loan Closing Date, the Guarantors shall have opened such accounts with the Lender and transfer all funds held at any other bank or other financial institution to the appropriate accounts maintained with the Lender. The Guarantors recognize that this covenant was an important factor and a material inducement to Lender in making the Loans to the Borrowers. Furthermore, the Guarantors will invite the Lender to host "employee" information days, where the Lender can share its banking products with employees and answer general banking questions.

9.12 Future Financing. Each of the Guarantors and their respective Affiliates, shall grant to the Lender first right, at the Lender's sole option, to finance (directly or through its affiliates and agencies) the expansion and growth of the Lincoln-Marti charter school system in the local market; provided, however, nothing herein shall constitute or give rise to any obligation on the part of the Lender to provide any such financing.

Section 10. Payments.

All payments made by any Guarantor hereunder will be made without setoff, counterclaim or other defense and on the same basis as payments are made by the Borrowers under the Notes.

Section 11. Reinstatement.

If any claim is ever made upon Lender for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations and any of the aforesaid payees repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over such payee or any of its property or (ii) any settlement or compromise of any such claim effected by such payee with any such claimant (including, without limitation, the Borrowers or any other party), then and in such event each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of the Notes or any other instrument evidencing

any liability of the Borrowers, and such Guarantor shall be and remain liable to the aforesaid payees hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by any such payee.

Section 12. Limitations on Guaranteed Obligations.

Each Guarantor and Lender (by its acceptance of the benefits of this Guaranty) hereby confirms that it is such person's intention that this Guaranty not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Code, the Uniform Fraudulent Conveyance Act of any similar Federal or state law. To effectuate the foregoing intention, each Guarantor and Lender (by its acceptance of the benefits of this Guaranty) hereby irrevocably agrees that the Guaranteed Obligations guaranteed by such Guarantor shall be limited to such amount as will, after giving effect to such maximum amount and all other (contingent or otherwise) liabilities of such Guarantor that are relevant under such laws, result in the Guaranteed Obligations of such Guarantor in respect of such maximum amount not constituting a fraudulent transfer or conveyance.

Section 13. Miscellaneous.

13.1 Payment of Expenses. Each Guarantor, jointly and severally with each other Guarantor, hereby agrees to: (i) pay all out-of-pocket costs and expenses of Lender in connection with the enforcement, workout, restructuring or other negotiation (whether or not the workout, restructuring or other transaction contemplated thereby is consummated) of or in connection with this Guaranty (including, without limitation, the reasonable fees and disbursements of counsel for Lender); (ii) pay and hold Lender harmless from and against any and all present and future stamp and other similar Taxes with respect to the foregoing matters and save Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to Lender) to pay such Taxes; and (iii) indemnify Lender, and its respective officers, directors, employees, representatives and agents (each, an "indemnified person") from and hold each of them harmless against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including, without limitation, the reasonable fees and disbursements of counsel) (collectively, "Losses") incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not the indemnified person is a party thereto) related to the entering into and/or performance of this Guaranty or the consummation of any transactions contemplated herein, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such Losses to the extent determined by the final and non-appealable judgment of a court of competent jurisdiction to have been caused by the gross negligence or willful misconduct of such indemnified person).

13.2 Right of Set Off. In addition to any rights now or hereafter granted under applicable Law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Guarantor or to any other person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by Lender (including, without limitation, by branches and agencies of Lender wherever located) to or for the credit or the account of each Guarantor against and on account of the Guaranteed Obligations owing to Lender, and all other claims of any nature or description arising out of or connected with this Guaranty or any other Credit Document, irrespective of whether or not Lender will have made any demand hereunder and although said Guaranteed Obligations, or any of them, will be contingent or unmatured.

13.3 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including facsimile) and faxed or delivered:

(a) if to the Guarantors, at the following address:

2700 SW 8 Street  
Miami, FL 33135  
Attention: Demetrio Perez, Jr.  
Facsimile: (305) 649-2767  
Telephone: (305) 643-4888

(b) if to Lender, at the following address:

Regions Bank  
2800 Ponce de Leon Blvd., 9th Floor  
Coral Gables, FL 33134  
Attention: Roberto Munoz  
Facsimile: (305) 774-5189  
Telephone: (305) 774-5141

or at such other address as shall be designated by such party in a notice to the other parties hereto. All such notices and communications shall, when telegraphed, telexed, faxed, or cabled or sent by reputable overnight courier, be effective when delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or facsimile, appropriate answerback or confirmation received, except that notices to the Lender shall not be effective until received by the Lender.

13.4 Benefit of Agreement. This Guaranty shall be binding upon each Guarantor and its respective successors and assigns and shall inure to the benefit of Lender and its successors and assigns, provided that no Guarantor may assign or transfer any of its rights or obligations hereunder without the prior written consent of Lender. This Guaranty shall follow the Notes and other Credit Documents which are for the benefit of Lender, and, in the event the Notes and other Credit Documents are negotiated, sold, transferred, assigned or conveyed by Lender in whole or in part, this Guaranty shall be deemed to have been sold, transferred, assigned or conveyed by Lender to the holder or holders of the Notes and other Credit Documents, with respect to the Guaranteed Obligations contained therein, and such holder or holders may enforce this Guaranty as if such holder or holders had been originally named as Lender hereunder.

13.5 Governing Law; Submission to Jurisdiction; Venue.

(a) This Guaranty and the other Credit Documents and the rights and obligations of the parties hereunder and thereunder shall be construed in accordance with and be governed by the laws of the State of Florida. Any legal action or proceeding against any Guarantor with respect to this Guaranty or any other Credit Document may be brought in the courts of the State of Florida sitting in Miami-Dade County or of the United States for the Southern District of Florida, and, by execution and delivery of this Guaranty, each Guarantor hereby knowingly, voluntarily and intentionally irrevocably accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. Each Guarantor hereby further knowingly, voluntarily and intentionally irrevocably waives any claim that any such courts lack personal jurisdiction over it, and agrees not to plead or claim, in any legal action with respect to this Guaranty or any of the other Credit Documents brought in any of the aforementioned courts, that such courts lack personal jurisdiction over it. Each Guarantor further irrevocably consents, to the extent permitted by applicable Law, to the service

of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such Guarantor at its address set forth in Section 13.3, such service to become effective thirty (30) days after such mailing. Nothing in this Section 13.5(a) will affect the right of Lender to serve process in any other manner permitted by applicable Law or to commence legal proceedings or otherwise proceed against any Guarantor in any other jurisdiction.

(b) Each Guarantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Guaranty or any other Credit Document brought in the courts referred to in Section 13.5(a) and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Each Guarantor agrees, to the extent permitted by applicable law, that in any Proceeding arising out of or in connection with this Guaranty or any other Credit Document anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise), or from judgment shall be claimed by it or on its behalf or with respect to its assets. Each Guarantor agrees, to the extent permitted by applicable law, that it is and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under this Guaranty and each other Credit Document to which it is party.

13.6 Counterparts. This Guaranty may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

13.7 Amendment or Waiver. Neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated except with the written consent of each Guarantor and Lender. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom, or course of dealing, but solely by an instrument in writing duly executed by the parties hereto.

13.8 **WAIVER OF JURY TRIAL. EACH OF THE LENDER, BY ACCEPTANCE HEREOF AND THE GUARANTORS HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY OF, UNDER OR CONNECTION WITH THIS GUARANTY OR ANY OTHER CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY RELATING HERETO OR THERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER TO ENTER INTO THIS GUARANTY.**

13.9 Complete Agreement. This Guaranty and the other Credit Documents represent the final and complete agreement of the parties hereto, and all prior negotiations, representations, understandings, writings and statements of any nature are hereby superseded in their entirety by the terms of this Guaranty and the other Credit Documents.

13.10 USA PATRIOT Act; OFAC Regulations; Bank Secrecy Act.

(a) The Lender hereby notifies the Guarantors that, pursuant to the requirements of the United States Bank Secrecy Act (31 U.S.C. §5311 *et seq.*), the USA PATRIOT Act, United States Office of Foreign Assets Control rules and regulations and other applicable know-your-customer Laws, the Lender may be required to obtain, verify and record information that identifies each Guarantor, which information includes the name and address of each Guarantor and other information



that will allow the Lender to identify the Guarantor in accordance therewith. Each Guarantor hereby agrees to provide promptly to the Lender any of the foregoing information that the Lender is so required to obtain, verify or record.

(b) Each Guarantor will promptly notify the Lender of any changes to its certifications to the Lender under the USA PATRIOT Act.

13.11 Headings Descriptive; Principles of Construction.

(a) The headings of the several sections and subsections of this Guaranty are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Guaranty.

(b) All references to Sections are to Sections in this Guaranty unless otherwise specified. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Guaranty will refer to this Guaranty as a whole and not to any particular provision of this Guaranty.

13.12 Severability. If any clause, provision or section of this Guaranty is determined to be illegal, invalid or unenforceable by any court, the illegality, invalidity or unenforceability of such clause, provision, or section shall not affect any of the remaining clauses, provisions or sections hereof, and this Guaranty shall be construed and enforced as if such illegal, invalid or unenforceable clause, provision or section had not been contained herein. If any obligation, covenant or agreement contained in this Guaranty is held to be in violation of Law, then such obligation, covenant or agreement shall be deemed to be the obligation, covenant or agreement of the Guarantors to the full extent permitted by Law.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed to be effective as of the date first above written.

LINCOLN-MARTI CHARTERS SCHOOLS, INC.

By: 

Name: Martin Anorga

Title: President

LINCOLN-MARTI MANAGEMENT SERVICES,  
L.L.C.

By: \_\_\_\_\_

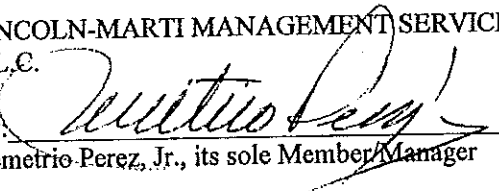
Demetrio Perez, Jr., its sole Member/Manager

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed to be effective as of the date first above written.

LINCOLN-MARTI CHARTERS SCHOOLS, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LINCOLN-MARTI MANAGEMENT SERVICES,  
L.L.C.

By:   
Demetrio Perez, Jr., its sole Member/Manager

## OFFICER'S CERTIFICATE

The undersigned, the President of LINCOLN-MARTI CHARTER SCHOOLS, INC., a not-for-profit corporation organized and existing under the laws of the State of Florida (the "Company"), DOES HEREBY CERTIFY that:

1. This Certificate is furnished pursuant to Section 4.1(c) of that certain Second Amendment to Credit Agreement dated as of the date hereof (the "Second Amendment"), which modifies that certain Credit Agreement dated as of September 22, 2008, as amended First Amendment to Credit Agreement dated as of October 31, 2008 (the "Original Credit Agreement," and together with the Second Modification, the "Credit Agreement"), by and among certain borrowers referenced therein and Regions Bank, an Alabama banking corporation, as lender. Unless otherwise defined herein, capitalized terms used in this Certificate shall have the meanings provided in the Credit Agreement.

2. Attached hereto as Exhibit "A" is a true, correct and complete copy of the Articles of Incorporation of the Company which is, as of the date hereof, in full force and effect. Except as set forth on said Exhibit A, no amendment to or restatement of the Company's Articles of Incorporation has been filed since the date set forth thereon and no action has been taken by the Company in contemplation of the filing of any amendment to or restatement of the Company's Articles of Incorporation.

3. Attached hereto as Exhibit "B" is a true, correct and complete copy of the Bylaws of the Company which is, as of the date hereof, in full force and effect. Except as set forth on said Exhibit B, no amendment to or restatement of the Company's Bylaws has been made since the date set forth thereon and no action has been taken by the Company in contemplation of any amendment to or restatement of the Company's Bylaws.

4. Attached hereto as Exhibit "C" is a copy of the certificate of status of the Company issued by the Secretary of State of the State of Florida.

5. Attached hereto as Exhibit "D" is a true, correct and complete copy of the resolutions duly adopted by Consent of all of the Board of Directors of the Company dated August 3, 2010 authorizing the execution, delivery and performance of the Credit Documents and the consummation of the transactions contemplated thereunder. Such resolutions are the only resolutions adopted by the Board of Directors of the Company with respect to such agreements and transactions and have not been amended, modified, revoked or rescinded as of the date hereof and remain in full force and effect. Such resolutions have been adopted in conformity with the Bylaws, and other organizational documents of the Company.

6. Attached hereto as Exhibit "E" is a true and correct copy of the 501(c)(3) determination letter to the effect that the Company is a Tax-Exempt Organization. The Company is in full compliance with all terms, conditions, and limitations, if any, contained in such determination letter, such status as a Tax-Exempt Organization has not been adversely modified, limited, or revoked, and the facts and circumstances which formed the basis for such determination letter, as represented to the Internal Revenue Service in the application for the determination letter, have not materially changed, and substantially exist for the Charter School Operator as of the date of this certificate. The Company is organized and operated exclusively for charitable purposes and not for pecuniary profit and no part of the net earnings of the Company inures to the benefit of any company, partnership, entity, private stockholder or individual.

2010.

IN WITNESS WHEREOF, I have executed and delivered this Certificate as of August 3,

By: 

Name: Martin Anorga

Title: President



*Lincoln-Marti Charter Schools*  
2700 SW 8<sup>th</sup> STREET, MIAMI, FLORIDA 33135  
VOICE 305.643.4888 • FACSIMILE 305.649.2767

October 21, 2011

**VIA HAND DELIVERY**

Mr. Julio Miranda, CPA, CFE, Asst. Chief Auditor  
Management and Compliance Audits  
Miami-Dade County Public Schools  
1450 NE 2<sup>nd</sup> Avenue, Suite 415  
Miami, Florida 33132

Dear Mr. Miranda:

I write in response to your letter of October 10, 2011 in which you brought two items to my attention: (1) the need for a corrective action plan to be enacted to correct the deficit identified in the June 30, 2011 financial statements of the Lincoln-Marti Charter Schools (Hialeah Campus); and (2) a concern regarding a loan guarantee noted in the Fiscal Year 2010-2011 audited financial statements of the three Lincoln-Marti Charter Schools campuses.

**1. Corrective Plan Required Pursuant to State Board of Education Rule 6A-1.0081 (3)(c), Lincoln-Marti Hialeah**

The fiscal year ended June 30, 2010 was the school's first year of operation. At that time the school has positive Net Assets of \$71,482 from its operation. However, there was a deficiency of \$465,772 because all capital assets had to be expensed in the first year of operation. This is a nonrecurring expense.

During the fiscal year ended June 30, 2011 the school had positive Net Assets of \$93,273, reducing the deficiency to \$372,499.

To resolve the deficiency, the Governing Board proposes the following:

1. The ESP has agreed to continue to waive its management fee until such time as the deficiency is eliminated.
2. The school will continue to increase the number of students being served.
3. The school will monitor expenses to prevent waste and spend only on absolutely necessary items.
4. The school has received a pledge from a donor who has committed to contribute sufficient funds to eliminate the existing deficiency.

Page 2 of 2  
October 21, 2011  
Mr. Julio Miranda, CPA, CFE

Based on the aforementioned plan of action, it is expected that the deficiency will be eliminated and the school will have positive, unrestricted net assets by the close of the fiscal year ending June 30, 2012.

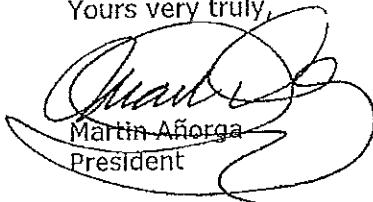
**2. Questions Regarding Loan Guarantee Per Notes to the Financial Statements**

After being apprised of your concerns, I consulted with the financial institution involved in this matter and it has agreed to release Lincoln-Martí Charter Schools, Inc. from this obligation.

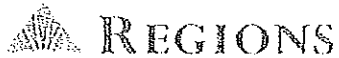
Attached is a letter dated October 20, 2011 from Ms. Angie Liaca, Senior Vice President, and Mr. Oscar Herrera, Vice President, documenting the institution's commitment to release Lincoln-Martí Charter Schools, Inc. from the transaction within 45 days to allow for the drafting and execution of the pertinent legal documents to effectuate same.

Thank you very much for the opportunity to provide this information. I trust that this information satisfactorily addresses the matters raised your correspondence that is the subject of this reply.

Yours very truly,

  
Martin Añorga  
President

Encl.



October 20, 2011

Mr. Martin N. Añorga  
Chairperson  
Lincoln Marti Charter Schools, Inc.  
2700 SW 8<sup>th</sup> Street  
Miami, FL 33135

Re: Modifications to existing loans

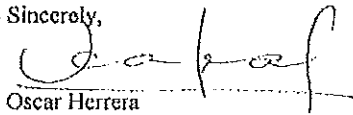
Mr. Añorga,


You have requested that Regions Bank release the guarantee of Lincoln Marti Charter Schools from the existing loans with Regions Bank. Your request is the result of your ongoing communication with Miami Dade County Public Schools on this matter pursuant to the letter you received from them dated October 10, 2011.

Please note that Regions Bank will release such guarantee subject to the execution of legal documentation in form and substance acceptable to Regions Bank to be completed within 45 days of the date hereof.

If you have any questions, please call me.

Sincerely,

  
Oscar Herrera  
Vice President

  
Angie Llacu  
Senior Vice President

---

Public/Institutional/Not-for-Profit Group  
2800 Ponce de Leon Boulevard, 9<sup>th</sup> Floor  
Coral Gables, FL 33134  
Phone: (305) 774-5119 Fax: (305) 774-5189



*Demetrio Pérez, Jr.*  
1541 Brickell Avenue, C-1606  
Miami, Florida 33129

August 1, 2011

Mr. Martín Añorga, President  
Lincoln-Marti Charter Schools  
2700 SW 8<sup>th</sup> Street  
Miami, Florida 33135

Dear Mr. Añorga:

I marvel at the incredible work that you are doing in conjunction with Messrs. Beltrán and Rodríguez, and the administration and faculty of the Lincoln-Marti Charter Schools (Hialeah Campus).

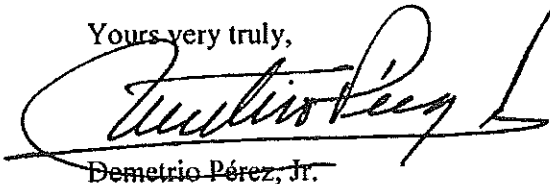
Allow me to congratulate all of you for the turn-around that you achieved at the school. The progress that was made is remarkable! I know that everyone involved put a lot of time and energy to ensure that the students learned and were successful.

My parents combined the names of Abraham Lincoln and José Martí with the aim of affording all children in our community the opportunity to receive a high quality education, irrespective of race, ethnicity, or socio-economic background. I know that they are proud to have the Lincoln-Marti name grace your organization and the work that you are doing.

In recognition of your efforts, which resulted in the school earning a grade of "A" from the Florida Department of Education based on the 2011 administration of the FCAT, I hereby pledge to donate a total of \$350,000.00 before the end of the 2011-2012 fiscal year to the Hialeah Campus' general fund account for use by the school in furtherance of its mission. This pledge will be paid in two installments; the first will be made by December 31<sup>st</sup> of this year in the amount of \$70,000.00, the second payment in the amount of \$280,000.00 will be paid by June 30, 2012.

I make this gift in honor of the memory of my parents, who were lifelong educators. I hope that this donation will lessen the effects of recent reductions in State funding for public education and allow this successful program to continue serving our community.

Yours very truly,



Demetrio Pérez, Jr.

*Lincoln-Marti Management Services*

2700 SW 8<sup>TH</sup> STREET, MIAMI, FLORIDA 33135

December 14, 2011

Martin Anorga, President  
Lincoln-Marti Charter Schools, Inc.  
2700 SW 8<sup>th</sup> Street  
Miami, Florida 33135

**RE: Lincoln-Marti Charter Schools (Hialeah Campus)**

Dear Mr. Anorga:

This letter shall confirm that Lincoln-Marti Management Services, L.L.C., which has an agreement with Lincoln-Marti Charter Schools (Hialeah Campus) to provide management services for the operation of the aforementioned charter school, hereby agrees to waive the management fee that it is owed under the agreement until such time as the school achieves a positive fund balance.

Thank you very much for the opportunity to provide this information and to continue to serve your school.

Yours very truly,

  
Demetrio Perez

Exhibit 7.20.4-13 (Cont. 4) (12-05-2006)  
Charter School Guide Sheet**CHARTER SCHOOL REFERENCE GUIDE**

This Reference Guide is keyed to the Charter School Guide Sheet numbering.

**Background**

Charter schools operate under a funding agreement (typically a charter) with a state or local government agency that provides them with public funds. Government involvement includes granting a charter to, funding and otherwise regulating charter schools. The charter sets forth requirements for which the school will be held accountable, but leaves the implementation of these requirements to the charter school's governing body. Typically, the governing body consists of the school's board of directors. A charter school that is operated wholly or predominantly from government funds or property under a funding agreement must meet the requirements of §§ 501(c)(3) and 170(b)(1)(A)(ii) to qualify as a tax-exempt school, except that it is not subject to the racial nondiscrimination provisions of Rev. Proc. 75-50, 1975-2 C.B. 587.

The predominant issue in charter school exemption applications is the possibility of impermissible private benefit to a management company. Therefore, the Charter School Guide Sheet is designed to examine whether the charter school is independent of the for-profit management company and whether the management agreement has been negotiated at arm's length. Arm's length describes a transaction between parties having adverse (or opposing) interests; where none of the participants are in a position to exercise substantial influence over the transaction because of business or family relationship(s) with more than one of the parties.

For example, a charter school's governing body is likely to be independent of a management company where (1) the board members are unaffiliated with the management company and consist of members of the community or persons who are otherwise qualified to serve on a school board; (2) the board members have authority over and are actively involved in major school policies, including the budget, curriculum, and hiring and firing; and (3) the board members negotiated with the management company before signing the management agreement.

Conversely, a charter school's governing body is less likely to be independent of a management company where (1) the management company was involved in forming the school and applying for its charter; (2) the board is controlled by the management company; (3) the board members have no authority under the management agreement over major school policies, including the budget, curriculum, and hiring and firing; (4) the management company directly employs key employees who provide services to the school; (5) the management agreement, or administrators' and teachers' contracts, provides that the school may not hire the administrators or teachers upon a termination of the management agreement; (6) the term of the management agreement is more than five years; and (7) the management agreement provides for a significant penalty on termination that would compromise the school's ability to terminate the agreement, such as a lump sum penalty or loss of facilities, equipment, curriculum, use of name, or similar penalty.

Since development of the issue of private benefit requires a consideration of all the relevant facts and circumstances, this is a lengthy Guide Sheet. Upon completion of the Guide Sheet, a conclusion should be drawn based on a weighing of all the relevant facts and circumstances.

**Formation and Operation**

- 1.a. Has the school begun operations or has it disclosed when it will begin operations?

**Exhibit 7.20.4-13 (Cont. 5) (12-05-2006)**  
**Charter School Guide Sheet**

Generally, the expected date of enrollment for students should be within one year for the organization to receive section 170(b)(1)(A)(ii) status.

1.b. Has the school provided the current or anticipated student enrollment figures?

The school should have enrollment or, if it is not yet operational, estimated enrollment, for purposes of determining section 170(b)(1)(A)(ii) status.

2.a. Has the school provided a copy of the charter application and approved charter?

We must have an approved charter or, if it has not yet been approved, a copy of the charter application, to approve a charter school. If there is a charter, it should still be in effect, and any renewals should be provided.

2.b. Was a detailed description of the curriculum provided?

A description of the curriculum is normally included in the charter application; if not, it should be requested for purposes of determining section 170(b)(1)(A)(ii) status.

2.c. Has Internet research been conducted regarding the school and its activities?

The specialist should conduct independent research on the Internet, including the school's website, if any, to confirm or supplement information submitted with the school's application for exemption.

**Management Company/Agreement**

3.a. Will the school engage a management company?

If the charter school will be operated directly without a management company, then you may stop here. The questions that follow in this Guide Sheet apply only to charter schools that engage management companies.

3.b. Is the management company a for-profit entity?

This Guide Sheet focuses on issues that are of special concern to a charter school that contracts with a management company, specifically the issue of private benefit. If the management company is an organization exempt under section 501(c)(3), the private benefit issue is significantly reduced. A nonprofit management company that is not exempt under section 501(c)(3) should be treated the same as a for-profit management company in a private benefit analysis.

4.a. Was a copy of the management agreement provided?

If the school is unable to provide a signed or draft management agreement, this is evidence that the school is not in a position to be able to fully describe its proposed activities.

Exhibit 7.20.4-13 (Cont. 6) (12-05-2006)  
Charter School Guide Sheet

4.b. Was the management agreement negotiated at arm's length?

The school should be asked to describe how the management agreement was negotiated at arm's length, including descriptions of any provisions that were resolved to ensure that the school was benefited rather than the management company. If the management agreement solely contains boiler-plate terms that are not specific to the school, this may be an indication that the terms of the contract were not the subject of negotiations between independent parties.

The following questions are intended to elicit whether the management company formed the school to purchase the services of the management company or whether two existing or otherwise independent organizations entered into a contract for services.

5.a. Did the management company apply for the charter, form the corporation, draft the by-laws, mail in Form 1023, or send the check for the user fee?

5.b. Was the management agreement entered into before the corporation was formed or the charter was applied for?

5.c. Did the same person sign the management agreement for the school and the management company?

5.d. If the school has legal representation, is it the same as the management company?

Representation of both the school and the management company by the same attorney may also be an indication of the absence of arm's length negotiations and perhaps the absence of an independent board.

5.e. Is the school's primary contact or power of attorney affiliated with the management company?

5.f. Were other management companies considered? Did they submit bids?

Competitive bidding, where the organization asks for bids from a number of different companies and selects the lowest bidder with the best services, presupposes an arm's-length relationship. Conversely, if the management company was instrumental in the creation of the school, the likelihood is increased that private interests will be served. While a formal competitive bidding process is not always necessary, the failure to consider the relative costs and services of different management companies is another indicator of private benefit.

5.g. Does the management company provide comprehensive services?

The provision of comprehensive services increases the likelihood of private benefit to the management company because it places much of the control over the day-to-day operations of the school in the hands of the management company, increases the amount payable by the school, and makes the school reliant on one supplier for almost everything, which makes it more difficult to terminate the contract with the management company.

**Exhibit 7.20.4-13 (Cont. 7) (12-05-2006)**  
**Charter School Guide Sheet**

5.h. Does the school have to be a 501(c)(3) in order to obtain a charter under that state's law?

Review the management agreement to determine whether there is a requirement that the school maintain its exempt status to qualify as a charter school. This circumstance is only troublesome if there is also evidence that the management company formed the school corporation, applied for the charter, or signed the management agreement on behalf of the school because it would further explain why the school operates as an arm of the management company.

**Franchise Indications**

These questions concern whether the formation of the school by the management company is part of a franchise where the agreements are all boilerplate, allowing little or no negotiation, the schools must all use a brand name, and the management company derives fees from the name and the curriculum, in addition to other compensation. A franchise would indicate a greater possibility for private benefit, because it allows the company to draw goodwill from the relationship, provides a form of free advertising, and builds name recognition without additional expense. It also makes it more difficult for the school to terminate the relationship with the management company, since it could lose rights to its name and the curriculum. See est of Hawaii, 71 T.C. 1067 (1979).

- 6.a. Were multiple applications filed at the same time, involving schools managed by the same management company?
- 6.b. If there are other similar schools who are applying at the same time, are the provisions in the agreements identical (boiler-plate)?
- 6.c. Is the address for the school the same as the address of the management company?
- 6.d. Does the management company require the use of a name by the school and payment of a fee for such use?
- 6.e. Does the school provide free advertisement of the management company's name on the website or facility?
- 6.f. Does the school have rights to use the curriculum for free?
- 6.g. Is the school allowed to keep any improvements it makes to the curriculum?

**Term and Termination Provisions**

These questions concern term and termination provisions in the management agreement. The crucial questions are whether the school has the ability to remove itself from the management agreement and continue operations, or whether that ability is severely impaired by the management and other agreements.

- 7.a. Is the term of the management contract equal to or longer than the term of the charter?
- 7.b. Is the term of the management contract longer than five years?
- 7.c. Is the management contract automatically renewable?

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The length of the contract, and any automatic renewal provisions, greatly influence the school board's ability to monitor and evaluate the management company's performance and need for flexibility to change companies, if necessary.

7.d. Are the termination provisions biased in favor of the management company?

If the management agreement is terminated, will the school have a facility, equipment, teachers, administrators, staff, and rights to its name and curriculum to allow it to continue operations?

7.e. Is there a non-compete clause in the management agreement or administrators' and teachers' contracts?

Although principals, teachers and staff may be employed directly by the management company rather than the school, the existence of a non-compete clause prevents the school from hiring the personnel that it has utilized in operating its school for a specific length of time after termination of the management agreement.

7.f. Does the agreement provide for an installment or lump-sum fee or other termination penalty based on start-up expenses, such as development and organizational costs?

7.g. Does the school have any rights to the curriculum if the management agreement is terminated?

7.h. If the management company requires the use of a name by the school, does the school have any rights to the name if the management agreement is terminated?

**Board of Directors**

These questions are directed to whether the school has an independent board of directors; in other words, structural independence from the management company.

8.a. Do any of the school board members have, or have they had, a family or business relationship with the management company or any of the owners of the management company?

The terms "family" and "business relationship" are defined in Appendix C: Glossary of Terms, Instructions for Form 1023.

8.b. Are the board members selected or appointed by the management company?

A board comprised of significant representation from the management company or members appointed by the management company increases the likelihood that the board is not independent.

8.c. Have résumés of the board of directors been provided?

Assurance that the school will be managed to achieve educational purposes and not for impermissible private benefit is strengthened when the board has experience relevant to the educational purposes.

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8.d. Are they members of the local community, including parents, teachers and community leaders?

A board comprised of parents, teachers and community leaders helps to assure structural independence.

8.e. Are the board's meetings held in the community where the school is located and open to the general public?

Board meetings open to the public and held in the community where the school is located help ensure that the community is actively involved in school matters.

8.f. Is there an advisory committee?

An advisory committee assists the board in obtaining expert opinion.

8.g. Is the board involved in the active oversight of the management company, the operations of the school, and major decisions concerning the school?

8.h. Does the board have the authority to set and approve the following major school policies: budget, curriculum, admissions procedures, student conduct, school calendars, and dispute resolution procedures?

8.i. Does the board have any responsibility for the day-to-day operations of the school?

8.j. Are the school's administrators, teachers, and similar key personnel employed by the school?

8.k. Does the board have the authority to hire and terminate school administrators, teachers and similar key personnel?

If the school does not retain a right to hire and terminate or a right of approval over hiring and terminating decisions involving the school's administrator, teachers, and similar key personnel, this means that the management company controls essential decisions that affect the accomplishment of the charitable program.

8.l. Does the board meet more than 2 times a year?

The board should be actively involved in the oversight of the operations of the school and the performance of the management company. One way to demonstrate active oversight is regular board meetings (two a year are not sufficient) evidenced by minutes of the meetings.

8.m. Have the minutes of each board meeting to date been provided?

8.n. Do the minutes reflect independent decision-making by the board?



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The minutes should document in some detail the issues discussed and the decisions made at each meeting.

8.o. Is the management company a liaison between the school and the chartering authority?

The board must retain ultimate responsibility for meeting the terms of the charter. If the management company acts as a liaison between the school and the chartering authority, this delegates responsibility from the school to the management company.

8.p. Does the management company have the right to attend or vote at board meetings?

While the presence of the management company at board meetings would be appropriate at the discretion of the board, a right to attend board meetings or to vote at board meetings would raise issues involving whether board operates independently from the management company.

**Fiscal Matters**

These questions concern whether the school board retains responsibility for the financial matters of the school and therefore is likely to take appropriate action to ensure the fiscal health of the school.

9.a. Does the board have procedures in place to ensure the fiscal health of the school?

Procedures would include periodic reviews of financial statements and the employment of an auditor that is independent of the management company.

9.b. Does the management agreement state who bears the risk that expenses will exceed revenues?

If the answer is No, the organization should be asked to clarify this aspect. The school should explain who bears the risk that expense will exceed revenues, and how any shortfall will be financed. Often, any excess of expenses over revenues will be deemed a loan financed by the management company payable upon termination of the agreement, rather than a contribution by the management company. In this circumstance, the school bears the risk that expenses will exceed revenues. This should be clarified in advance since it may indicate that the school is not capable of acting independently from the management company.

9.c. If the management company bears the risk that expenses will exceed revenues, is the excess of expense over revenues considered a loan to the school?

Where the management company gets almost all of the per pupil allocations from the school and is responsible for paying all the costs of the school, the management agreement should clarify whether the management company actually bears the risk of loss. On the other hand, if the management agreement requires the school to pay the shortfall, either during the term of the agreement or immediately at the termination of the agreement, this arrangement raises control and private benefit concerns.

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**Conflict of Interest Policy**

The existence of a conflict of interest policy, substantially in the form recommended by the Service, helps to provide assurance that the school will be operating to benefit the students rather than private interests.

10.a. Does the school have a conflict of interest policy covering its officers, directors, trustees, and members of committees with board-delegated authority that is similar to the policy recommended by the Service?

10.b. If the school has a conflict of interest policy, was a copy submitted?

**Reasonable Compensation**

11.a. Is the compensation arrangement with the management company consistent with industry practices and market rates?

The compensation arrangement with the management company is an indication of whether the management agreement was negotiated at arm's length, and therefore whether the school board is independent of the management company. The school board should explain how it arrived at the compensation arrangement in terms of both the specific arrangement and how it determined that the arrangement is consistent with industry practices and market rates.

11.b. Is the compensation based on total income, including all fees, grants, contributions, and unusual receipts?

Compensation based on total income irrespective of expenses creates the opportunity for the management company to reduce costs in order to increase its compensation, possibly at the expense of the education of the students. This method of compensation allows for the possibility of private benefit.

11.c. Does the agreement provide for an incentive fee (a percentage of the excess of revenues over expenditures of the school)?

Compensation based on the payment of an incentive fee creates the opportunity for the management company to reduce costs in order to increase its compensation, possibly at the expense of the education of the students. This method of compensation allows for the possibility of private benefit.

11.d. Does the management company keep most or all of any funds raised for the school?

With regard to the management company receiving the funds raised for the school, the management company should only be permitted to keep a reasonable portion of grants and contributions in the form of a fee for its services where it is directly responsible for the solicitation of, or otherwise provides services in connection with, grants, contributions, or fundraising events.

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## Ancillary Services/Contracts

Businesses typically deal with a number of different entities to purchase and lease the property and services they need. If most goods and services are purchased from one entity or a group of related entities, private benefit is more likely. Where the school has a web of related contracts with the management company and its affiliates, not only is the amount payable to the management company increased, it also makes the school reliant on one supplier for almost everything, and therefore the school's ability to remove itself from the management company is severely impaired. The school is completely dependent on one for-profit organization for its operations, to which it cedes so much control, that it only operates at the management company's sufferance. Therefore, agreements between the school and the management company (and its related entities) should be examined carefully to determine whether the terms were negotiated at arm's length or whether they are, in effect, compulsory contracts with a captive school board.

12.a. Does the management company or an affiliate provide any ancillary services to the school, such as cash advances, capital loans, facility or equipment leasing, technology contracting, furnishings, fixtures, textbooks, food, transportation, etc.?

12.b. If item 12a is Yes, were copies of any leases or other contracts provided?

12.c. If item 12a is Yes, were the leases or other contracts negotiated at arm's length?

The school should be asked to describe how the agreements were negotiated at arm's length, including descriptions of any provisions that were resolved to ensure that the school was benefited, rather than the provider.

12.d. If leased from the management company or an affiliate of the management company, is there a reason the facility is not leased directly by the school?

If the school is not leasing real and personal property directly from the owner of the property, but the management company or an affiliate is acting as a middleman, the reasons for doing so should be scrutinized. Frequently, the management company or an affiliate acts as a middleman between the owner of the facility and the school. The management company leases the premises and then subleases to the school. This is an opportunity for the management company or an affiliate to benefit by making an unreasonable profit from the sublease. It may be charging too much for the sublease or the sublease may have not been necessary. For example, the school may have been able to lease the facility directly from the owner. If the school could not lease appropriate property directly because of its financial situation, a sublease would be acceptable. But the profit to the management company shouldn't be more than that reasonably necessary to cover its additional administrative costs in connection with the sublease.

12.e. Is the cost of the lease to the management company or affiliate the same as the cost of the sublease to the school?

12.f. Is the lease at market rate?

12.g. Was an independent appraisal completed to determine a reasonable rental value for the property?

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12.h. If so, was a copy of the appraisal provided?

12.i. Are any of the agreements for services contingent upon the simultaneous execution of the management agreement, or do any agreements automatically terminate if any other agreement is terminated?

If any agreements are contingent upon the execution of other agreements, or that automatically terminate if another agreement is terminated, this is a factor that is indicative that the private interests of the management company are served. For example, if a termination of the management agreement by the school causes a default or termination of a loan agreement or real or personal property lease, the school could lose its facility and equipment, and immediately owe any money it had borrowed. The existence of such provisions would deter the school from terminating the relationship with the management company where it had valid reasons to do so out of fear of inability to continue operations.

**Government Involvement**

13. Does the school have reporting requirements to the chartering authority regarding the management company?

The governmental agency that grants the charter to the charter school, commonly called the chartering authority usually requires the school to submit curriculum, student performance, and financial reports to the chartering authority. Any governmental regulation over the management company and the management company's agreement with the school would help to alleviate concerns with any potential private benefit. The provisions of the charter or charter agreement should be looked at to determine the level of governmental regulation over the management company or agreement, if any. For example, is the charter agreement concerned primarily with the curriculum, students, and finances of the school, or does it also impose performance standards or other obligations on the part of the management company?

**Management Company is the Applicant**

14.a. Is the applicant a management company that provides services to one or more charter schools?

If the applicant is a non-profit entity that provides management services to one or more charter schools, the focus of the case is on the structure of the relationship between the applicant and the organizations to which it provides services. An organization formed to provide managerial services not substantially below cost to unrelated exempt organizations does not qualify for exemption under section 501(c)(3) of the Code since the provision of such services is a trade or business ordinarily carried on for profit. See Rev. Rul. 72-369, 1972-2 C.B. 245.

14.b. If item 14a is Yes, is there common structural and financial control among the charter schools and the management company?

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Under the rationale of Rev. Rul. 78-41, 1978-1 C.B. 148, the management company may qualify for exemption if it is an integral part of the charter schools to which it provides services. A management company could derivatively qualify for exemption as an integral part if (1) it performs essential services for the schools, and the services, if performed by the schools themselves, would not be an unrelated trade or business, and (2) the schools exercise sufficient control and close supervision, based on all the facts and circumstances, to establish the equivalent of a parent and subsidiary relationship. Facts and circumstances would include common control over the governing boards between the schools and the management company (structural control) and centralized authority over major financial decisions (financial control). See also Rev. Rul. 75-282, 1975-2 C.B. 201, and section 1.502-1(b)(1) and (2) of the Income Tax Regulations.

14.c. If item 14b is No, does or will the management company provide services at substantially below cost?

If the management company is providing services to unrelated section 501(c)(3) organizations, it could qualify for exemption if it is providing services to the schools at substantially below its cost. See Rev. Rul. 71-529, 1971-2 C.B. 234.

14.d. If item 14a is Yes, does the applicant hold any charters to operate any schools?

If the applicant, in addition to providing management services to unrelated charter schools also directly holds charters to operate schools, it would have to be determined whether the primary purpose and function of the applicant is the operation of schools or whether the primary purpose is the provision of management services. In the latter case, the applicant would not qualify for exemption unless it was providing management services to tax-exempt schools at substantially below cost. This question recognizes that an organization may engage in multiple activities, such as to both hold a charter and operate a school and to provide management services to unrelated schools.

14.e. If item 14a is Yes, is the management company claiming exemption as a "school" under sections 509(a)(1) and 170(b)(1)(A)(ii)?

Generally, a management company will not be classified as a "school" under sections 509(a)(1) and 170(b)(1)(A)(ii) since its primary activity is not the operation of a school, but, rather, it carries out specified functions on behalf of the school pursuant to a contractual relationship with the school in exchange for fees. If the management company otherwise qualifies for exemption under section 501(c)(3), it is more likely that its foundation status will be determined under section 509(a)(2) or (3).